



**The Goldman Sachs Group, Inc.**

# Annual Report

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# 2017

**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 men and women 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.

## Fellow Shareholders:

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Throughout most of 2017, the global economy generally expanded, reflecting growth in both developed and emerging market economies. In the United States, the economic recovery continued into its ninth year as the labor market steadily improved. Euro area economies strengthened even as measures of inflation remained subdued. In Asia, Japan experienced solid growth, boosted by the strength of its exports, while China grew robustly, in part due to the global recovery and the success of past policy changes.

For Goldman Sachs, generally higher asset prices and tighter credit spreads were supportive of mergers and underwriting as well as investing and lending activities. At the same time, low levels of volatility served as a headwind for our market-making businesses.

The diversity of our net revenue mix was instrumental in our performance for the year, with three of our four segments producing solid revenue growth leading to an overall increase in our net revenues. In 2017, we generated net revenues of \$32.1 billion, a five percent increase over 2016. During 2017, the Tax Cuts and Jobs Act (U.S. Tax Legislation) was enacted, resulting in a \$4.4 billion one-time estimated income tax expense. Excluding this expense, net earnings applicable to common shareholders grew 14 percent to \$8.1 billion, diluted earnings per common share of \$19.76 were 21 percent higher and our return on average common shareholders' equity (ROE) was 10.8 percent.<sup>1</sup>

We have delivered double-digit ROE in five out of the last six years, and for that sixth year, our ROE was 9.4 percent.<sup>2</sup> While we may not have a contract to deliver double-digit returns in every possible circumstance, our focus and intensity, including the way we manage expenses, demonstrate the importance we attach to shareholder returns.

### Inflection Points

This past year represented several points of inflection for our business and the industry. First, we appear to be moving from an environment of generally lower economic growth to one with stronger global growth and tighter labor markets. Second, central banks are shifting away from extraordinarily accommodative monetary policies — policies which have dampened market volatility — to, generally, more “normal” approaches. And third, we may be transitioning from an intense period of increasing layers of regulation to a focus on rationalizing redundancies and assessing costs and benefits.

Against this backdrop, we are focusing our energy on earnings growth — in particular, growth from consistent investments in our franchise; growth by broadening our client and product footprint; and growth through new initiatives where we have not previously competed. Through it all, we assess opportunities through a framework that responds to a clear client need, leverages the firm's core competencies including risk management and advice, and provides attractive, long-term shareholder returns.

<sup>1</sup> Including this expense, net earnings applicable to common shareholders were \$3.7 billion, diluted earnings per common share were \$9.01 and ROE was 4.9 percent.

<sup>2</sup> Excludes the one-time charge arising out of the U.S. Tax Legislation in 2017 and the settlement with the Residential Mortgage-Backed Securities Working Group of the U.S. Financial Fraud Enforcement Task Force in 2015.



**Lloyd C. Blankfein**  
Chairman and  
Chief Executive Officer  
*(left)*

**David M. Solomon**  
President and  
Chief Operating Officer  
*(right)*

To that end, in September 2017, we laid out a \$5 billion net revenue growth plan over the next three years. While the plan includes contributions from each of our businesses, this is not the limit of our ambitions. Importantly, these strategic initiatives are not dependent on any improvement in the current operating environment. That said, broader economic trends, market conditions and client conviction appear to be more favorable.

In this year's letter to our shareholders, we provide an overview of the progress we are making on our strategic growth initiatives across our major businesses. Underpinning these initiatives are significant investments in engineering, which are critical to driving the expansion of our client franchise. Our history of commitment to investing in technology has created a competitive advantage and is at the center of our efforts to enhance the client experience and improve operating efficiency and scale. We conclude the letter with some thoughts on the year ahead.

## Our Focus on Growth

### Investment Banking

We continue to have the preeminent global franchise in investment banking. In 2017, the business generated its second-highest net revenues since the firm's initial public offering in 1999, driven by the deep relationships that we have built with more than 8,000 clients over many decades. We ended the year ranked first in worldwide announced and completed mergers and acquisitions (M&A), and also ranked first in worldwide equity and equity-related offerings and common stock offerings.

To grow from here, we are increasing our coverage universe by approximately 1,000 companies, focusing on both private and public companies where we have significant room to build relationships. Of the new target clients, we have begun covering over 30 percent and expect to add the remainder in the next 12 to 18 months.

To put this opportunity into perspective, our announced M&A volume market share on transaction sizes greater than \$5 billion was approximately 50 percent in 2017. However, we had just over 10 percent share on transaction sizes of less than \$5 billion. These transactions tend to have fewer advisors and provide substantial financing opportunities.

We are also expanding our presence in North America, deploying more senior coverage bankers in major cities like Atlanta, Dallas, Seattle and Toronto. We see this as an important opportunity to deepen our client coverage in certain cities that are increasingly important hubs of corporate activity. As a result of all of our client coverage efforts, we have seen more than 75 new mandates across a variety of industry groups.

Another reason for our confidence in Investment Banking's growth is the success we have had in debt underwriting. We identified debt underwriting as a strategic priority five years ago, and in 2017, we produced nearly \$3 billion of net revenues — more than double our average from 2009 to 2011.

Lastly, China continues to represent a larger portion of the global economy. Today, more than 20 percent of the Fortune Global 500 companies are Chinese. In 2017, we were ranked first in equity and equity-related offerings among international banks in the region, and we are confident our strong footprint positions us well to continue to capture opportunities created by China's growth.

### Institutional Client Services

Institutional Client Services includes some of our most dynamic businesses, and we manage the resources in these businesses in the context of the operating environment. This has been particularly true in Fixed Income, Currency and Commodities Client Execution (FICC).

**FICC.** In the midst of industry-wide revenues falling by roughly 50 percent from their peak in 2009, we managed FICC resources down significantly. We took these actions because the opportunities in FICC had declined. This was certainly due to secular changes, but it also reflected cyclical dynamics as well.

Today the trajectory of the global economy appears to be moving towards a firmer footing. In this context, we don't believe it is wise strategically to forgo the potential upside in this business moving forward. In fact, we have recently deployed more resources given the increasingly attractive opportunity set.

With respect to our execution and performance in 2017, our performance in FICC was weak in the context of our commitment to the business. In response, we undertook a comprehensive and detailed review to identify how we could improve.

Our franchise has historically been very focused on active investor clients, structured trades and derivatives. As a consequence, we underinvested in cash products, which led to lower penetration with certain large asset managers and banks.

To address these issues, we are broadening our bank and asset manager client coverage and are focused on growing our corporate coverage. We have also diversified

our product footprint by enhancing our cash and flow trading capabilities. And we are holding our people accountable for delivering top three client rankings.

Our efforts are showing early signs of success, as we drive market share increases across our businesses. We are confident that these efforts will manifest themselves to all of our FICC clients over time.

A key differentiator supporting our overall growth will be employing our engineering capabilities to provide clients with best execution, content and analytics. For example, we have consolidated our automated pricing and risk management of electronic trading across Equities, Rates, Currencies and Commodities into a cohesive unit to drive efficiencies for our clients and the firm.

In summary, we are executing on our strategy in FICC to invest in areas where we see the greatest opportunity to meet client needs, grow market share and, if need be, reduce capital and expenses to size the business commensurate with client activity.

**Equities.** In Equities, we are making a multiyear investment in people, platforms and products to grow our leading franchise in both execution and financing.

In the last few years, we have made several strategic hires to enhance our electronic execution offering, including a new chief data officer for the firm, a global head of electronic execution services and a chief technology officer of electronic trading. In 2017, we added about 100 people focused on electronic execution, including more than 70 engineers.

In terms of platforms, two years ago we acquired a high-performance trading platform from Pantor Engineering AB, which we have now rolled out to our European clients. Today, our smart router capabilities put us among the top three providers of the fastest, most comprehensive access to developed European markets.

At the end of 2017, we had an important validation of our electronic capabilities, announcing that we would become the exclusive execution provider for Bloomberg's Tradebook. As a result, we are bringing on more than 1,300 new clients from which we expect a revenue run rate of over \$100 million.

These and other investments support our initiative to serve quantitative-focused investors. This is an important and growing segment of the market, where we provide both execution and financing services. From these and other investments, we expect to increase our market share in electronic execution, which will benefit all of our Equities clients.

## Investment Management

Our Investment Management business remains well positioned because of our breadth of asset classes, products and distribution. In 2017, we had \$42 billion in long-term fee-based (LTFB) net inflows across the platform. We have had consistent growth with about \$270 billion of LTFB net inflows over the last five years, including \$52 billion from acquisitions.

In Goldman Sachs Asset Management, we continue to be a top provider to companies as they increasingly outsource the management of their pension plans and other assets. Currently, we have over \$110 billion in assets where we act as a chief investment officer or advisor. In 2017, we made a strategic acquisition, further adding \$20 billion of LTFB assets and contributing to our scale in this business.

The same outsourcing trend is happening within many insurance companies. We manage or advise on another \$190 billion from insurance clients who leverage our enhanced analytics, custom asset allocation and risk management capabilities.

In Private Wealth Management, we saw strong long-term net inflows of \$17 billion in 2017, up from \$12 billion in 2016. Wealth creation is expanding at a rapid clip and given the strength of our offering and brand, we have not seen the limit to the growth of this segment of the market. We currently have over 700 private wealth advisors and expect to grow our advisor population by approximately 30 percent through 2020.

In Ayco, we provide financial planning services to 400 corporate clients and 13,000 executives across corporate America. However, we currently cover only

20 percent of the Fortune 1000. At the end of 2017, we launched our digital advisory service designed for Ayco corporate client employees. This platform is live at more than 70 companies and we expect to roll this out to an additional 30 companies by the end of 2018.

## Investing & Lending

Our Investing & Lending businesses provide promising companies and other clients with the capital they need to grow — either in the form of a loan or an equity investment. Our funded loan portfolio was \$81 billion at the end of 2017, 3.5 times higher since the end of 2012.

In Private Wealth Management, we have increased our lending to our existing Private Wealth Management clients, growing our funded loans balance to about \$24 billion in 2017 or a 15 percent increase year-over-year. Lending net revenues from Private Wealth Management clients increased about 30 percent compared to 2016.

Through GS Select, we are working with third-party registered investment advisors to offer securities-based loans from Goldman Sachs Bank USA to their Private Wealth Management clients. This digital platform is just getting started, but we have already signed up some of the largest independent registered investment advisors in the U.S. who serve clients with nearly \$4 trillion in assets.

Institutional Lending and Financing is also an important part of our growth strategy, an opportunity set driven by our special situations group, a differentiated financing and investing business. Here, dedicated teams of experienced underwriters partner primarily with middle-market companies to finance assets, improve their capital structure or deploy capital. This business is one of the highest margin and highest return businesses in the firm.

By growing our loan portfolio, we have increased our net revenue contribution from net interest income, which makes Investing & Lending net revenues more stable and recurring. We entered 2018 with a \$2 billion net interest income run rate, before considering further loan growth. And net interest income in the fourth quarter was up roughly 70 percent year-over-year.

Another important investing business is our merchant banking business, which helps to start and grow companies. Merchant banking has been a source of strong risk-adjusted return opportunities and a core part of the firm's DNA and mission. We've been in this business for over 30 years and it constitutes as powerful a franchise as any other in our firm.

Since the beginning of 2015, we generated nearly \$11 billion of net revenues from our diversified portfolio of equity investments, with the largest contribution from merchant banking.

We continue to see attractive opportunities as an active investor, on behalf of both our clients and the firm, where our unique global franchise is an excellent sourcing mechanism. For example, in the past two years, we sourced over \$40 billion in commitments to invest across our equity and credit merchant banking activities.

In November 2017, we announced the Cooperation Fund, partnering with the China Investment Corporation. We intend to raise \$5 billion to invest mainly in American manufacturing, industrial, consumer and healthcare companies, among others, that are developing business in China, or anticipate doing so in the future.

## Marcus

Marcus: by Goldman Sachs (Marcus) is our digital consumer financial services platform. The foundation of this new business is rooted in addressing real consumer pain points by delivering value through products that are simple, transparent and flexible. Marcus launched with single no-fee personal loans and is evolving into a suite of products and services that we believe will move the needle for the firm over the coming years.

We are building Marcus at a point in time when consumers are moving away from brick-and-mortar branches to solutions that use technology to more seamlessly meet their needs. Goldman Sachs is uniquely positioned to be a disruptor in consumer finance — we can leverage our stable balance sheet, expertise in risk management and capabilities in technology without the burden of legacy distribution, technology and businesses that could constrain our ability to offer consumers better terms.

We originated \$2.3 billion of personal loans from launch through the end of 2017. As we grow our portfolio, we remain very cognizant of the credit cycle. Our credit policy and pricing are designed to build a resilient loan book, and we remain deliberate in the pacing of our growth. We also continue to grow and diversify our sources of funding through our deposits business; Marcus deposits grew by more than \$5 billion in 2017, ending the year at \$17.1 billion — nearly double the balances we started with when we entered the business in April 2016. As of the end of 2017, Marcus was serving more than 350,000 customers across loans and deposits, with the clear potential to build relationships with millions of consumers.

While we recognize that it is early for us in the digital consumer finance space, there is a real need in the market, and the opportunities for further investment are compelling. We intend to extend our lending and savings products over time, both direct-to-consumer and through partnerships.

In addition, longer-term, we see opportunities to expand our suite of consumer offerings, and our criteria for evaluating new products will remain consistent: a large addressable market, the ability to leverage our expertise, the ability to deliver attractive shareholder returns, and importantly, the ability to deliver consumer-centric solutions.

### Our People

Our most important long-term competitive advantage remains our people. With that in mind, we invest heavily to attract, develop and promote extraordinary professionals who can serve our clients and drive our growth.

To that end, we are proud that we were once again recognized as one of Fortune magazine's "100 Best Companies to Work For." Goldman Sachs is one of only four companies to be recognized every year that the Great Place to Work Institute has issued its list since 1984. We were also named as one of Working Mother's "100 Best Companies," which ranks companies with the best programs that support working parents, for the fifteenth consecutive year, earning us a place on the magazine's "Hall of Fame" list.

In 2017, we hired more than 6,000 people around the world — recruiting each person one by one. Our application rates continue to rise and more than eight out of 10 people who were offered a role chose to join the firm. Our recruiting strategy is centered on expanding and diversifying our applicant pool. Through the use of technology, including video interviewing and hosting online coding challenges, we increased the number of schools from which we interview intern candidates by more than 150 schools for the 2018 class, compared to 2017.

What's more, given the growing importance of technology to our businesses, we continue to focus on hiring individuals with backgrounds in science, technology, engineering and math (STEM). Today, approximately one-quarter of the firm works in various engineering-related roles. More than one-third of our 2017 campus analyst hires majored in a STEM discipline, and that percentage will only continue to rise as we welcome our incoming 2018 class later this year.

In 2017, we selected our newest class of managing directors (MDs). Twenty-four percent of the 509 new MDs are women, while regionally, around 25 percent hail from Europe, the Middle East and Africa, 57 percent from the Americas and 18 percent from Asia. In addition, 66 percent of the new class started at the firm as analysts or associates, a reflection of our commitment to talent development and retention over the long-term.

### Succession and Our Leadership Bench

One of my most important responsibilities as chairman and chief executive officer is to work with our Board of Directors on ensuring smooth and effective leadership transitions. Our firm is fortunate to have a deep pool of talent at all levels, and regardless of when the next transition is to take effect, we are well prepared. With Harvey Schwartz's announced retirement as president and co-chief operating officer (COO) of the firm, David Solomon will assume sole responsibility for these roles. I look forward to working with David to continue to build our global franchise and pursue long-term value for our shareholders.



Over his 20-year career, Harvey has held leadership roles across a broad range of the firm's operations — from Securities and Investment Banking, to serving as chief financial officer (CFO) and, most recently, as president and co-COO. As the global co-head of the Securities Division, Harvey was instrumental in overseeing growth in our client franchise across FICC and Equities. During the financial crisis, Harvey played an important role in the management of our risk exposures, even while we were meeting the significant needs of our clients. During Harvey's tenure as CFO, he played a critical role in helping the firm adapt to significant changes in the regulatory environment. Harvey has consistently demonstrated his deep commitment to the firm and its values. His work ethic, command of complexity and client focus have defined his career, while his influence on many leaders at the firm has made an indelible impact on generations of professionals at Goldman Sachs. We thank Harvey for his exceptional service and wish him all the best in the years ahead.

## Our Impact

Goldman Sachs has long embraced our responsibility to help address crucial environmental, social and economic challenges around the world, both through our core businesses and by engaging in activities that leverage our expertise to promote economic progress. As part of that mission, we seek to be active and long-term corporate citizens in the communities in which we operate. Given our position at the crossroads of the capital markets, our mission is to drive positive change in our work with clients by helping them to grow their businesses, be on a stronger financial footing, provide access to key services and contribute to economic growth.

In some cases, that means helping entrepreneurs succeed through programs such as *10,000 Women* and *10,000 Small Businesses*. In other cases, we are financing projects that can improve living standards within traditionally underserved communities. Our goal is to conduct philanthropy with a purpose — making meaningful contributions where our skills and leadership can make a clear difference.

### **10,000 Small Businesses Summit**

As a natural next step in our focus on small businesses, we hosted in February 2018 the *10,000 Small Businesses Summit: The Big Power of Small Business*, which was the largest-ever gathering of small business owners in the U.S. Taking place in Washington, D.C., the summit convened more than 2,000 small business owners from a diverse range of industries and geographies with a select group of business leaders, industry experts and policymakers to discuss the vital role that small businesses play in the U.S. economy.

From sharing strategies and tactics for hiring, obtaining capital and optimizing growth, to discussing policy-related topics such as regulation and global competition, this unique event provided an opportunity for the alumni of *10,000 Small Businesses* to come together and share ideas, discuss common challenges and elevate their collective voice. The following day, participants took that voice to Capitol Hill, where they met with representatives from their respective districts and states to advocate for policies that support the continued ability of small businesses to grow, thrive and compete.

### **Goldman Sachs Gives**

*Goldman Sachs Gives* is a donor-advised fund through which participating managing directors of the firm can recommend grants to qualified nonprofit organizations around the world. Since its launch in 2010, the fund has made more than \$1.3 billion in grants through the end of 2017 to 6,000 organizations that further *Goldman Sachs Gives*' mission of fostering innovative ideas, solving economic and social issues, and enabling progress in underserved communities worldwide.

As an example of our firm's commitment to citizenship and community engagement, *Goldman Sachs Gives* continued to expand its reach in 2017, through initiatives such as the second annual Analyst Impact Fund, a competition whereby teams of analysts from the firm vied to win a *Goldman Sachs Gives* grant to the nonprofit of their choice. Demonstrating the teamwork, analytics and excellence that are core to the values and culture of Goldman Sachs, the analysts who participated represented a broad range of Goldman Sachs offices and divisions. The three winning teams supported nonprofit

organizations that focus on delivering online educational resources for female refugees, bail reform initiatives and the education of girls in rural India.

Additionally, in the wake of the destruction caused by Hurricanes Harvey, Irma and Maria, as well as the earthquakes in Mexico, the firm and *Goldman Sachs Gives* made grants exceeding \$2 million to organizations providing immediate resources, short-term relief, long-term housing and small business reconstruction and recovery. Equally important, more than 1,000 volunteers across the firm donated their time to help in the immediate and ongoing recovery efforts.

### **Urban Investment Group**

Through our Urban Investment Group (UIG), we have realized the potential for investments in underserved urban areas. We work with local leaders and nonprofits, focusing on community development and financing for socially motivated enterprises and small businesses. While the investment strategy has evolved over the years, the mission remains the same: to make an impact in underserved areas while making a good return.

Since its inception in 2001 through the end of 2017, UIG has committed more than \$6 billion to underserved U.S. communities, facilitating the creation and preservation of more than 25,000 housing units — the majority of which are affordable for low- to middle-income families — as well as more than 2 million square feet of community space and over 7.5 million square feet of commercial, retail and industrial facilities.

As an example, Goldman Sachs committed nearly \$500 million to the Essex Crossing development on the Lower East Side of Manhattan. The project, at 1.9 million square feet, is one of the largest developments in New York City and is reactivating a site that had sat vacant for almost 50 years. Essex Crossing, which was designed with the local community, will include just over 1,000 apartments, more than half of which are reserved for low- and middle-income tenants, and 900,000 square feet of commercial and community space. Such projects have the potential to usher in a new model for urban investment, focusing on infrastructure, jobs and resources that benefit the public at large.

## Looking Ahead

Today, conditions are highly supportive of a growing economy and interest rates are relatively low for where we are in the growth cycle. But as managers of risk, we do our best to prepare our clients and the firm for low-probability, yet highly consequential events. With the U.S. near full employment, inflation still relatively low and the end of quantitative easing, there is a greater chance that excesses can build up. In this vein, we continue to be mindful of what can go wrong, keeping a close eye on risk, particularly in the context of the credit cycle.

Cycles come and go, and, as we have seen in recent months, markets can change course at a moment's notice, and often in response to factors no one can predict with any certainty.

Still, we remain optimistic and confident in our ability to grow. Our client franchise is strong and we are executing on our growth initiatives, including making investments across our businesses to expand our franchise and to grow earnings across the firm.

The hard work, commitment and collaboration of our people will remain cornerstones of our long-term success. In the process, we are confident that we can continue to generate strong relative returns and value for our shareholders.



**Lloyd C. Blankfein**

Chairman and Chief Executive Officer

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**Form 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

Commission File Number: 001-14965

**The Goldman Sachs Group, Inc.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

13-4019460  
(I.R.S. Employer  
Identification No.)

200 West Street  
New York, N.Y.  
(Address of principal executive offices)

10282  
(Zip Code)

(212) 902-1000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered:
Common stock, par value \$.01 per share	New York Stock Exchange
Depository Shares, Each Representing 1/1,000th Interest in a Share of Floating Rate Non-Cumulative Preferred Stock, Series A	New York Stock Exchange
Depository Shares, Each Representing 1/1,000th Interest in a Share of 6.20% Non-Cumulative Preferred Stock, Series B	New York Stock Exchange
Depository Shares, Each Representing 1/1,000th Interest in a Share of Floating Rate Non-Cumulative Preferred Stock, Series C	New York Stock Exchange
Depository Shares, Each Representing 1/1,000th Interest in a Share of Floating Rate Non-Cumulative Preferred Stock, Series D	New York Stock Exchange
Depository Shares, Each Representing 1/1,000th Interest in a Share of 5.50% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series J	New York Stock Exchange
Depository Shares, Each Representing 1/1,000th Interest in a Share of 6.375% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series K	New York Stock Exchange
Depository Shares, Each Representing 1/1,000th Interest in a Share of 6.30% Non-Cumulative Preferred Stock, Series N	New York Stock Exchange

See Exhibit 99.2 for debt and trust securities registered under Section 12(b) of the Act

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.  Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Annual Report on Form 10-K or any amendment to the Annual Report on Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer (Do not check if a smaller reporting company)   
Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

As of June 30, 2017, the aggregate market value of the common stock of the registrant held by non-affiliates of the registrant was approximately \$84.9 billion.

As of February 9, 2018, there were 379,887,039 shares of the registrant's common stock outstanding.

**Documents incorporated by reference:** Portions of The Goldman Sachs Group, Inc.'s Proxy Statement for its 2018 Annual Meeting of Shareholders are incorporated by reference in the Annual Report on Form 10-K in response to Part III, Items 10, 11, 12, 13 and 14.

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## PART I

### Item 1. Business

#### Introduction

Goldman Sachs is a leading global investment banking, securities and investment management firm that provides a wide range of financial services to a substantial and diversified client base that includes corporations, financial institutions, governments and individuals.

When we use the terms “Goldman Sachs,” “the firm,” “we,” “us” and “our,” we mean The Goldman Sachs Group, Inc. (Group Inc. or parent company), a Delaware corporation, and its consolidated subsidiaries.

References to “this Form 10-K” are to our Annual Report on Form 10-K for the year ended December 31, 2017. All references to 2017, 2016 and 2015 refer to our years ended, or the dates, as the context requires, December 31, 2017, December 31, 2016 and December 31, 2015, respectively.

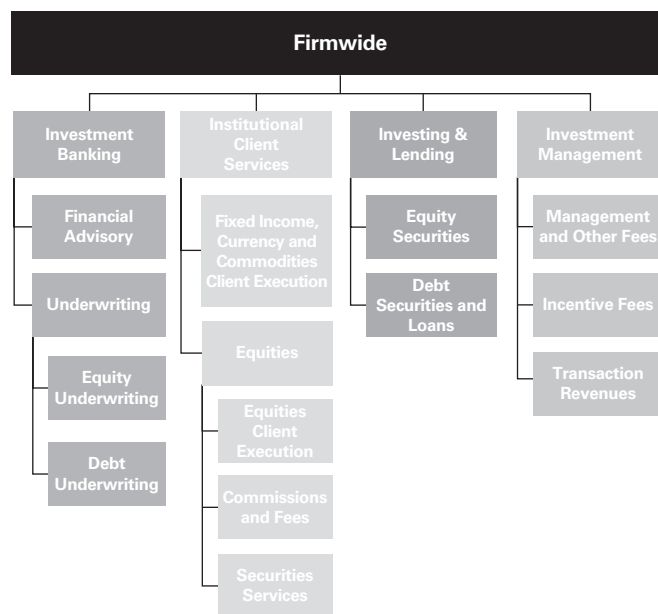
Group Inc. is a bank holding company (BHC) and a financial holding company (FHC) regulated by the Board of Governors of the Federal Reserve System (Federal Reserve Board or FRB). Our U.S. depository institution subsidiary, Goldman Sachs Bank USA (GS Bank USA), is a New York State-chartered bank.

As of December 2017, we had offices in over 30 countries and 48% of our total staff was based outside the Americas. Our clients are located worldwide and we are an active participant in financial markets around the world. In 2017, we generated 39% of our net revenues outside the Americas. For further information about our geographic results, see Note 25 to the consolidated financial statements in Part II, Item 8 of this Form 10-K.

#### Our Business Segments and Segment Operating Results

We report our activities in four business segments: Investment Banking, Institutional Client Services, Investing & Lending and Investment Management.

The chart below presents our four business segments.



The table below presents our segment operating results.

<i>\$ in millions</i>	Year Ended December			% of 2017 Net Revenues
	2017	2016	2015	
<b>Investment Banking</b>				
Net revenues	\$ 7,371	\$ 6,273	\$ 7,027	23%
Operating expenses	3,526	3,437	3,713	
<b>Pre-tax earnings</b>	<b>\$ 3,845</b>	\$ 2,836	\$ 3,314	
<b>Institutional Client Services</b>				
Net revenues	\$11,902	\$14,467	\$15,151	37%
Operating expenses	9,692	9,713	13,938	
<b>Pre-tax earnings</b>	<b>\$ 2,210</b>	\$ 4,754	\$ 1,213	
<b>Investing &amp; Lending</b>				
Net revenues	\$ 6,581	\$ 4,080	\$ 5,436	21%
Operating expenses	2,796	2,386	2,402	
<b>Pre-tax earnings</b>	<b>\$ 3,785</b>	\$ 1,694	\$ 3,034	
<b>Investment Management</b>				
Net revenues	\$ 6,219	\$ 5,788	\$ 6,206	19%
Operating expenses	4,800	4,654	4,841	
<b>Pre-tax earnings</b>	<b>\$ 1,419</b>	\$ 1,134	\$ 1,365	
<b>Total net revenues</b>	<b>\$32,073</b>	\$30,608	\$33,820	
<b>Total operating expenses</b>	<b>20,941</b>	20,304	25,042	
<b>Total pre-tax earnings</b>	<b>\$11,132</b>	\$10,304	\$ 8,778	

In the table above:

- Financial information related to our business segments for 2017, 2016 and 2015 is included in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Financial Statements and Supplementary Data,” which are in Part II, Items 7 and 8, respectively, of this Form 10-K. See Note 25 to the consolidated financial statements in Part II, Item 8 of this Form 10-K for a summary of our total net revenues, pre-tax earnings and net earnings by geographic region.
- Operating expenses included \$3.37 billion recorded in Institutional Client Services in 2015 related to the settlement agreement with the Residential Mortgage-Backed Securities Working Group of the U.S. Financial Fraud Enforcement Task Force. See Note 27 to the consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2015 for further information.
- All operating expenses have been allocated to our segments except for charitable contributions of \$127 million for 2017, \$114 million for 2016 and \$148 million for 2015.

### **Investment Banking**

Investment Banking serves public and private sector clients around the world. We provide financial advisory services and help companies raise capital to strengthen and grow their businesses. We seek to develop and maintain long-term relationships with a diverse global group of institutional clients, including governments, states and municipalities. Our goal is to deliver to our institutional clients the entire resources of the firm in a seamless fashion, with investment banking serving as the main initial point of contact with Goldman Sachs.

**Financial Advisory.** Financial Advisory includes strategic advisory assignments with respect to mergers and acquisitions, divestitures, corporate defense activities, restructurings, spin-offs and risk management. In particular, we help clients execute large, complex transactions for which we provide multiple services, including cross-border structuring expertise. Financial Advisory also includes revenues from derivative transactions directly related to these client advisory assignments. We also assist our clients in managing their asset and liability exposures and their capital.

**Underwriting.** The other core activity of Investment Banking is helping companies raise capital to fund their businesses. As a financial intermediary, our job is to match the capital of our investing clients, who aim to grow the savings of millions of people, with the needs of our public and private sector clients, who need financing to generate growth, create jobs and deliver products and services. Our underwriting activities include public offerings and private placements, including local and cross-border transactions and acquisition financing, of a wide range of securities and other financial instruments, including loans. Underwriting also includes revenues from derivative transactions entered into with public and private sector clients in connection with our underwriting activities.

**Equity Underwriting.** We underwrite common and preferred stock and convertible and exchangeable securities. We regularly receive mandates for large, complex transactions and have held a leading position in worldwide public common stock offerings and worldwide initial public offerings for many years.

**Debt Underwriting.** We underwrite and originate various types of debt instruments, including investment-grade and high-yield debt, bank loans and bridge loans, including in connection with acquisition financing, and emerging- and growth-market debt, which may be issued by, among others, corporate, sovereign, municipal and agency issuers. In addition, we underwrite and originate structured securities, which include mortgage-related securities and other asset-backed securities.

### **Institutional Client Services**

Institutional Client Services serves our clients who come to us to buy and sell financial products, raise funding and manage risk. We do this by acting as a market maker and offering market expertise on a global basis. Institutional Client Services makes markets and facilitates client transactions in fixed income, equity, currency and commodity products. In addition, we make markets in and clear client transactions on major stock, options and futures exchanges worldwide.

As a market maker, we provide prices to clients globally across thousands of products in all major asset classes and markets. At times we take the other side of transactions ourselves if a buyer or seller is not readily available and at other times we connect our clients to other parties who want to transact. Our willingness to make markets, commit capital and take risk in a broad range of products is crucial to our client relationships. Market makers provide liquidity and play a critical role in price discovery, which contributes to the overall efficiency of the capital markets.

Our clients are primarily institutions that are professional market participants, including investment entities whose ultimate clients include individual investors investing for their retirement, buying insurance or putting aside surplus cash in a deposit account.

Through our global sales force, we maintain relationships with our clients, receiving orders and distributing investment research, trading ideas, market information and analysis. Much of this connectivity between us and our clients is maintained on technology platforms and operates globally wherever and whenever markets are open for trading.

Institutional Client Services and our other businesses are supported by our Global Investment Research division, which, as of December 2017, provided fundamental research on approximately 3,000 companies worldwide and more than 40 national economies, as well as on industries, currencies and commodities.

Institutional Client Services generates revenues in the following ways:

- In large, highly liquid markets (such as markets for U.S. Treasury bills, large capitalization S&P 500 stocks or certain mortgage pass-through securities), we execute a high volume of transactions for our clients;
- In less liquid markets (such as mid-cap corporate bonds, growth market currencies or certain non-agency mortgage-backed securities), we execute transactions for our clients for spreads and fees that are generally somewhat larger than those charged in more liquid markets;
- We also structure and execute transactions involving customized or tailor-made products that address our clients' risk exposures, investment objectives or other complex needs (such as a jet fuel hedge for an airline);
- We provide financing to our clients for their securities trading activities, as well as securities lending and other prime brokerage services; and
- In connection with our market-making activities, we maintain inventory, typically for a short period of time, in response to, or in anticipation of, client demand. We also hold inventory to actively manage our risk exposures that arise from these market-making activities. We carry our inventory at fair value with changes in valuation reflected in net revenues.

Institutional Client Services activities are organized by asset class and include both "cash" and "derivative" instruments. "Cash" refers to trading the underlying instrument (such as a stock, bond or barrel of oil). "Derivative" refers to instruments that derive their value from underlying asset prices, indices, reference rates and other inputs, or a combination of these factors (such as an option, which is the right or obligation to buy or sell a certain bond or stock index on a specified date in the future at a certain price, or an interest rate swap, which is the agreement to convert a fixed rate of interest into a floating rate or vice versa).

**Fixed Income, Currency and Commodities Client Execution.** Includes client execution activities related to making markets in both cash and derivative instruments for interest rate products, credit products, mortgages, currencies and commodities.

- **Interest Rate Products.** Government bonds (including inflation-linked securities) across maturities, other government-backed securities, repurchase agreements, and interest rate swaps, options and other derivatives.
- **Credit Products.** Investment-grade corporate securities, high-yield securities, credit derivatives, exchange-traded funds, bank and bridge loans, municipal securities, emerging market and distressed debt, and trade claims.
- **Mortgages.** Commercial mortgage-related securities, loans and derivatives, residential mortgage-related securities, loans and derivatives (including U.S. government agency-issued collateralized mortgage obligations and other securities and loans), and other asset-backed securities, loans and derivatives.
- **Currencies.** Currency options, spot/forwards and other derivatives on G-10 currencies and emerging-market products.
- **Commodities.** Commodity derivatives and, to a lesser extent, physical commodities, involving crude oil and petroleum products, natural gas, base, precious and other metals, electricity, coal, agricultural and other commodity products.



**Equities.** Includes equities client execution, commissions and fees, and securities services.

**Equities Client Execution.** We make markets in equity securities and equity-related products, including exchange-traded funds, convertible securities, options, futures and over-the-counter (OTC) derivative instruments, on a global basis. As a principal, we facilitate client transactions by providing liquidity to our clients, including with large blocks of stocks or derivatives, requiring the commitment of our capital.

We also structure and make markets in derivatives on indices, industry groups, financial measures and individual company stocks. We develop strategies and provide information about portfolio hedging and restructuring and asset allocation transactions for our clients. We also work with our clients to create specially tailored instruments to enable sophisticated investors to establish or liquidate investment positions or undertake hedging strategies. We are one of the leading participants in the trading and development of equity derivative instruments.

Our exchange-based market-making activities include making markets in stocks and exchange-traded funds, futures and options on major exchanges worldwide.

**Commissions and Fees.** We generate commissions and fees from executing and clearing institutional client transactions on major stock, options and futures exchanges worldwide, as well as OTC transactions. We provide our clients with access to a broad spectrum of equity execution services, including electronic “low-touch” access and more complex “high-touch” execution through both traditional and electronic platforms.

**Securities Services.** Includes financing, securities lending and other prime brokerage services.

- **Financing Services.** We provide financing to our clients for their securities trading activities through margin loans that are collateralized by securities, cash or other acceptable collateral. We earn a spread equal to the difference between the amount we pay for funds and the amount we receive from our client.
- **Securities Lending Services.** We provide services that principally involve borrowing and lending securities to cover institutional clients’ short sales and borrowing securities to cover our short sales and otherwise to make deliveries into the market. In addition, we are an active participant in broker-to-broker securities lending and third-party agency lending activities.

- **Other Prime Brokerage Services.** We earn fees by providing clearing, settlement and custody services globally. In addition, we provide our hedge fund and other clients with a technology platform and reporting which enables them to monitor their security portfolios and manage risk exposures.

### **Investing & Lending**

Our investing and lending activities, which are typically longer-term, include our investing and relationship lending activities across various asset classes, primarily debt securities and loans, public and private equity securities, infrastructure and real estate. These activities include making investments, some of which are consolidated, through our merchant banking business and our special situations group. Some of these investments are made indirectly through funds that we manage. We also provide financing to corporate clients and individuals, including bank loans, personal loans and mortgages.

**Equity Securities.** We make corporate, real estate, infrastructure and other equity-related investments.

**Debt Securities and Loans.** We make corporate, real estate, infrastructure and other debt investments. In addition, we provide credit to clients through loan facilities and through secured loans, including secured loans to retail clients through our digital platform, *Goldman Sachs Private Bank Select* (GS Select). We also make unsecured loans to and accept deposits from retail clients through our digital platform, *Marcus: by Goldman Sachs* (Marcus).

### **Investment Management**

Investment Management provides investment and wealth advisory services to help clients preserve and grow their financial assets. Our clients include institutions and high-net-worth individuals, as well as retail investors who primarily access our products through a network of third-party distributors around the world.

We manage client assets across a broad range of asset classes and investment strategies, including equity, fixed income and alternative investments. Alternative investments primarily includes hedge funds, credit funds, private equity, real estate, currencies, commodities, and asset allocation strategies. Our investment offerings include those managed on a fiduciary basis by our portfolio managers as well as strategies managed by third-party managers. We offer our investments in a variety of structures, including separately managed accounts, mutual funds, private partnerships, and other commingled vehicles.

We also provide customized investment advisory solutions designed to address our clients' investment needs. These solutions begin with identifying clients' objectives and continue through portfolio construction, ongoing asset allocation and risk management and investment realization. We draw from a variety of third-party managers as well as our proprietary offerings to implement solutions for clients.

We supplement our investment advisory solutions for high-net-worth clients with wealth advisory services that include income and liability management, trust and estate planning, philanthropic giving and tax planning. We also use our global securities and derivatives market-making capabilities to address clients' specific investment needs.

**Management and Other Fees.** The majority of revenues in management and other fees is comprised of asset-based fees on client assets. The fees that we charge vary by asset class and distribution channel and are affected by investment performance as well as asset inflows and redemptions. Other fees we receive primarily include financial planning and counseling fees generated through our wealth advisory services provided by our subsidiary, The Ayco Company, L.P.

Assets under supervision include client assets where we earn a fee for managing assets on a discretionary basis. This includes net assets in our mutual funds, hedge funds, credit funds and private equity funds (including real estate funds), and separately managed accounts for institutional and individual investors. Assets under supervision also include client assets invested with third-party managers, bank deposits and advisory relationships where we earn a fee for advisory and other services, but do not have investment discretion. Assets under supervision do not include the self-directed brokerage assets of our clients. Long-term assets under supervision represent assets under supervision excluding liquidity products. Liquidity products represent money market and bank deposit assets.

**Incentive Fees.** In certain circumstances, we are also entitled to receive incentive fees based on a percentage of a fund's or a separately managed account's return, or when the return exceeds a specified benchmark or other performance targets. Such fees include overrides, which consist of the increased share of the income and gains derived primarily from our private equity and credit funds when the return on a fund's investments over the life of the fund exceeds certain threshold returns.

**Transaction Revenues.** We receive commissions and net spreads for facilitating transactional activity in high-net-worth client accounts. In addition, we earn net interest income primarily associated with client deposits and margin lending activity undertaken by such clients.

## **Business Continuity and Information Security**

Business continuity and information security, including cyber security, are high priorities for Goldman Sachs. Their importance has been highlighted by numerous highly publicized events in recent years, including (i) cyber attacks against financial institutions, governmental agencies, large consumer-based companies and other organizations that resulted in the unauthorized disclosure of personal information of clients and customers and other sensitive or confidential information, the theft and destruction of corporate information and requests for ransom payments, and (ii) extreme weather events.

Our Business Continuity & Technology Resilience Program has been developed to provide reasonable assurance of business continuity in the event of disruptions at our critical facilities or systems and to comply with regulatory requirements, including those of FINRA. Because we are a BHC, our Business Continuity & Technology Resilience Program is also subject to review by the FRB. The key elements of the program are crisis management, business continuity, technology resilience, business recovery, assurance and verification, and process improvement. In the area of information security, we have developed and implemented a framework of principles, policies and technology designed to protect the information provided to us by our clients and our own information from cyber attacks and other misappropriation, corruption or loss. Safeguards are designed to maintain the confidentiality, integrity and availability of information.

## **Employees**

Management believes that a major strength and principal reason for the success of Goldman Sachs is the quality and dedication of our people and the shared sense of being part of a team. We strive to maintain a work environment that fosters professionalism, excellence, diversity, cooperation among our employees worldwide and high standards of business ethics.

Instilling the Goldman Sachs culture in all employees is a continuous process, in which training plays an important part. All employees are offered the opportunity to participate in education and periodic seminars that we sponsor at various locations throughout the world. Another important part of instilling the Goldman Sachs culture is our employee review process. Employees are reviewed by supervisors, co-workers and employees they supervise in a 360-degree review process that is integral to our team approach, and includes an evaluation of an employee's performance with respect to risk management, compliance and diversity. As of December 2017, we had 36,600 total staff.

## Competition

The financial services industry and all of our businesses are intensely competitive, and we expect them to remain so. Our competitors are other entities that provide investment banking, securities and investment management services and retail lending and deposit-taking products, as well as those entities that make investments in securities, commodities, derivatives, real estate, loans and other financial assets. These entities include brokers and dealers, investment banking firms, commercial banks, insurance companies, investment advisers, mutual funds, hedge funds, private equity funds, merchant banks, consumer finance companies and financial technology and other internet-based companies. We compete with some entities globally and with others on a regional, product or niche basis. Our competition is based on a number of factors, including transaction execution, products and services, innovation, reputation and price.

There has been substantial consolidation and convergence among companies in the financial services industry. Moreover, we have faced, and expect to continue to face, pressure to retain market share by committing capital to businesses or transactions on terms that offer returns that may not be commensurate with their risks. In particular, corporate clients seek such commitments (such as agreements to participate in their loan facilities) from financial services firms in connection with investment banking and other assignments.

Consolidation and convergence have significantly increased the capital base and geographic reach of some of our competitors, and have also hastened the globalization of the securities and other financial services markets. As a result, we have had to commit capital to support our international operations and to execute large global transactions. To take advantage of some of our most significant opportunities, we will have to compete successfully with financial institutions that are larger and have more capital and that may have a stronger local presence and longer operating history outside the U.S.

We also compete with smaller institutions that offer more targeted services, such as independent advisory firms. Some clients may perceive these firms to be less susceptible to potential conflicts of interest than we are, and, as described below, our ability to effectively compete with them could be affected by regulations and limitations on activities that apply to us but may not apply to them.

A number of our businesses are subject to intense price competition. Efforts by our competitors to gain market share have resulted in pricing pressure in our investment banking and client execution businesses and could result in pricing pressure in other of our businesses. For example, the increasing volume of trades executed electronically, through the internet and through alternative trading systems, has increased the pressure on trading commissions, in that commissions for electronic trading are generally lower than for non-electronic trading. It appears that this trend toward low-commission trading will continue. Price competition has also led to compression in the difference between the price at which a market participant is willing to sell an instrument and the price at which another market participant is willing to buy it (i.e., bid/offer spread), which has affected our market-making businesses. In addition, we believe that we will continue to experience competitive pressures in these and other areas in the future as some of our competitors seek to obtain market share by further reducing prices, and as we enter into or expand our presence in markets that may rely more heavily on electronic trading and execution.

We also compete on the basis of the types of financial products that we and our competitors offer. In some circumstances, our competitors may offer financial products that we do not offer and our clients may prefer.

The provisions of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), the requirements promulgated by the Basel Committee on Banking Supervision (Basel Committee) and other financial regulation could affect our competitive position to the extent that limitations on activities, increased fees and compliance costs or other regulatory requirements do not apply, or do not apply equally, to all of our competitors or are not implemented uniformly across different jurisdictions. For example, the provisions of the Dodd-Frank Act that prohibit proprietary trading and restrict investments in certain hedge and private equity funds differentiate between U.S.-based and non-U.S.-based banking organizations and give non-U.S.-based banking organizations greater flexibility to trade outside of the U.S. and to form and invest in funds outside the U.S.

Likewise, the obligations with respect to derivative transactions under Title VII of the Dodd-Frank Act depend, in part, on the location of the counterparties to the transaction. The impact of the Dodd-Frank Act and other regulatory developments on our competitive position will depend to a large extent on the manner in which the required rulemaking and regulatory guidance evolve, the extent of international convergence, and the development of market practice and structures under the new regulatory regimes as described further in “Regulation” below.

We also face intense competition in attracting and retaining qualified employees. Our ability to continue to compete effectively will depend upon our ability to attract new employees, retain and motivate our existing employees and to continue to compensate employees competitively amid intense public and regulatory scrutiny on the compensation practices of large financial institutions. Our pay practices and those of certain of our competitors are subject to review by, and the standards of, the FRB and other regulators inside and outside the U.S., including the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) in the U.K. We also compete for employees with institutions whose pay practices are not subject to regulatory oversight. See “Regulation — Compensation Practices” below and “Risk Factors — Our businesses may be adversely affected if we are unable to hire and retain qualified employees” in Part I, Item 1A of this Form 10-K for further information about the regulation of our compensation practices.

## Regulation

As a participant in the global financial services industry, we are subject to extensive regulation and supervision worldwide. The Dodd-Frank Act, and the rules thereunder, significantly altered the U.S. financial regulatory regime within which we operate and the new Markets in Financial Instruments Regulation and Markets in Financial Instruments Directive (collectively, MiFID II) have significantly revised the regulatory regime for our European operations. The capital, liquidity and leverage ratios based on the Basel Committee’s final capital framework for strengthening international capital standards (Basel III), as implemented by the FRB, the PRA and FCA and other national regulators, have also had a significant impact on our businesses. The Basel Committee is the primary global standard setter for prudential bank regulation, and its member jurisdictions implement regulations based on its standards and guidelines.

The Basel Committee’s standards are not effective in any jurisdiction until rules implementing such standards have been implemented by the relevant regulators in such jurisdiction.

The implications of such regulations for our businesses continue to depend to a large extent on their implementation by the relevant regulators globally, as well as the development of market practices and structures under the regime established by such regulations.

Other reforms have been adopted or are being considered by regulators and policy makers worldwide, as described further throughout this section. Recent developments have added additional uncertainty to the implementation, scope and timing of regulatory reforms. Such developments also include potential deregulation in some areas. In February 2017, the President of the U.S. issued an executive order identifying “core principles” for the administration’s financial services regulatory policy and directing the Secretary of the Treasury, in consultation with the heads of other financial regulatory agencies, to evaluate how the current regulatory framework promotes or inhibits the principles and what actions have been, and are being, taken to promote the principles. In response to the executive order, the U.S. Department of the Treasury issued during 2017 the first three of four reports recommending a number of comprehensive changes in the current regulatory system for U.S. depository institutions, the U.S. capital markets and the U.S. asset management and insurance industries. In addition, in February 2018, the U.S. Department of the Treasury issued a report that recommends reforming the orderly liquidation authority (OLA) under the Dodd-Frank Act and amending the U.S. Bankruptcy Code to make a bankruptcy proceeding a more effective resolution method for large financial institutions.

Goldman Sachs International (GSI) and Goldman Sachs International Bank (GSIB), our principal E.U. operating subsidiaries, are incorporated and headquartered in the U.K. and, as such, are subject to E.U. legal and regulatory requirements, based on directly binding regulations of the E.U. and the implementation of E.U. directives by the U.K. Both currently benefit from non-discriminatory access to E.U. clients and infrastructure based on E.U. treaties and E.U. legislation, including cross-border “passporting” arrangements and specific arrangements for the establishment of E.U. branches. As a result of the U.K.’s notification to the European Council of its decision to leave the E.U. (Brexit), there is considerable uncertainty as to the regulatory regime that will be applicable in the U.K. and the regulatory framework that will govern transactions and business undertaken by our U.K. subsidiaries in the remaining E.U. countries.

## Banking Supervision and Regulation

Group Inc. is a BHC under the U.S. Bank Holding Company Act of 1956 (BHC Act) and an FHC under amendments to the BHC Act effected by the U.S. Gramm-Leach-Bliley Act of 1999 (GLB Act), and is subject to supervision and examination by the FRB, as our primary regulator. In August 2017, the FRB proposed a new rating system for large financial institutions, such as us, which is intended to align with the FRB's existing supervisory program for large financial institutions and which would include component ratings for capital planning, liquidity risk management, and governance and controls. In August 2017 and January 2018, the FRB proposed related guidance for the governance and controls component. These proposals reflect the FRB's focus on compliance with laws and regulations related to consumer protection in its evaluations of large financial institutions.

Certain of our subsidiaries are regulated by the banking and securities regulatory authorities of the countries in which they operate.

Under the system of “functional regulation” established under the BHC Act, the primary regulators of our U.S. non-bank subsidiaries directly regulate the activities of those subsidiaries, with the FRB exercising a supervisory role. Such “functionally regulated” U.S. non-bank subsidiaries include broker-dealers registered with the SEC, such as our principal U.S. broker-dealer, Goldman Sachs & Co. LLC (GS&Co.), entities registered with or regulated by the CFTC with respect to futures-related and swaps-related activities and investment advisers registered with the SEC with respect to their investment advisory activities.

Our principal U.S. bank subsidiary, GS Bank USA, is supervised and regulated by the FRB, the FDIC, the New York State Department of Financial Services (NYDFS) and the U.S. Consumer Financial Protection Bureau. A number of our activities are conducted partially or entirely through GS Bank USA and its subsidiaries, including: origination of bank loans; personal loans and mortgages; interest rate, credit, currency and other derivatives; leveraged finance; deposit-taking; and agency lending. Our retail-oriented activities are subject to extensive regulation and supervision by federal and state regulators with regard to consumer protection laws, including laws relating to fair lending and other practices in connection with marketing and providing retail financial products.

GSI, our regulated U.K. broker-dealer subsidiary, which is a designated investment firm, and GSIB, our regulated U.K. bank and principal non-U.S. bank subsidiary, are regulated by the PRA and the FCA. GSI provides broker-dealer services in and from the U.K., and GSIB acts as a primary dealer for European government bonds and is involved in market making in European government bonds, lending (including securities lending) and deposit-taking activities.

**Capital, Leverage and Liquidity Requirements.** The firm and GS Bank USA are subject to consolidated regulatory capital and leverage requirements set forth by the FRB. GSI and GSIB are subject to capital requirements prescribed in the E.U. Capital Requirements Regulation (CRR) and the E.U. Fourth Capital Requirements Directive (CRD IV).

Under the FRB's capital adequacy requirements, the firm and GS Bank USA must meet specific regulatory capital requirements that involve quantitative measures of assets, liabilities and certain off-balance-sheet items. The sufficiency of our capital levels is also subject to qualitative judgments by regulators. The firm and GS Bank USA are also subject to liquidity requirements established by the U.S. federal bank regulatory agencies, and GSI and GSIB are subject to similar requirements established by U.K. regulatory authorities.

**Capital Ratios.** We are subject to the FRB's risk-based capital and leverage regulations, subject to certain transitional provisions (Capital Framework). The Capital Framework is largely based on Basel III and also implements certain provisions of the Dodd-Frank Act. Under the Capital Framework, we are an “Advanced approach” banking organization and have been designated as a global systemically important bank (G-SIB).

The Capital Framework provides for an additional capital ratio requirement that phases in over time and consists of three components: (i) for capital conservation (capital conservation buffer), (ii) as a consequence of our designation as a G-SIB (G-SIB buffer) and (iii) for countercyclicality (countercyclical capital buffer). The additional capital ratio requirement must be satisfied entirely with capital that qualifies as Common Equity Tier 1 (CET1).

The capital conservation buffer began to phase in on January 1, 2016 and will continue to do so in increments of 0.625% per year until it reaches 2.5% of risk-weighted assets (RWAs) on January 1, 2019. The G-SIB buffer also began to phase in on January 1, 2016 and will continue to do so through January 1, 2019.

The countercyclical capital buffer, of up to 2.5%, is designed to counteract systemic vulnerabilities and applies only to “Advanced approach” banking organizations. The countercyclical capital buffer is currently set at zero percent. Several other national supervisors have also started to require countercyclical capital buffers. The G-SIB and countercyclical capital buffers applicable to us could change in the future and, as a result, the minimum capital ratios to which we are subject could change.

GS Bank USA also computes its capital ratios in accordance with the Capital Framework as an “Advanced approach” banking organization.

The Basel Committee has published final guidelines for calculating incremental capital ratio requirements for banking institutions that are systemically significant from a domestic but not global perspective (D-SIBs). If these guidelines are implemented by national regulators, they will apply to, among others, certain subsidiaries of G-SIBs. These guidelines are in addition to the framework for G-SIBs, but are more principles-based. CRD IV and the CRR provide that institutions that are systemically important at the E.U. or member state level, known as other systemically important institutions (O-SIIs), may be subject to additional capital ratio requirements of up to 2% of CET1, according to their degree of systemic importance (O-SII buffers). O-SIIs are identified annually, along with their applicable buffers. The PRA has identified Goldman Sachs Group UK Limited (GSG UK), the parent company of GSI and GSIB, as an O-SII. GSG UK’s O-SII buffer is currently set at zero percent.

In January 2016, the Basel Committee finalized a revised framework for calculating minimum capital requirements for market risk, which is expected to increase market risk capital requirements for most banking organizations. In December 2017, the Basel Committee extended the implementation date for the revised market risk framework until January 1, 2022, noting that the extension would allow for a review of the calibration of the framework.

In December 2017, the Basel Committee also published standards that it described as the finalization of the Basel III post-crisis regulatory reforms. These standards introduce an aggregate output floor comparing capital requirements under the Basel Committee’s standardized and internally modeled approaches, and they also revise the Basel Committee’s standardized and model-based approaches for credit risk, provide a new standardized approach for operational risk capital and revise the frameworks for credit valuation adjustment risk and the leverage ratio. The Basel Committee has proposed that national regulators implement these standards effective on January 1, 2022, with the output floor being phased in through January 1, 2027.

The U.S. federal bank regulatory agencies have not proposed rules implementing the December 2017 standards or the revisions to the Basel Committee’s market risk framework for U.S. banking organizations. In November 2016, the European Commission proposed amendments to the CRR to implement the revisions to the market risk framework for certain E.U. financial institutions, which would be effective two years after the amendments are incorporated into the CRR.

The Basel Committee has also:

- Finalized a revised standard approach for calculating RWAs for counterparty credit risk on derivatives exposures (Standardized Approach for measuring Counterparty Credit Risk exposures, known as “SA-CCR”);
- Published an updated framework for the regulatory capital treatment of securitization exposures (Securitization Framework);
- Published guidelines for measuring and controlling large exposures (Supervisory Framework for measuring and controlling Large Exposures); and
- Issued consultation papers on, among other matters, changes to the G-SIB assessment methodology.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Equity Capital Management and Regulatory Capital” in Part II, Item 7 of this Form 10-K and Note 20 to the consolidated financial statements in Part II, Item 8 of this Form 10-K for information about our, GS Bank USA’s and GSI’s capital ratios and minimum required ratios.

As described in “Other Restrictions” below, in September 2016, the FRB issued a proposed rule that would, among other things, require FHCs to hold additional capital in connection with covered physical commodity activities.

**Leverage Ratios.** Under the Capital Framework, the firm and GS Bank USA are subject to Tier 1 leverage requirements established by the FRB. The Capital Framework also introduced a supplementary leverage ratio for “Advanced approach” banking organizations which became effective January 1, 2018 and implements the Basel III leverage ratio framework.

In November 2016, the European Commission proposed amendments to the CRR to implement a 3% minimum leverage ratio requirement for certain E.U. financial institutions, including GSI and GSIB, which would implement the Basel III leverage ratio framework.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Equity Capital Management and Regulatory Capital” in Part II, Item 7 of this Form 10-K and Note 20 to the consolidated financial statements in Part II, Item 8 of this Form 10-K for information about the firm’s and GS Bank USA’s Tier 1 leverage ratios and supplementary leverage ratios, and GSI’s leverage ratio.

**Liquidity Ratios.** The Basel Committee’s international framework for liquidity risk measurement, standards and monitoring requires banking organizations to measure their liquidity against two specific liquidity tests.

The Liquidity Coverage Ratio (LCR) issued by the U.S. federal bank regulatory agencies and applicable to both the firm and GS Bank USA is generally consistent with the Basel Committee’s framework and is designed to ensure that a banking organization maintains an adequate level of unencumbered high-quality liquid assets equal to or greater than the expected net cash outflows under an acute short-term liquidity stress scenario. We disclose, on a quarterly basis, our average daily LCR over the quarter. See “Available Information” below.

The LCR rule issued by the European Commission and applicable to GSI and GSIB became effective in the U.K. on October 1, 2015, and fully phased in on January 1, 2018.

The Basel Committee’s net stable funding ratio (NSFR) is designed to promote medium- and long-term stable funding of the assets and off-balance-sheet activities of banking organizations over a one-year time horizon. The NSFR framework requires banking organizations to maintain a minimum NSFR of 100%.

In May 2016, the U.S. federal bank regulatory agencies issued a proposed rule that would implement an NSFR for large U.S. banking organizations, including the firm and GS Bank USA. The proposal would require banking organizations to ensure they have stable funding over a one-year time horizon. In November 2016, the European Commission proposed amendments to the CRR to implement the NSFR for certain E.U. financial institutions, which would be effective two years after it is incorporated into the CRR. Neither the U.S. federal bank regulatory agencies nor the European Commission have released a final rule.

The enhanced prudential standards implemented by the FRB under the Dodd-Frank Act require BHCs, including Group Inc., with \$50 billion or more in total consolidated assets (covered BHCs) to comply with enhanced liquidity and overall risk management standards, including a level of highly liquid assets based on projected funding needs for 30 days, and increased involvement by boards of directors in liquidity and overall risk management. Although the liquidity requirement under these rules has some similarities to the LCR, it is a separate requirement.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Risk Management — Overview and Structure of Risk Management” and “— Liquidity Risk Management” in Part II, Item 7 of this Form 10-K for information about the LCR and NSFR, as well as our risk management practices and liquidity.

**Stress Tests.** As a covered BHC, we are subject to the Dodd-Frank Act annual supervisory stress tests conducted by the FRB and semi-annual company-run stress tests.

We publish summaries of our annual and mid-cycle stress tests results on our website as described in “Available Information” below.

Our annual stress test submission is incorporated into the annual capital plans that we submit to the FRB as part of the Comprehensive Capital Analysis and Review (CCAR) of large BHCs, which is designed to ensure that capital planning processes will permit continued operations by such institutions during times of economic and financial stress. As part of CCAR, the FRB evaluates an institution’s plan to make capital distributions, such as repurchasing or redeeming stock or increasing dividend payments, across a range of macroeconomic and firm-specific assumptions based on the institution’s and the FRB’s stress tests. If the FRB objects to an institution’s capital plan, the institution is generally prohibited from making capital distributions other than distributions to which the FRB has not objected. In addition, an institution faces limitations on capital distributions to the extent that actual capital issuances are less than the amounts indicated in its capital plan.

GS Bank USA is also required to conduct stress tests on an annual basis, to submit the results to the FRB, and to publicly disclose a summary of those results. GSI and GSIB also have their own capital planning and stress testing process, which incorporates internally designed stress tests and those required under the PRA's Internal Capital Adequacy Assessment Process.

**Dividends and Stock Repurchases.** Dividend payments by Group Inc. to its shareholders and stock repurchases by Group Inc. are subject to the oversight of the FRB.

U.S. federal and state laws impose limitations on the payment of dividends by U.S. depository institutions, such as GS Bank USA. In general, the amount of dividends that may be paid by GS Bank USA is limited to the lesser of the amounts calculated under a "recent earnings" test and an "undivided profits" test. Under the recent earnings test, a dividend may not be paid if the total of all dividends declared by the entity in any calendar year is in excess of the current year's net income combined with the retained net income of the two preceding years, unless the entity obtains prior regulatory approval. Under the undivided profits test, a dividend may not be paid in excess of the entity's "undivided profits" (generally, accumulated net profits that have not been paid out as dividends or transferred to surplus).

The applicable U.S. banking regulators have authority to prohibit or limit the payment of dividends if, in the banking regulator's opinion, payment of a dividend would constitute an unsafe or unsound practice in light of the financial condition of the banking organization. The BHC Act prohibits the FRB from requiring a payment by a BHC subsidiary to a depository institution if the functional regulator of that subsidiary objects to such payment. In such a case, the FRB could instead require the divestiture of the depository institution and impose operating restrictions pending the divestiture.

**Source of Strength.** The Dodd-Frank Act requires BHCs to act as a source of strength to their bank subsidiaries and to commit capital and financial resources to support those subsidiaries. This support may be required by the FRB at times when we might otherwise determine not to provide it. Capital loans by a BHC to a subsidiary bank are subordinate in right of payment to deposits and to certain other indebtedness of the subsidiary bank. In addition, if a BHC commits to a U.S. federal banking agency that it will maintain the capital of its bank subsidiary, whether in response to the FRB's invoking its source-of-strength authority or in response to other regulatory measures, that commitment will be assumed by the bankruptcy trustee for the BHC and the bank will be entitled to priority payment in respect of that commitment, ahead of other creditors of the BHC.

**Transactions between Affiliates.** Transactions between GS Bank USA or its subsidiaries, on the one hand, and Group Inc. or its other subsidiaries and affiliates, on the other hand, are regulated by the FRB. These regulations generally limit the types and amounts of transactions (including credit extensions from GS Bank USA or its subsidiaries to Group Inc. or its other subsidiaries and affiliates) that may take place and generally require those transactions to be on market terms or better to GS Bank USA or its subsidiaries. These regulations generally do not apply to transactions between GS Bank USA and its subsidiaries. The Dodd-Frank Act expanded the coverage and scope of these regulations, including by applying them to the credit exposure arising under derivative transactions, repurchase and reverse repurchase agreements, and securities borrowing and lending transactions.

**Resolution and Recovery.** Group Inc. is required by the FRB and the FDIC to submit a periodic plan for its rapid and orderly resolution in the event of material financial distress or failure (resolution plan). Our resolution plan must, among other things, demonstrate that GS Bank USA is adequately protected from risks arising from our other entities. If the regulators jointly determine that an institution has failed to remediate identified shortcomings in its resolution plan and that its resolution plan, after any permitted resubmission, is not credible or would not facilitate an orderly resolution under the U.S. Bankruptcy Code, the regulators may jointly impose more stringent capital, leverage or liquidity requirements or restrictions on growth, activities or operations or may jointly order the institutions to divest assets or operations in order to facilitate orderly resolution in the event of failure. See "Risk Factors — The application of Group Inc.'s proposed resolution strategy could result in greater losses for Group Inc.'s security holders, and failure to address shortcomings in our resolution plan could subject us to increased regulatory requirements" in Part I, Item 1A of this Form 10-K and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Regulatory Matters and Developments — Resolution and Recovery Plans" in Part II, Item 7 of this Form 10-K for further information about our resolution plan.



We are also required by the FRB to submit, on a periodic basis, a global recovery plan that outlines the steps that management could take to reduce risk, maintain sufficient liquidity, and conserve capital in times of prolonged stress.

The FDIC has issued a rule requiring each insured depository institution with \$50 billion or more in assets, such as GS Bank USA, to provide a resolution plan. Our resolution plan for GS Bank USA must, among other things, demonstrate that it is adequately protected from risks arising from our other entities.

In September 2017, the FRB issued a final rule imposing restrictions on qualified financial contracts (QFCs) entered into by G-SIBs. The rule will begin to phase in on January 1, 2019 and will be fully effective on January 1, 2020. This rule is intended to facilitate the orderly resolution of a failed G-SIB by limiting the ability of the G-SIB to enter into a QFC unless (i) the counterparty waives certain termination rights in such contracts arising upon the entry of the G-SIB or one of its affiliates into resolution, (ii) the contracts do not prohibit transfers of credit enhancement that satisfy certain standards, and (iii) the counterparty agrees that the QFCs will be subject to the special resolution regimes set forth in the Dodd-Frank Act OLA and the Federal Deposit Insurance Act of 1950 (FDIA), described below. Compliance can be achieved by adhering to the ISDA Protocol described below.

We, along with a number of other major global banking organizations, adhere to the International Swaps and Derivatives Association Resolution Stay Protocol (ISDA Protocol), which was developed and updated in coordination with the Financial Stability Board (FSB), an international body that sets standards and coordinates the work of national financial authorities and international standard-setting bodies. The ISDA Protocol imposes a stay on certain cross-default and early termination rights within standard ISDA derivative contracts and securities financing transactions between adhering parties in the event that one of them is subject to resolution in its home jurisdiction, including a resolution under the OLA or the FDIA in the U.S. The ISDA Protocol is expected to be adopted more broadly in the future, following the phase-in of QFC regulations adopted by banking regulators (including the FRB's final rule on QFCs) that impose additional requirements in order for G-SIBs, such as us, to enter into QFCs with counterparties that do not adhere to the ISDA Protocol.

The E.U. Bank Recovery and Resolution Directive (BRRD) establishes a framework for the recovery and resolution of financial institutions in the E.U., such as GSI and GSIB. The BRRD provides national supervisory authorities with tools and powers to pre-emptively address potential financial crises in order to promote financial stability and minimize taxpayers' exposure to losses. The BRRD requires E.U. member states to grant "bail-in" powers to E.U. resolution authorities to recapitalize a failing entity by writing down its unsecured debt or converting its unsecured debt into equity. Financial institutions in the E.U. must provide that new contracts enable such actions and also amend pre-existing contracts governed by non-E.U. law to enable such actions, if the financial institutions could incur liabilities under such pre-existing contracts.

The BRRD also subjects financial institutions to a minimum requirement for own funds and eligible liabilities (MREL) so that they can be resolved without causing financial instability and without recourse to public funds in the event of a failure. The Bank of England's rules on MREL are described below in "Total Loss-Absorbing Capacity."

**Total Loss-Absorbing Capacity.** In December 2016, the FRB adopted a final rule establishing loss-absorbency and related requirements for parent companies of U.S. G-SIBs, such as Group Inc. The rule will be effective in January 2019 with no phase-in period. The rule addresses U.S. implementation of the FSB's total loss-absorbing capacity (TLAC) principles and term sheet on minimum TLAC requirements for G-SIBs. The rule (i) establishes minimum TLAC requirements, (ii) establishes minimum "eligible long-term debt" (i.e., debt that is unsecured, has a maturity greater than one year from issuance and satisfies certain additional criteria) requirements, (iii) prohibits certain BHC transactions and (iv) caps the amount of G-SIB liabilities that are not eligible long-term debt.

The rule also prohibits a U.S. G-SIB from (i) guaranteeing liabilities of subsidiaries that are subject to early termination provisions if the parent company of a U.S. G-SIB enters into an insolvency or receivership proceeding, subject to an exception for guarantees permitted by rules of the U.S. federal banking agencies imposing restrictions on QFCs; (ii) incurring liabilities guaranteed by subsidiaries; (iii) issuing short-term debt; or (iv) entering into derivatives and certain other financial contracts with external counterparties.

Additionally, the rule caps, at 5% of the value of the U.S. G-SIB's eligible TLAC, the amount of unsecured non-contingent third-party liabilities that are not eligible long-term debt that could rank equally with or junior to eligible long-term debt.

In October 2016, the Basel Committee issued a final standard to implement capital deductions for banking organizations relating to TLAC holdings of other G-SIBs.

The FSB issued a final TLAC standard requiring certain material subsidiaries of a G-SIB organized outside of the G-SIB's home country, such as GSI and GSIB, to maintain amounts of TLAC directly or indirectly from the parent company. In July 2017, the FSB issued a final set of guiding principles on the implementation of the TLAC requirements applicable to material subsidiaries.

The BRRD subjects institutions to MREL, which is generally consistent with the FSB's TLAC standard. In October 2017, the Bank of England published a consultation paper on internal MREL, which would require a material U.K. subsidiary of an overseas banking group, such as GSI, to meet a minimum internal MREL requirement to facilitate the transfer of losses to its resolution entity, which for GSI is Group Inc. The transitional minimum internal MREL requirement would phase in from January 1, 2019, becoming fully effective from January 1, 2022.

In November 2016, the European Commission proposed amendments to the CRR and BRRD that are designed to implement the FSB's minimum TLAC requirement for G-SIBs commencing January 1, 2019. The proposal would require subsidiaries of a non-E.U. G-SIB that account for more than 5% of its RWAs, operating income or leverage exposure, such as GSI, to meet 90% of the requirement applicable to E.U. G-SIBs.

In November 2016, the European Commission also proposed an amendment to CRD IV that would require a non-E.U. G-SIB, such as us, to establish an E.U. intermediate holding company (E.U. IHC) if the firm has two or more of certain types of E.U. financial institution subsidiaries, including broker-dealers and banks, such as GSI and GSIB. The European Commission also proposed amendments to the CRR that would require E.U. IHCs to satisfy MREL requirements and certain other prudential requirements. These proposals are subject to adoption at the E.U. level and, for the directives, implementing rulemakings by E.U. member states, which have not yet occurred.

**Insolvency of an Insured Depository Institution or a Bank Holding Company.** Under the FDIA, if the FDIC is appointed as conservator or receiver for an insured depository institution such as GS Bank USA, upon its insolvency or in certain other events, the FDIC has broad powers, including the power:

- To transfer any of the depository institution's assets and liabilities to a new obligor, including a newly formed "bridge" bank, without the approval of the depository institution's creditors;
- To enforce the depository institution's contracts pursuant to their terms without regard to any provisions triggered by the appointment of the FDIC in that capacity; or
- To repudiate or disaffirm any contract or lease to which the depository institution is a party, the performance of which is determined by the FDIC to be burdensome and the disaffirmance or repudiation of which is determined by the FDIC to promote the orderly administration of the depository institution.

In addition, the claims of holders of domestic deposit liabilities and certain claims for administrative expenses against an insured depository institution would be afforded a priority over other general unsecured claims, including deposits at non-U.S. branches and claims of debtholders of the institution, in the "liquidation or other resolution" of such an institution by any receiver. As a result, whether or not the FDIC ever sought to repudiate any debt obligations of GS Bank USA, the debtholders (other than depositors) would be treated differently from, and could receive, if anything, substantially less than, the depositors of GS Bank USA.

The Dodd-Frank Act created a new resolution regime (known as OLA) for BHCs and their affiliates that are systemically important and certain non-bank financial companies. Under OLA, the FDIC may be appointed as receiver for the systemically important institution and its failed non-bank subsidiaries if, upon the recommendation of applicable regulators, the U.S. Secretary of the Treasury determines, among other things, that the institution is in default or in danger of default, that the institution's failure would have serious adverse effects on the U.S. financial system and that resolution under OLA would avoid or mitigate those effects.

If the FDIC is appointed as receiver under OLA, then the powers of the receiver, and the rights and obligations of creditors and other parties who have dealt with the institution, would be determined under OLA, and not under the bankruptcy or insolvency law that would otherwise apply. The powers of the receiver under OLA were generally based on the powers of the FDIC as receiver for depository institutions under the FDIA.

Substantial differences in the rights of creditors exist between OLA and the U.S. Bankruptcy Code, including the right of the FDIC under OLA to disregard the strict priority of creditor claims in some circumstances, the use of an administrative claims procedure to determine creditors' claims (as opposed to the judicial procedure utilized in bankruptcy proceedings), and the right of the FDIC to transfer claims to a "bridge" entity. In addition, OLA limits the ability of creditors to enforce certain contractual cross-defaults against affiliates of the institution in receivership. The FDIC has issued a notice that it would resolve a failed FHC by transferring its assets to a "bridge" holding company under its "single point of entry" or "SPOE" strategy pursuant to OLA.

**FDIC Insurance.** Deposits at GS Bank USA have the benefit of FDIC insurance up to the applicable limits. The FDIC's Deposit Insurance Fund is funded by assessments on insured depository institutions. GS Bank USA's assessment (subject to adjustment by the FDIC) is currently based on its average total consolidated assets less its average tangible equity during the assessment period, its supervisory ratings and specified forward-looking financial measures used to calculate the assessment rate.

The reserve ratio for the Deposit Insurance Fund is 1.35% of total insured deposits. A surcharge on the assessments of larger depository institutions (including GS Bank USA) applies through the earlier of the quarter that the reserve ratio first reaches or exceeds 1.35% and December 31, 2018. If the reserve ratio does not reach 1.35% by December 31, 2018, the FDIC will impose a shortfall assessment on larger depository institutions (including GS Bank USA).

**Prompt Corrective Action.** The U.S. Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) requires the U.S. federal bank regulatory agencies to take "prompt corrective action" in respect of depository institutions that do not meet specified capital requirements. FDICIA establishes five capital categories for FDIC-insured banks: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized.

An institution may be downgraded to, or deemed to be in, a capital category that is lower than is indicated by its capital ratios if it is determined to be in an unsafe or unsound condition or if it receives an unsatisfactory examination rating with respect to certain matters. FDICIA imposes progressively more restrictive constraints on operations, management and capital distributions, as the capital category of an institution declines. Failure to meet the capital requirements could also require a depository institution to raise capital. Ultimately, critically undercapitalized institutions are subject to the appointment of a receiver or conservator, as described in "Insolvency of an Insured Depository Institution or a Bank Holding Company" above.

The prompt corrective action regulations do not apply to BHCs. However, the FRB is authorized to take appropriate action at the BHC level, based upon the undercapitalized status of the BHC's depository institution subsidiaries. In certain instances relating to an undercapitalized depository institution subsidiary, the BHC would be required to guarantee the performance of the undercapitalized subsidiary's capital restoration plan and might be liable for civil money damages for failure to fulfill its commitments on that guarantee. Furthermore, in the event of the bankruptcy of the BHC, the guarantee would take priority over the BHC's general unsecured creditors, as described in "Source of Strength" above.

**Activities.** The Dodd-Frank Act and the BHC Act generally restrict BHCs from engaging in business activities other than the business of banking and certain closely related activities.

**Volcker Rule.** The provisions of the Dodd-Frank Act referred to as the "Volcker Rule" became effective in July 2015. The Volcker Rule prohibits "proprietary trading," but permits activities such as underwriting, market making and risk-mitigation hedging, requires an extensive compliance program and includes additional reporting and record-keeping requirements. The reporting requirements include calculating daily quantitative metrics on covered trading activities (as defined in the rule) and providing these metrics to regulators on a monthly basis.

In addition, the Volcker Rule limits the sponsorship of, and investment in, “covered funds” (as defined in the rule) by banking entities, including us. It also limits certain types of transactions between us and our sponsored funds, similar to the limitations on transactions between depository institutions and their affiliates. Covered funds include our private equity funds, certain of our credit and real estate funds, our hedge funds and certain other investment structures. The limitation on investments in covered funds requires us to reduce our investment in each such fund to 3% or less of the fund’s net asset value, and to reduce our aggregate investment in all such funds to 3% or less of our Tier 1 capital.

The FRB has extended the conformance period to July 2022 for our investments in, and relationships with, certain legacy “illiquid funds” (as defined in the Volcker Rule) that were in place prior to December 2013. See Note 6 to the consolidated financial statements in Part II, Item 8 of this Form 10-K for further information about our investments in such funds.

**Other Restrictions.** FHCs generally can engage in a broader range of financial and related activities than are otherwise permissible for BHCs as long as they continue to meet the eligibility requirements for FHCs. The broader range of permissible activities for FHCs includes underwriting, dealing and making markets in securities and making investments in non-FHCs (merchant banking activities). In addition, certain FHCs are permitted under the GLB Act to engage in certain commodities activities in the U.S. that may otherwise be impermissible for BHCs, so long as the assets held pursuant to these activities do not equal 5% or more of their consolidated assets.

The FRB, however, has the authority to limit an FHC’s ability to conduct activities that would otherwise be permissible, and will likely do so if the FHC does not satisfactorily meet certain requirements of the FRB. For example, if an FHC or any of its U.S. depository institution subsidiaries ceases to maintain its status as well-capitalized or well-managed, the FRB may impose corrective capital and/or managerial requirements, as well as additional limitations or conditions. If the deficiencies persist, the FHC may be required to divest its U.S. depository institution subsidiaries or to cease engaging in activities other than the business of banking and certain closely related activities.

If any insured depository institution subsidiary of an FHC fails to maintain at least a “satisfactory” rating under the Community Reinvestment Act, the FHC would be subject to restrictions on certain new activities and acquisitions.

In addition, we are required to obtain prior FRB approval before engaging in certain banking and other financial activities both within and outside the U.S.

In September 2016, the FRB issued a proposed rule which, if adopted, would impose new requirements on the physical commodity activities and certain merchant banking activities of FHCs. The proposed rule would, among other things, (i) require FHCs to hold additional capital in connection with covered physical commodity activities, including merchant banking investments in companies engaged in physical commodity activities; (ii) tighten the quantitative limits on permissible physical trading activity; and (iii) establish new public reporting requirements on the nature and extent of FHC’s physical commodity holdings and activities. In addition, in a September 2016 report, the FRB recommended that Congress repeal (i) the authority of FHCs to engage in merchant banking activities; and (ii) the authority described above for certain FHCs to engage in certain otherwise permissible commodities activities.

In March 2016, the FRB issued a revised proposal regarding single counterparty credit limits, which would impose more stringent requirements for credit exposures among major financial institutions. Such limits (together with other provisions incorporated into the Basel III capital rules) may affect our ability to transact or hedge with other financial institutions. In addition, the FRB has proposed early remediation requirements, which are modeled on the prompt corrective action regime, described in “Prompt Corrective Action” above, but are designed to require action to begin in earlier stages of a company’s financial distress, based on a range of triggers, including capital and leverage, stress test results, liquidity and risk management.

In addition, New York State banking law imposes lending limits (which take into account credit exposure from derivative transactions) and other requirements that could impact the manner and scope of GS Bank USA’s activities.

The U.S. federal bank regulatory agencies have issued guidance that focuses on transaction structures and risk management frameworks and that outlines high-level principles for safe-and-sound leveraged lending, including underwriting standards, valuation and stress testing. This guidance has, among other things, limited the percentage amount of debt that can be included in certain transactions. The status of this guidance is uncertain as the U.S. Government Accountability Office has determined that it is a rule subject to review under the Congressional Review Act.

### **Broker-Dealer and Securities Regulation**

Our broker-dealer subsidiaries are subject to regulations that cover all aspects of the securities business, including sales methods, trade practices, use and safekeeping of clients' funds and securities, capital structure, record-keeping, the financing of clients' purchases, and the conduct of directors, officers and employees. In the U.S., the SEC is the federal agency responsible for the administration of the federal securities laws. GS&Co. is registered as a broker-dealer, a municipal advisor and an investment adviser with the SEC and as a broker-dealer in all 50 states and the District of Columbia. U.S. self-regulatory organizations, such as FINRA and the NYSE, adopt rules that apply to, and examine, broker-dealers such as GS&Co.

In addition, U.S. state securities and other U.S. regulators also have regulatory or oversight authority over GS&Co. Similarly, our businesses are also subject to regulation by various non-U.S. governmental and regulatory bodies and self-regulatory authorities in virtually all countries where we have offices, as described further below, as well as in "Other Regulation." For a description of net capital requirements applicable to GS&Co., see Note 20 to the consolidated financial statements in Part II, Item 8 of this Form 10-K.

In Europe, we provide broker-dealer services that are subject to oversight by national regulators. These services are regulated in accordance with national laws, many of which implement E.U. directives, and, increasingly, by directly applicable E.U. regulations. These national and E.U. laws require, among other things, compliance with certain capital adequacy standards, customer protection requirements and market conduct and trade reporting rules.

Goldman Sachs Japan Co., Ltd. (GSJCL), our regulated Japanese broker-dealer, is subject to capital requirements imposed by Japan's Financial Services Agency. GSJCL is also regulated by the Tokyo Stock Exchange, the Osaka Exchange, the Tokyo Financial Exchange, the Japan Securities Dealers Association, the Tokyo Commodity Exchange, Securities and Exchange Surveillance Commission, Bank of Japan, the Ministry of Finance and the Ministry of Economy, Trade and Industry, among others.

Also, the Securities and Futures Commission in Hong Kong, the Monetary Authority of Singapore, the China Securities Regulatory Commission, the Korean Financial Supervisory Service, the Reserve Bank of India, the Securities and Exchange Board of India, the Australian Securities and Investments Commission and the Australian Securities Exchange, among others, regulate various of our subsidiaries and also have capital standards and other requirements comparable to the rules of the SEC. Various of our other subsidiaries are regulated by the banking and regulatory authorities in jurisdictions in which we operate, including, among others, Brazil and Dubai.

Our exchange-based market-making activities are subject to extensive regulation by a number of securities exchanges. As a market maker on exchanges, we are required to maintain orderly markets in the securities to which we are assigned.

The Dodd-Frank Act will result in additional regulation by the SEC, the CFTC and other regulators of our broker-dealer and regulated subsidiaries in a number of respects. The law calls for the imposition of expanded standards of care by market participants in dealing with clients and customers, including by providing the SEC with authority to adopt rules establishing fiduciary duties for broker-dealers and directing the SEC to examine and improve sales practices and disclosure by broker-dealers and investment advisers.

In addition, in June 2017, the U.S. Department of Labor's conflict of interest rule under the Employee Retirement Income Security Act of 1974 (ERISA) went into effect. The rule broadens the circumstances under which a firm and/or a financial advisor is considered a fiduciary when providing certain recommendations to retirement clients and requires that such recommendations be in the best interest of clients. As a result, we have made changes to some of our services and offerings for retirement clients.

Our U.S. broker-dealer and other U.S. subsidiaries are also subject to rules adopted by U.S. federal agencies pursuant to the Dodd-Frank Act that require any person who organizes or initiates certain asset-backed securities transactions to retain a portion (generally, at least five percent) of any credit risk that the person conveys to a third party. For certain securitization transactions, retention by third-party purchasers may satisfy this requirement. Securitizations would also be affected by rules proposed by the SEC to implement the Dodd-Frank Act's prohibition against securitization participants engaging in any transaction that would involve or result in any material conflict of interest with an investor in a securitization transaction. The proposed rules would exempt bona fide market-making activities and risk-mitigating hedging activities in connection with securitization activities from the general prohibition.

The SEC, FINRA and regulators in various non-U.S. jurisdictions have imposed both conduct-based and disclosure-based requirements with respect to research reports and research analysts and may impose additional regulations.

### **Swaps, Derivatives and Commodities Regulation**

The commodity futures, commodity options and swaps industry in the U.S. is subject to regulation under the U.S. Commodity Exchange Act (CEA). The CFTC is the U.S. federal agency charged with the administration of the CEA. In addition, the SEC is the U.S. federal agency charged with the regulation of security-based swaps. The rules and regulations of various self-regulatory organizations, such as the Chicago Mercantile Exchange, other futures exchanges and the National Futures Association, also govern commodity futures, commodity options and swaps activities.

The terms "swaps" and "security-based swaps" include a wide variety of derivative instruments in addition to those conventionally referred to as swaps (including certain forward contracts and options), and relate to a wide variety of underlying assets or obligations, including currencies, commodities, interest or other monetary rates, yields, indices, securities, credit events, loans and other financial obligations.

CFTC rules require registration of swap dealers, mandatory clearing and execution of interest rate and credit default swaps and real-time public reporting and adherence to business conduct standards for all in-scope swaps. In December 2016, the CFTC proposed revised capital regulations for swap dealers that are not subject to the capital rules of a prudential regulator, such as the FRB, as well as a liquidity requirement for those swap dealers.

SEC rules govern the registration and regulation of security-based swap dealers but compliance with such rules is not currently required. The SEC has proposed rules that would govern the design of new trading venues for security-based swaps and establish the process for determining which products must be traded on these venues.

GS&Co. is registered with the CFTC as a futures commission merchant, and several of our subsidiaries, including GS&Co., are registered with the CFTC and act as commodity pool operators and commodity trading advisors. GS&Co. and other subsidiaries, including GS Bank USA, GSI and J. Aron & Company (J. Aron), are registered with the CFTC as swap dealers. In addition, Goldman Sachs Financial Markets, L.P. is registered with the SEC as an OTC derivatives dealer.

Our affiliates registered as swap dealers are subject to the margin rules issued by the CFTC (in the case of our non-bank swap dealers) and the FRB (in the case of GS Bank USA). The rules for variation margin have become effective, and those for initial margin will phase in through September 2020 depending on certain activity levels of the swap dealer and the relevant counterparty. In contrast to the FRB margin rules, inter-affiliate transactions under the CFTC margin rules are generally exempt from initial margin requirements.

The CFTC has proposed position limit rules that will limit the size of positions that can be held by any entity, or any group of affiliates or other parties trading under common control, subject to certain exemptions, such as for bona fide hedging positions. These proposed rules would apply to positions in swaps as well as futures and options on futures.

Similar types of swap regulation have been proposed or adopted in jurisdictions outside the U.S., including in the E.U. and Japan. For example, the E.U. has established regulatory requirements relating to portfolio reconciliation and reporting, clearing certain OTC derivatives and margining for uncleared derivatives activities under the European Market Infrastructure Regulation.

The CFTC has adopted rules relating to cross-border regulation of swaps, and has proposed cross-border business conduct and registration rules. The CFTC has entered into agreements with certain non-U.S. regulators, including in the E.U., regarding the cross-border regulation of derivatives and the mutual recognition of cross-border clearing houses, and has approved substituted compliance with certain non-U.S. regulations, including E.U. regulations, related to certain business conduct requirements and margin rules. The U.S. prudential regulators have not yet made a determination with respect to substituted compliance for transactions subject to non-U.S. margin rules. The full application of new derivatives rules across different regulatory jurisdictions has not yet occurred and the full impact will not be known until the rules are implemented and market practices and structures develop under such rules.

J. Aron is authorized by the U.S. Federal Energy Regulatory Commission (FERC) to sell wholesale physical power at market-based rates. As a FERC-authorized power marketer, J. Aron is subject to regulation under the U.S. Federal Power Act and FERC regulations and to the oversight of FERC. As a result of our investing activities, Group Inc. is also an “exempt holding company” under the U.S. Public Utility Holding Company Act of 2005 and applicable FERC rules.

In addition, as a result of our power-related and commodities activities, we are subject to energy, environmental and other governmental laws and regulations, as described in “Risk Factors — Our commodities activities, particularly our physical commodities activities, subject us to extensive regulation and involve certain potential risks, including environmental, reputational and other risks that may expose us to significant liabilities and costs” in Part I, Item 1A of this Form 10-K.

### **Investment Management Regulation**

Our investment management business is subject to significant regulation in numerous jurisdictions around the world relating to, among other things, the safeguarding of client assets, offerings of funds, marketing activities, transactions among affiliates and our management of client funds.

The SEC has adopted rules currently anticipated to become effective in December 2018 relating to liquidity risk management that will require registered open-end funds to classify and review the liquidity of their portfolio assets. In addition, the rules require funds to make disclosures relating to their liquidity risk management program and report to the SEC instances when a fund’s percentage of illiquid investments exceeds certain thresholds or when certain funds experience shortfalls in their highly liquid investments.

Certain of our European subsidiaries, including Goldman Sachs Asset Management International, are subject to the Alternative Investment Fund Managers Directive and related regulations, which govern the approval, organizational, marketing and reporting requirements of E.U.-based alternative investment managers and the ability of alternative investment fund managers located outside the E.U. to access the E.U. market.

The E.U. legislative institutions have reached provisional agreement on an E.U. regulation relating to money market funds, including provisions prescribing minimum levels of daily and weekly liquidity, clear labeling of money market funds and internal credit risk assessments. The regulation was published on June 30, 2017 and will be effective on July 21, 2018.

### **Compensation Practices**

Our compensation practices are subject to oversight by the FRB and, with respect to some of our subsidiaries and employees, by other regulatory bodies worldwide. The scope and content of compensation regulation in the financial industry are continuing to develop, and we expect that these regulations and resulting market practices will evolve over a number of years.

The U.S. federal bank regulatory agencies have provided guidance designed to ensure that incentive compensation arrangements at banking organizations take into account risk and are consistent with safe and sound practices. The guidance sets forth the following three key principles with respect to incentive compensation arrangements: (i) the arrangements should provide employees with incentives that appropriately balance risk and financial results in a manner that does not encourage employees to expose their organizations to imprudent risk; (ii) the arrangements should be compatible with effective controls and risk management; and (iii) the arrangements should be supported by strong corporate governance. The guidance provides that supervisory findings with respect to incentive compensation will be incorporated, as appropriate, into the organization's supervisory ratings, which can affect its ability to make acquisitions or perform other actions. The guidance also provides that enforcement actions may be taken against a banking organization if its incentive compensation arrangements or related risk management, control or governance processes pose a risk to the organization's safety and soundness.

The FSB has released standards for local regulators to implement certain compensation principles for banks and other financial companies designed to encourage sound compensation practices. In the E.U., the CRR and CRD IV include compensation provisions designed to implement the FSB's compensation standards. These rules have been implemented by E.U. member states and, among other things, limit the ratio of variable to fixed compensation of certain employees, including those identified as having a material impact on the risk profile of E.U.-regulated entities, including GSI.

The E.U. has also introduced rules regulating compensation for certain persons providing services to certain investment funds. These requirements are in addition to the guidance issued by U.S. financial regulators described above and the Dodd-Frank Act provision described below.

The Dodd-Frank Act requires the U.S. financial regulators, including the FRB and SEC, to adopt rules on incentive-based payment arrangements at specified regulated entities having at least \$1 billion in total assets (including Group Inc. and some of its depository institution, broker-dealer and investment adviser subsidiaries). The U.S. financial regulators proposed revised rules in 2016, which have not been finalized.

In October 2016, the NYDFS issued guidance emphasizing that its regulated banking institutions, including GS Bank USA, must ensure that any incentive compensation arrangements tied to employee performance indicators are subject to effective risk management, oversight and control.

### **Anti-Money Laundering and Anti-Bribery Rules and Regulations**

The U.S. Bank Secrecy Act (BSA), as amended by the USA PATRIOT Act of 2001 (PATRIOT Act), contains anti-money laundering and financial transparency laws and mandated the implementation of various regulations applicable to all financial institutions, including standards for verifying client identification at account opening, and obligations to monitor client transactions and report suspicious activities. Through these and other provisions, the BSA and the PATRIOT Act seek to promote the identification of parties that may be involved in terrorism, money laundering or other suspicious activities. Anti-money laundering laws outside the U.S. contain some similar provisions.

In addition, we are subject to laws and regulations worldwide, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, relating to corrupt and illegal payments to, and hiring practices with regard to, government officials and others. The scope of the types of payments or other benefits covered by these laws is very broad and regulators are frequently using enforcement proceedings to define the scope of these laws. The obligation of financial institutions, including Goldman Sachs, to identify their clients, to monitor for and report suspicious transactions, to monitor direct and indirect payments to government officials, to respond to requests for information by regulatory authorities and law enforcement agencies, and to share information with other financial institutions, has required the implementation and maintenance of internal practices, procedures and controls.



### Privacy and Cyber Security Regulation

Certain of our businesses are subject to laws and regulations enacted by U.S. federal and state governments, the E.U. or other non-U.S. jurisdictions and/or enacted by various regulatory organizations or exchanges relating to the privacy of the information of clients, employees or others, including the GLB Act, the E.U. Data Protection Directive, the Japanese Personal Information Protection Act, the Hong Kong Personal Data (Privacy) Ordinance, the Australian Privacy Act and the Brazilian Bank Secrecy Law. Effective May 25, 2018, the E.U. Data Protection Directive will be replaced by a more extensive General Data Protection Regulation (GDPR). Compared to the current directive, the GDPR will, among other things, increase compliance obligations, have a significant impact on our businesses' collection, processing and retention of personal data and reporting of data breaches, and provide for significantly increased penalties for non-compliance.

The NYDFS also requires financial institutions regulated by the NYDFS, including GS Bank USA, to, among other things, (i) establish and maintain a cyber security program designed to ensure the confidentiality, integrity and availability of their information systems; (ii) implement and maintain a written cyber security policy setting forth policies and procedures for the protection of their information systems and nonpublic information; and (iii) designate a Chief Information Security Officer. In addition, in October 2016, the U.S. federal bank regulatory agencies issued an advance notice of proposed rulemaking on potential enhanced cyber risk management standards for large financial institutions.

### Other Regulation

U.S. and non-U.S. government agencies, regulatory bodies and self-regulatory organizations, as well as state securities commissions and other state regulators in the U.S., are empowered to conduct administrative proceedings that can result in censure, fine, the issuance of cease-and-desist orders, or the suspension or expulsion of a regulated entity or its directors, officers or employees. In particular, state attorneys general have become much more active in seeking fines and penalties in enforcement led by the federal regulators. In addition, a number of our other activities require us to obtain licenses, adhere to applicable regulations and be subject to the oversight of various regulators in the jurisdictions in which we conduct these activities.

MiFID II, which became effective on January 3, 2018, includes extensive market structure reforms, such as the establishment of new trading venue categories for the purposes of discharging the obligation to trade OTC derivatives on a trading platform and enhanced pre- and post-trade transparency covering a wider range of financial instruments. In equities, MiFID II introduced volume caps on non-transparent liquidity trading for trading venues, limited the use of broker-dealer crossing networks and created a new regime for systematic internalizers, which are investment firms that execute client transactions outside a trading venue.

Additional controls were introduced for algorithmic trading, high frequency trading and direct electronic access. Commodities trading firms are required to calculate their positions and adhere to specific limits. Other reforms introduced enhanced transaction reporting, the publication of best execution data by investment firms and trading venues, transparency on costs and charges of service to investors, changes to the way investment managers can pay for the receipt of investment research and mandatory unbundling for broker-dealers between execution and other major services.

On October 26, 2017, the SEC staff issued guidance permitting U.S. broker-dealers to comply with MiFID II without being subject to conflicting U.S. regulation or other adverse U.S. regulatory effects.

The E.U. and national financial legislators and regulators in the E.U. have proposed or adopted numerous further market reforms that may impact our businesses, including heightened corporate governance standards for financial institutions, rules on key information documents for packaged retail and insurance-based investment products and rules on indices that are used as benchmarks for financial instruments or funds. In addition, the European Commission, ESMA and the European Banking Authority have announced or are formulating regulatory standards and other measures which will impact our European operations. Certain of our European subsidiaries are also regulated by the securities, derivatives and commodities exchanges of which they are members.

As described above, many of our subsidiaries are subject to regulatory capital requirements in jurisdictions throughout the world. Subsidiaries not subject to separate regulation may hold capital to satisfy local tax guidelines, rating agency requirements or internal policies, including policies concerning the minimum amount of capital a subsidiary should hold based upon its underlying risk.

## Available Information

Our internet address is [www.gs.com](http://www.gs.com) and the investor relations section of our website is located at [www.gs.com/shareholders](http://www.gs.com/shareholders). We make available free of charge through the investor relations section of our website, annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934 (Exchange Act), as well as proxy statements, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

Also posted on our website, and available in print upon request of any shareholder to our Investor Relations Department, are our certificate of incorporation and by-laws, charters for our Audit Committee, Risk Committee, Compensation Committee, Corporate Governance and Nominating Committee, and Public Responsibilities Committee, our Policy Regarding Director Independence Determinations, our Policy on Reporting of Concerns Regarding Accounting and Other Matters, our Corporate Governance Guidelines and our Code of Business Conduct and Ethics governing our directors, officers and employees. Within the time period required by the SEC, we will post on our website any amendment to the Code of Business Conduct and Ethics and any waiver applicable to any executive officer, director or senior financial officer.

In addition, our website includes information concerning:

- Purchases and sales of our equity securities by our executive officers and directors;
- Disclosure relating to certain non-GAAP financial measures (as defined in the SEC's Regulation G) that we may make public orally, telephonically, by webcast, by broadcast or by other means from time to time;
- Dodd-Frank Act stress test results;
- The public portion of our resolution plan submission;
- Our risk management practices and regulatory capital ratios, as required under the disclosure-related provisions of the Capital Framework, which are based on the third pillar of Basel III; and
- Our quarterly average LCR.

Our Investor Relations Department can be contacted at The Goldman Sachs Group, Inc., 200 West Street, 29th Floor, New York, New York 10282, Attn: Investor Relations, telephone: 212-902-0300, e-mail: [gs-investor-relations@gs.com](mailto:gs-investor-relations@gs.com).

From time to time, we use our website, our Twitter account ([twitter.com/GoldmanSachs](https://twitter.com/GoldmanSachs)) and other social media channels as additional means of disclosing public information to investors, the media and others interested in Goldman Sachs. It is possible that certain information we post on our website and on social media could be deemed to be material information, and we encourage investors, the media and others interested in Goldman Sachs to review the business and financial information we post on our website and on the social media channels identified above. The information on our website and our social media channels is not incorporated by reference into this Form 10-K.

## Cautionary Statement Pursuant to the U.S. Private Securities Litigation Reform Act of 1995

We have included or incorporated by reference in this Form 10-K, and from time to time our management may make, statements that may constitute “forward-looking statements” within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are not historical facts, but instead represent only our beliefs regarding future events, many of which, by their nature, are inherently uncertain and outside our control.

These statements include statements other than historical information or statements of current conditions and may relate to our future plans and objectives and results, among other things, and may also include statements about the effect of changes to the capital, leverage, liquidity, long-term debt and total loss-absorbing capacity rules applicable to banks and BHCs, the impact of the Dodd-Frank Act on our businesses and operations, and various legal proceedings, governmental investigations or mortgage-related contingencies as set forth in Notes 27 and 18, respectively, to the consolidated financial statements in Part II, Item 8 of this Form 10-K, as well as statements about the results of our Dodd-Frank Act and firm stress tests, statements about the objectives and effectiveness of our business continuity plan, information security program, risk management and liquidity policies, statements about our resolution plan and resolution strategy and their implications for our debtholders and other stakeholders, statements about the design and effectiveness of our resolution capital and liquidity models and our triggers and alerts framework, statements about trends in or growth opportunities for our businesses, statements about our future status, activities or reporting under U.S. or non-U.S. banking and financial regulation, statements about our investment banking transaction backlog, statements about the estimated effects of the Tax Cuts and Jobs Act (Tax Legislation), statements about our average LCR and statements about our strategic growth initiatives.

By identifying these statements for you in this manner, we are alerting you to the possibility that our actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements. Important factors that could cause our actual results and financial condition to differ from those indicated in these forward-looking statements include, among others, those described below and in “Risk Factors” in Part I, Item 1A of this Form 10-K.

Statements about our investment banking transaction backlog are subject to the risk that the terms of these transactions may be modified or that they may not be completed at all; therefore, the net revenues, if any, that we actually earn from these transactions may differ, possibly materially, from those currently expected. Important factors that could result in a modification of the terms of a transaction or a transaction not being completed include, in the case of underwriting transactions, a decline or continued weakness in general economic conditions, outbreak of hostilities, volatility in the securities markets generally or an adverse development with respect to the issuer of the securities and, in the case of financial advisory transactions, a decline in the securities markets, an inability to obtain adequate financing, an adverse development with respect to a party to the transaction or a failure to obtain a required regulatory approval. For information about other important factors that could adversely affect our investment banking transactions, see “Risk Factors” in Part I, Item 1A of this Form 10-K.

Statements about the estimated effects of Tax Legislation are based on our current calculations, as well as our current interpretations, assumptions and expectations relating to Tax Legislation, which are subject to further guidance and change. The impact of Tax Legislation may differ from our estimates, possibly materially, due to, among other things, (i) refinement of our calculations based on updated information, (ii) changes in interpretations and assumptions, (iii) guidance that may be issued and (iv) actions we may take as a result of Tax Legislation.

Statements about our strategic growth initiatives are subject to the risk that our businesses may be unable to generate incremental revenues or pre-tax earnings or take advantage of growth opportunities. It is possible that our actual results, including the incremental revenues and pre-tax earnings, if any, from such initiatives, and financial condition, may differ, possibly materially, from the anticipated results, financial condition and incremental revenues and pre-tax earnings indicated in these forward-looking statements.

We have provided in this filing information regarding our capital, liquidity and leverage ratios, including our NSFR. The statements with respect to these ratios are forward-looking statements, based on our current interpretation, expectations and understandings of the relevant regulatory rules, guidance and proposals, and reflect significant assumptions concerning the treatment of various assets and liabilities and the manner in which the ratios are calculated. As a result, the methods used to calculate these ratios may differ, possibly materially, from those used in calculating our and, where applicable, GS Bank USA's capital, liquidity and leverage ratios for any future disclosures. The ultimate methods of calculating the ratios will depend on, among other things, implementation guidance or further rulemaking from the U.S. federal bank regulatory agencies and the development of market practices and standards.

## Item 1A. Risk Factors

We face a variety of risks that are substantial and inherent in our businesses, including market, liquidity, credit, operational, legal, regulatory and reputational risks. The following are some of the more important factors that could affect our businesses.

***Our businesses have been and may continue to be adversely affected by conditions in the global financial markets and economic conditions generally.***

Our businesses, by their nature, do not produce predictable earnings, and all of our businesses are materially affected by conditions in the global financial markets and economic conditions generally, both directly and through their impact on client activity levels. These conditions can change suddenly and negatively.

Our financial performance is highly dependent on the environment in which our businesses operate. A favorable business environment is generally characterized by, among other factors, high global gross domestic product growth, regulatory and market conditions which result in transparent, liquid and efficient capital markets, low inflation, high business and investor confidence, stable geopolitical conditions, clear regulations and strong business earnings.

Unfavorable or uncertain economic and market conditions can be caused by: concerns about sovereign defaults; uncertainty concerning fiscal or monetary policy, government debt ceilings or funding; the extent of and uncertainty about tax and other regulatory changes; declines in economic growth, business activity or investor or business confidence; limitations on the availability or increases in the cost of credit and capital; illiquid markets; increases in inflation, interest rates, exchange rate or basic commodity price volatility or default rates; outbreaks of domestic or international tensions or hostilities, terrorism, nuclear proliferation, cybersecurity threats or attacks and other forms of disruption to or curtailment of global communication, energy transmission or transportation networks or other geopolitical instability or uncertainty, such as Brexit; corporate, political or other scandals that reduce investor confidence in capital markets; extreme weather events or other natural disasters or pandemics; or a combination of these or other factors.

The financial services industry and the securities markets have been materially and adversely affected in the past by significant declines in the values of nearly all asset classes and by a serious lack of liquidity. In addition, concerns about European sovereign debt risk and its impact on the European banking system, about the impact of Brexit, and about changes in interest rates and other market conditions or actual changes in interest rates and other market conditions, including market conditions in China, have resulted, at times, in significant volatility while negatively impacting the levels of client activity.

General uncertainty about economic, political and market activities, and the scope, timing and impact of regulatory reform, as well as weak consumer, investor and CEO confidence resulting in large part from such uncertainty, continues to negatively impact client activity, which adversely affects many of our businesses. Periods of low volatility and periods of high volatility combined with a lack of liquidity, have at times had an unfavorable impact on our market-making businesses.

Our revenues and profitability and those of our competitors have been and will continue to be impacted by requirements relating to capital, additional loss-absorbing capacity, leverage, minimum liquidity and long-term funding levels, requirements related to resolution and recovery planning, derivatives clearing and margin rules and levels of regulatory oversight, as well as limitations on which and, if permitted, how certain business activities may be carried out by financial institutions.

Although interest rates are still near historically low levels, financial institution returns in many countries have also been negatively impacted by increased funding costs due in part to the withdrawal of perceived government support of such institutions in the event of future financial crises. In addition, liquidity in the financial markets has also been negatively impacted as market participants and market practices and structures continue to adjust to new regulations.

The degree to which these and other changes resulting from the financial crisis will have a long-term impact on the profitability of financial institutions will depend on the implementation of recently adopted and new regulations, the manner in which markets, market participants and financial institutions adapt to these regulations, and the prevailing economic and financial market conditions. However, there is a significant risk that such changes will, at least in the near term, continue to negatively impact the absolute level of revenues, profitability and return on equity at our firm and at other financial institutions.

***Our businesses and those of our clients are subject to extensive and pervasive regulation around the world.***

As a participant in the financial services industry and a systemically important financial institution, we are subject to extensive regulation in jurisdictions around the world. We face the risk of significant intervention by law enforcement, regulatory and taxing authorities, as well as private litigation, in all jurisdictions in which we conduct our businesses. In many cases, our activities may be subject to overlapping and divergent regulation in different jurisdictions. Among other things, as a result of law enforcement authorities, regulators or private parties challenging our compliance with existing laws and regulations, we or our employees could be fined or criminally sanctioned, prohibited from engaging in some of our business activities, subject to limitations or conditions on our business activities, including higher capital requirements, or subjected to new or substantially higher taxes or other governmental charges in connection with the conduct of our businesses or with respect to our employees. Such limitations or conditions may limit our business activities and negatively impact our profitability.

In addition to the impact on the scope and profitability of our business activities, day-to-day compliance with existing laws and regulations, in particular those adopted since 2008, has involved and will, except to the extent that some of such regulations are eventually modified or otherwise repealed, continue to involve significant amounts of time, including that of our senior leaders and that of a large number of dedicated compliance and other reporting and operational personnel, all of which may negatively impact our profitability.

If there are new laws or regulations or changes in the enforcement of existing laws or regulations applicable to our businesses or those of our clients, including capital, liquidity, leverage, long-term debt, total loss-absorbing capacity and margin requirements, restrictions on leveraged lending or other business practices, reporting requirements, requirements relating to recovery and resolution planning, tax burdens and compensation restrictions, that are imposed on a limited subset of financial institutions (either based on size, activities, geography or other criteria), compliance with these new laws or regulations, or changes in the enforcement of existing laws or regulations, could adversely affect our ability to compete effectively with other institutions that are not affected in the same way. In addition, regulation imposed on financial institutions or market participants generally, such as taxes on financial transactions, could adversely impact levels of market activity more broadly, and thus impact our businesses.

These developments could impact our profitability in the affected jurisdictions, or even make it uneconomic for us to continue to conduct all or certain of our businesses in such jurisdictions, or could cause us to incur significant costs associated with changing our business practices, restructuring our businesses, moving all or certain of our businesses and our employees to other locations or complying with applicable capital requirements, including liquidating assets or raising capital in a manner that adversely increases our funding costs or otherwise adversely affects our shareholders and creditors.

U.S. and non-U.S. regulatory developments, in particular the Dodd-Frank Act and Basel III, have significantly altered the regulatory framework within which we operate and have adversely affected and may in the future affect our profitability.

Among the aspects of the Dodd-Frank Act that have affected or may in the future affect our businesses are: increased capital, liquidity and reporting requirements; limitations on activities in which we may engage; increased regulation of and restrictions on OTC derivatives markets and transactions; limitations on incentive compensation; limitations on affiliate transactions; requirements to reorganize or limit activities in connection with recovery and resolution planning; increased deposit insurance assessments; and increased standards of care for broker-dealers and investment advisers in dealing with clients. The implementation of higher capital requirements, the LCR, the NSFR, requirements relating to long-term debt and total loss-absorbing capacity and the prohibition on proprietary trading and the sponsorship of, or investment in, covered funds by the Volcker Rule may continue to adversely affect our profitability and competitive position, particularly if these requirements do not apply equally to our competitors or are not implemented uniformly across jurisdictions.

As described in “Business — Regulation — Banking Supervision and Regulation” in Part I, Item 1 of this Form 10-K, Group Inc.’s proposed capital actions and capital plan are reviewed by the FRB as part of the CCAR process. If the FRB objects to our proposed capital actions in our capital plan, Group Inc. could be prohibited from taking some or all of the proposed capital actions, including increasing or paying dividends on common or preferred stock or repurchasing common stock or other capital securities. Our inability to carry out our proposed capital actions could, among other things, prevent us from returning capital to our shareholders and impact our return on equity.

We are also subject to laws and regulations relating to the privacy of the information of clients, employees or others, and any failure to comply with these laws and regulations could expose us to liability and/or reputational damage. As new privacy-related laws and regulations, such as the GDPR, are implemented, the time and resources needed for us to comply with such laws and regulations, as well as our potential liability for non-compliance and reporting obligations in the case of data breaches, may significantly increase.

In addition, our businesses are increasingly subject to laws and regulations relating to surveillance, encryption and data on-shoring in the jurisdictions in which we operate. Compliance with these laws and regulations may require us to change our policies, procedures and technology for information security, which could, among other things, make us more vulnerable to cyber attacks and misappropriation, corruption or loss of information or technology.

We have recently entered new retail-oriented deposit-taking and lending businesses, and we currently expect to expand the product and geographic scope of our offerings. Entering into such new businesses, as with any new business, subjects us to numerous additional regulations in the jurisdictions in which these businesses operate. Not only are these regulations extensive, but they involve types of regulations and supervision, as well as regulatory compliance risks, that we have not previously encountered. The level of regulatory scrutiny and the scope of regulations affecting financial interactions with retail clients is often much greater than that associated with doing business with institutions and high-net-worth clients. Complying with such new regulations is time-consuming, costly and presents new and increased risks.

Increasingly, regulators and courts have sought to hold financial institutions liable for the misconduct of their clients where such regulators and courts have determined that the financial institution should have detected that the client was engaged in wrongdoing, even though the financial institution had no direct knowledge of the activities engaged in by its client. Regulators and courts have also increasingly found liability as a “control person” for activities of entities in which financial institutions or funds controlled by financial institutions have an investment, but which they do not actively manage. In addition, regulators and courts continue to seek to establish “fiduciary” obligations to counterparties to which no such duty had been assumed to exist. To the extent that such efforts are successful, the cost of, and liabilities associated with, engaging in brokerage, clearing, market-making, prime brokerage, investing and other similar activities could increase significantly. To the extent that we have fiduciary obligations in connection with acting as a financial adviser, investment adviser or in other roles for individual, institutional, sovereign or investment fund clients, any breach, or even an alleged breach, of such obligations could have materially negative legal, regulatory and reputational consequences.

For information about the extensive regulation to which our businesses are subject, see “Business — Regulation” in Part I, Item 1 of this Form 10-K.

***Our businesses have been and may be adversely affected by declining asset values. This is particularly true for those businesses in which we have net “long” positions, receive fees based on the value of assets managed, or receive or post collateral.***

Many of our businesses have net “long” positions in debt securities, loans, derivatives, mortgages, equities (including private equity and real estate) and most other asset classes. These include positions we take when we act as a principal to facilitate our clients’ activities, including our exchange-based market-making activities, or commit large amounts of capital to maintain positions in interest rate and credit products, as well as through our currencies, commodities, equities and mortgage-related activities. In addition, we invest in similar asset classes. Substantially all of our investing and market-making positions and a portion of our loans are marked-to-market on a daily basis and declines in asset values directly and immediately impact our earnings, unless we have effectively “hedged” our exposures to such declines.

In certain circumstances (particularly in the case of credit products, including leveraged loans, and private equities or other securities that are not freely tradable or lack established and liquid trading markets), it may not be possible or economic to hedge such exposures and to the extent that we do so the hedge may be ineffective or may greatly reduce our ability to profit from increases in the values of the assets. Sudden declines and significant volatility in the prices of assets may substantially curtail or eliminate the trading markets for certain assets, which may make it difficult to sell, hedge or value such assets. The inability to sell or effectively hedge assets reduces our ability to limit losses in such positions and the difficulty in valuing assets may negatively affect our capital, liquidity or leverage ratios, increase our funding costs and generally require us to maintain additional capital.

In our exchange-based market-making activities, we are obligated by stock exchange rules to maintain an orderly market, including by purchasing securities in a declining market. In markets where asset values are declining and in volatile markets, this results in losses and an increased need for liquidity.

We receive asset-based management fees based on the value of our clients' portfolios or investment in funds managed by us and, in some cases, we also receive incentive fees based on increases in the value of such investments. Declines in asset values reduce the value of our clients' portfolios or fund assets, which in turn reduce the fees we earn for managing such assets.

We post collateral to support our obligations and receive collateral to support the obligations of our clients and counterparties in connection with our client execution businesses. When the value of the assets posted as collateral or the credit ratings of the party posting collateral decline, the party posting the collateral may need to provide additional collateral or, if possible, reduce its trading position. An example of such a situation is a "margin call" in connection with a brokerage account. Therefore, declines in the value of asset classes used as collateral mean that either the cost of funding positions is increased or the size of positions is decreased.

If we are the party providing collateral, this can increase our costs and reduce our profitability and if we are the party receiving collateral, this can also reduce our profitability by reducing the level of business done with our clients and counterparties. In addition, volatile or less liquid markets increase the difficulty of valuing assets, which can lead to costly and time-consuming disputes over asset values and the level of required collateral, as well as increased credit risk to the recipient of the collateral due to delays in receiving adequate collateral. In cases where we foreclose on collateral, sudden declines in the value or liquidity of such collateral may, despite credit monitoring, over-collateralization, the ability to call for additional collateral or the ability to force repayment of the underlying obligation, result in significant losses to us, especially where there is a single type of collateral supporting the obligation. In addition, we have been, and may in the future be, subject to claims that the foreclosure was not permitted under the legal documents, was conducted in an improper manner or caused a client or counterparty to go out of business.

***Our businesses have been and may be adversely affected by disruptions in the credit markets, including reduced access to credit and higher costs of obtaining credit.***

Widening credit spreads, as well as significant declines in the availability of credit, have in the past adversely affected our ability to borrow on a secured and unsecured basis and may do so in the future. We fund ourselves on an unsecured basis by issuing long-term debt, by accepting deposits at our bank subsidiaries, by issuing hybrid financial instruments or by obtaining loans or lines of credit from commercial or other banking entities. We seek to finance many of our assets on a secured basis. Any disruptions in the credit markets may make it harder and more expensive to obtain funding for our businesses. If our available funding is limited or we are forced to fund our operations at a higher cost, these conditions may require us to curtail our business activities and increase our cost of funding, both of which could reduce our profitability, particularly in our businesses that involve investing, lending and market making.

Our clients engaging in mergers, acquisitions and other types of strategic transactions often rely on access to the secured and unsecured credit markets to finance their transactions. A lack of available credit or an increased cost of credit can adversely affect the size, volume and timing of our clients' merger and acquisition transactions, particularly large transactions, and adversely affect our financial advisory and underwriting businesses.

Our credit businesses have been and may in the future be negatively affected by a lack of liquidity in credit markets. A lack of liquidity reduces price transparency, increases price volatility and decreases transaction volumes and size, all of which can increase transaction risk or decrease the profitability of such businesses.

***Our market-making activities have been and may be affected by changes in the levels of market volatility.***

Certain of our market-making activities depend on market volatility to provide trading and arbitrage opportunities to our clients, and decreases in volatility have reduced and may continue to reduce these opportunities and the level of client activity associated with them and adversely affect the results of these activities. On the other hand, increased volatility, while it can increase trading volumes and spreads, also increases risk as measured by Value-at-Risk (VaR) and may expose us to increased risks in connection with our market-making activities or cause us to reduce our market-making inventory in order to avoid increasing our VaR. Limiting the size of our market-making positions can adversely affect our profitability. In periods when volatility is increasing, but asset values are declining significantly, it may not be possible to sell assets at all or it may only be possible to do so at steep discounts. In such circumstances we may be forced to either take on additional risk or to realize losses in order to decrease our VaR. In addition, increases in volatility increase the level of our RWAs, which increases our capital requirements.

***Our investment banking, client execution and investment management businesses have been adversely affected and may in the future be adversely affected by market uncertainty or lack of confidence among investors and CEOs due to general declines in economic activity and other unfavorable economic, geopolitical or market conditions.***

Our investment banking business has been, and may in the future be, adversely affected by market conditions. Poor economic conditions and other adverse geopolitical conditions can adversely affect and have in the past adversely affected investor and CEO confidence, resulting in significant industry-wide declines in the size and number of underwritings and of financial advisory transactions, which could have an adverse effect on our revenues and our profit margins. In particular, because a significant portion of our investment banking revenues is derived from our participation in large transactions, a decline in the number of large transactions would adversely affect our investment banking business.

In certain circumstances, market uncertainty or general declines in market or economic activity may affect our client execution businesses by decreasing levels of overall activity or by decreasing volatility, but at other times market uncertainty and even declining economic activity may result in higher trading volumes or higher spreads or both.

Market uncertainty, volatility and adverse economic conditions, as well as declines in asset values, may cause our clients to transfer their assets out of our funds or other products or their brokerage accounts and result in reduced net revenues, principally in our investment management business. To the extent that clients do not withdraw their funds, they may invest them in products that generate less fee income.

***Our investment management business may be affected by the poor investment performance of our investment products or a client preference for products other than those which we offer or for products that generate lower fees.***

Poor investment returns in our investment management business, due to either general market conditions or underperformance (relative to our competitors or to benchmarks) by funds or accounts that we manage or investment products that we design or sell, affects our ability to retain existing assets and to attract new clients or additional assets from existing clients. This could affect the management and incentive fees that we earn on assets under supervision or the commissions and net spreads that we earn for selling other investment products, such as structured notes or derivatives. To the extent that our clients choose to invest in products that we do not currently offer, we will suffer outflows and a loss of management fees. Further, if, due to changes in investor sentiment or the relative performance of certain asset classes or otherwise, clients invest in products that generate lower fees, our investment management business could be adversely affected.



***We may incur losses as a result of ineffective risk management processes and strategies.***

We seek to monitor and control our risk exposure through a risk and control framework encompassing a variety of separate but complementary financial, credit, operational, compliance and legal reporting systems, internal controls, management review processes and other mechanisms. Our risk management process seeks to balance our ability to profit from market-making, investing or lending positions, and underwriting activities, with our exposure to potential losses. While we employ a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate every economic and financial outcome or the specifics and timing of such outcomes. Thus, we may, in the course of our activities, incur losses. Market conditions in recent years have involved unprecedented dislocations and highlight the limitations inherent in using historical data to manage risk.

The models that we use to assess and control our risk exposures reflect assumptions about the degrees of correlation or lack thereof among prices of various asset classes or other market indicators. In times of market stress or other unforeseen circumstances, such as those that occurred during 2008 and early 2009, and to some extent since 2011, previously uncorrelated indicators may become correlated, or conversely previously correlated indicators may move in different directions. These types of market movements have at times limited the effectiveness of our hedging strategies and have caused us to incur significant losses, and they may do so in the future. These changes in correlation can be exacerbated where other market participants are using risk or trading models with assumptions or algorithms that are similar to ours. In these and other cases, it may be difficult to reduce our risk positions due to the activity of other market participants or widespread market dislocations, including circumstances where asset values are declining significantly or no market exists for certain assets.

In addition, the use of models in connection with risk management and numerous other critical activities presents risks that such models may be ineffective, either because of poor design or ineffective testing, improper or flawed inputs, as well as unpermitted access to such models resulting in unapproved or malicious changes to the model or its inputs.

To the extent that we have positions through our market-making or origination activities or we make investments directly through our investing activities, including private equity, that do not have an established liquid trading market or are otherwise subject to restrictions on sale or hedging, we may not be able to reduce our positions and therefore reduce our risk associated with such positions. In addition, to the extent permitted by applicable law and regulation, we invest our own capital in private equity, credit, real estate and hedge funds that we manage and limitations on our ability to withdraw some or all of our investments in these funds, whether for legal, reputational or other reasons, may make it more difficult for us to control the risk exposures relating to these investments.

Prudent risk management, as well as regulatory restrictions, may cause us to limit our exposure to counterparties, geographic areas or markets, which may limit our business opportunities and increase the cost of our funding or hedging activities.

As we have recently expanded and intend to continue to expand the product and geographic scope of our offerings of credit products to retail clients, we are presented with different credit risks and must expand and adapt our credit risk monitoring and mitigation activities to account for these new business activities. A failure to adequately assess and control such risk exposures could result in losses to us.

For further information about our risk management policies and procedures, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Risk Management” in Part II, Item 7 of this Form 10-K.

***Our liquidity, profitability and businesses may be adversely affected by an inability to access the debt capital markets or to sell assets or by a reduction in our credit ratings or by an increase in our credit spreads.***

Liquidity is essential to our businesses. Our liquidity may be impaired by an inability to access secured and/or unsecured debt markets, an inability to access funds from our subsidiaries or otherwise allocate liquidity optimally across our firm, an inability to sell assets or redeem our investments, or unforeseen outflows of cash or collateral. This situation may arise due to circumstances that we may be unable to control, such as a general market disruption or an operational problem that affects third parties or us, or even by the perception among market participants that we, or other market participants, are experiencing greater liquidity risk.

We employ structured products to benefit our clients and hedge our own risks. The financial instruments that we hold and the contracts to which we are a party are often complex, and these complex structured products often do not have readily available markets to access in times of liquidity stress. Our investing and lending activities may lead to situations where the holdings from these activities represent a significant portion of specific markets, which could restrict liquidity for our positions.

Further, our ability to sell assets may be impaired if there is not generally a liquid market for such assets, as well as in circumstances where other market participants are seeking to sell similar otherwise generally liquid assets at the same time, as is likely to occur in a liquidity or other market crisis or in response to changes to rules or regulations. In addition, financial institutions with which we interact may exercise set-off rights or the right to require additional collateral, including in difficult market conditions, which could further impair our liquidity.

Our credit ratings are important to our liquidity. A reduction in our credit ratings could adversely affect our liquidity and competitive position, increase our borrowing costs, limit our access to the capital markets or trigger our obligations under certain provisions in some of our trading and collateralized financing contracts. Under these provisions, counterparties could be permitted to terminate contracts with us or require us to post additional collateral. Termination of our trading and collateralized financing contracts could cause us to sustain losses and impair our liquidity by requiring us to find other sources of financing or to make significant cash payments or securities movements.

As of December 2017, in the event of a one-notch and two-notch downgrade of our credit ratings our counterparties could have called for additional collateral or termination payments related to our net derivative liabilities under bilateral agreements in an aggregate amount of \$358 million and \$1.86 billion, respectively. A downgrade by any one rating agency, depending on the agency's relative ratings of us at the time of the downgrade, may have an impact which is comparable to the impact of a downgrade by all rating agencies. For further information about our credit ratings, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management — Liquidity Risk Management — Credit Ratings" in Part II, Item 7 of this Form 10-K.

Our cost of obtaining long-term unsecured funding is directly related to our credit spreads (the amount in excess of the interest rate of U.S. Treasury securities (or other benchmark securities) of the same maturity that we need to pay to our debt investors). Increases in our credit spreads can significantly increase our cost of this funding. Changes in credit spreads are continuous, market-driven, and subject at times to unpredictable and highly volatile movements. Our credit spreads are also influenced by market perceptions of our creditworthiness. In addition, our credit spreads may be influenced by movements in the costs to purchasers of credit default swaps referenced to our long-term debt. The market for credit default swaps has proven to be extremely volatile and at times has lacked a high degree of transparency or liquidity.

Regulatory changes relating to liquidity may also negatively impact our results of operations and competitive position. Recently, numerous regulations have been adopted or proposed to introduce more stringent liquidity requirements for large financial institutions. These regulations address, among other matters, liquidity stress testing, minimum liquidity requirements, wholesale funding, limitations on the issuance of short-term debt and structured notes and prohibitions on parent guarantees that are subject to certain cross-defaults. New and prospective liquidity-related regulations may overlap with, and be impacted by, other regulatory changes, including new rules relating to minimum long-term debt requirements and TLAC, guidance on the treatment of brokered deposits and the capital, leverage and resolution and recovery frameworks applicable to large financial institutions. Given the overlap and complex interactions among these new and prospective regulations, they may have unintended cumulative effects, and their full impact will remain uncertain until implementation of post-financial crisis regulatory reform is complete.

***A failure to appropriately identify and address potential conflicts of interest could adversely affect our businesses.***

Due to the broad scope of our businesses and our client base, we regularly address potential conflicts of interest, including situations where our services to a particular client or our own investments or other interests conflict, or are perceived to conflict, with the interests of another client, as well as situations where one or more of our businesses have access to material non-public information that may not be shared with our other businesses and situations where we may be a creditor of an entity with which we also have an advisory or other relationship.

In addition, our status as a BHC subjects us to heightened regulation and increased regulatory scrutiny by the FRB with respect to transactions between GS Bank USA and entities that are or could be viewed as affiliates of ours and, under the Volcker Rule, transactions between Goldman Sachs and certain covered funds.

We have extensive procedures and controls that are designed to identify and address conflicts of interest, including those designed to prevent the improper sharing of information among our businesses. However, appropriately identifying and dealing with conflicts of interest is complex and difficult, and our reputation, which is one of our most important assets, could be damaged and the willingness of clients to enter into transactions with us may be affected if we fail, or appear to fail, to identify, disclose and deal appropriately with conflicts of interest. In addition, potential or perceived conflicts could give rise to litigation or regulatory enforcement actions.

***A failure in our operational systems or infrastructure, or those of third parties, as well as human error, could impair our liquidity, disrupt our businesses, result in the disclosure of confidential information, damage our reputation and cause losses.***

Our businesses are highly dependent on our ability to process and monitor, on a daily basis, a very large number of transactions, many of which are highly complex and occur at high volumes and frequencies, across numerous and diverse markets in many currencies. These transactions, as well as the information technology services we provide to clients, often must adhere to client-specific guidelines, as well as legal and regulatory standards.

Many rules and regulations worldwide govern our obligations to report transactions and other information to regulators, exchanges and investors. Compliance with these legal and reporting requirements can be challenging, and we have been, and may in the future be, subject to regulatory fines and penalties for failing to report timely, accurate and complete information. As reporting requirements expand, compliance with these rules and regulations has become more challenging.

As our client base and our geographical reach expand and the volume, speed, frequency and complexity of transactions, especially electronic transactions (as well as the requirements to report such transactions on a real-time basis to clients, regulators and exchanges) increase, developing and maintaining our operational systems and infrastructure becomes more challenging, and the risk of systems or human error in connection with such transactions increases, as well as the potential consequences of such errors due to the speed and volume of transactions involved and the potential difficulty associated with discovering such errors quickly enough to limit the resulting consequences.

Our financial, accounting, data processing or other operational systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, such as a spike in transaction volume, adversely affecting our ability to process these transactions or provide these services. We must continuously update these systems to support our operations and growth and to respond to changes in regulations and markets, and invest heavily in systemic controls and training to ensure that such transactions do not violate applicable rules and regulations or, due to errors in processing such transactions, adversely affect markets, our clients and counterparties or us.

Enhancements and updates to systems, as well as the requisite training, including in connection with the integration of new businesses, entail significant costs and create risks associated with implementing new systems and integrating them with existing ones.

The use of computing devices and phones is critical to the work done by our employees and the operation of our systems and businesses and those of our clients and our third-party service providers and vendors. It has been reported that there are some fundamental security flaws in computer chips found in many types of these computing devices and phones. Addressing this issue could be costly and affect the performance of these businesses and systems, and operational risks may be incurred in applying fixes and there may still be residual security risks.

Additionally, although the prevalence and scope of applications of distributed ledger technology and similar technologies is growing, the technology is also nascent and may be vulnerable to cyber attacks or have other inherent weaknesses. We may be, or may become, exposed to risks related to distributed ledger technology through our facilitation of clients' activities involving financial products linked to distributed ledger technology, such as blockchain or cryptocurrencies, our investments in companies that seek to develop platforms based on distributed ledger technology, and the use of distributed ledger technology by third-party vendors, clients, counterparties, clearing houses and other financial intermediaries.

Notwithstanding the proliferation of technology and technology-based risk and control systems, our businesses ultimately rely on people as our greatest resource, and, from time-to-time, they make mistakes that are not always caught immediately by our technological processes or by our other procedures which are intended to prevent and detect such errors. These can include calculation errors, mistakes in addressing emails, errors in software or model development or implementation, or simple errors in judgment. We strive to eliminate such human errors through training, supervision, technology and by redundant processes and controls. Human errors, even if promptly discovered and remediated, can result in material losses and liabilities for us.

In addition, we face the risk of operational failure, termination or capacity constraints of any of the clearing agents, exchanges, clearing houses or other financial intermediaries we use to facilitate our securities and derivatives transactions, and as our interconnectivity with our clients grows, we increasingly face the risk of operational failure with respect to our clients' systems.

In recent years, there has been significant consolidation among clearing agents, exchanges and clearing houses and an increasing number of derivative transactions are now or in the near future will be cleared on exchanges, which has increased our exposure to operational failure, termination or capacity constraints of the particular financial intermediaries that we use and could affect our ability to find adequate and cost-effective alternatives in the event of any such failure, termination or constraint. Industry consolidation, whether among market participants or financial intermediaries, increases the risk of operational failure as disparate complex systems need to be integrated, often on an accelerated basis.

Furthermore, the interconnectivity of multiple financial institutions with central agents, exchanges and clearing houses, and the increased centrality of these entities, increases the risk that an operational failure at one institution or entity may cause an industry-wide operational failure that could materially impact our ability to conduct business. Any such failure, termination or constraint could adversely affect our ability to effect transactions, service our clients, manage our exposure to risk or expand our businesses or result in financial loss or liability to our clients, impairment of our liquidity, disruption of our businesses, regulatory intervention or reputational damage.

Despite the resiliency plans and facilities we have in place, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the communities in which we are located. This may include a disruption involving electrical, satellite, undersea cable or other communications, internet, transportation or other services facilities used by us, our employees or third parties with which we conduct business, including cloud service providers. These disruptions may occur as a result of events that affect only our buildings or systems or those of such third parties, or as a result of events with a broader impact globally, regionally or in the cities where those buildings or systems are located, including, but not limited to, natural disasters, war, civil unrest, terrorism, economic or political developments, pandemics and weather events.

In addition, although we seek to diversify our third-party vendors to increase our resiliency, we are also exposed to the risk that a disruption or other information technology event at a common service provider to our vendors could impede their ability to provide products or services to us. We may not be able to effectively monitor or mitigate operational risks relating to our vendors' use of common service providers.

Nearly all of our employees in our primary locations, including the New York metropolitan area, London, Bengaluru, Hong Kong, Tokyo and Salt Lake City, work in close proximity to one another, in one or more buildings. Notwithstanding our efforts to maintain business continuity, given that our headquarters and the largest concentration of our employees are in the New York metropolitan area, and our two principal office buildings in the New York area both are located on the waterfront of the Hudson River, depending on the intensity and longevity of the event, a catastrophic event impacting our New York metropolitan area offices, including a terrorist attack, extreme weather event or other hostile or catastrophic event, could negatively affect our business. If a disruption occurs in one location and our employees in that location are unable to occupy our offices or communicate with or travel to other locations, our ability to service and interact with our clients may suffer, and we may not be able to successfully implement contingency plans that depend on communication or travel.

***A failure to protect our computer systems, networks and information, and our clients' information, against cyber attacks and similar threats could impair our ability to conduct our businesses, result in the disclosure, theft or destruction of confidential information, damage our reputation and cause losses.***

Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. There have been a number of highly publicized cases involving financial services companies, consumer-based companies, governmental agencies and other organizations reporting the unauthorized disclosure of client, customer or other confidential information in recent years, as well as cyber attacks involving the dissemination, theft and destruction of corporate information or other assets, as a result of failure to follow procedures by employees or contractors or as a result of actions by third parties, including actions by foreign governments. There have also been several highly publicized cases where hackers have requested "ransom" payments in exchange for not disclosing customer information or for restoring access to information or systems.

We are regularly the target of attempted cyber attacks, including denial-of-service attacks, and must continuously monitor and develop our systems to protect our technology infrastructure and data from misappropriation or corruption. We may face an increasing number of attempted cyber attacks as we expand our mobile- and other internet-based products and services, as well as our usage of mobile and cloud technologies and as we provide more of these services to a greater number of individual retail customers. The increasing migration of firm communication and other platforms from firm-provided devices to employee-owned devices presents additional risks of cyber attacks. In addition, due to our interconnectivity with third-party vendors (and their respective service providers), central agents, exchanges, clearing houses and other financial institutions, we could be adversely impacted if any of them is subject to a successful cyber attack or other information security event. These effects could include the loss of access to information or services from the third party subject to the cyber attack or other information security event, which could, in turn, interrupt certain of our businesses.

Despite our efforts to ensure the integrity of our systems and information, we may not be able to anticipate, detect or implement effective preventive measures against all cyber threats, especially because the techniques used are increasingly sophisticated, change frequently and are often not recognized until launched. Cyber attacks can originate from a variety of sources, including third parties who are affiliated with foreign governments or are involved with organized crime or terrorist organizations. Third parties may also attempt to place individuals within the firm or induce employees, clients or other users of our systems to disclose sensitive information or provide access to our data or that of our clients, and these types of risks may be difficult to detect or prevent.

Although we take protective measures and endeavor to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to unauthorized access, misuse, computer viruses or other malicious code and other events that could have a security impact. Due to the complexity and interconnectedness of our systems, the process of enhancing our protective measures can itself create a risk of systems disruptions and security issues.

If one or more of such events occur, this potentially could jeopardize our or our clients' or counterparties' confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our, our clients', our counterparties' or third parties' operations, which could impact their ability to transact with us or otherwise result in legal or regulatory action, significant losses or reputational damage.

The increased use of mobile and cloud technologies can heighten these and other operational risks. We expect to expend significant additional resources on an ongoing basis to modify our protective measures and to investigate and remediate vulnerabilities or other exposures, but these measures may be ineffective and we may be subject to legal or regulatory action, and financial losses that are either not insured against or not fully covered through any insurance maintained by us. Certain aspects of the security of such technologies are unpredictable or beyond our control, and the failure by mobile technology and cloud service providers to adequately safeguard their systems and prevent cyber attacks could disrupt our operations and result in misappropriation, corruption or loss of confidential and other information. In addition, there is a risk that encryption and other protective measures, despite their sophistication, may be defeated, particularly to the extent that new computing technologies vastly increase the speed and computing power available.

We routinely transmit and receive personal, confidential and proprietary information by email and other electronic means. We have discussed and worked with clients, vendors, service providers, counterparties and other third parties to develop secure transmission capabilities and protect against cyber attacks, but we do not have, and may be unable to put in place, secure capabilities with all of our clients, vendors, service providers, counterparties and other third parties and we may not be able to ensure that these third parties have appropriate controls in place to protect the confidentiality of the information. An interception, misuse or mishandling of personal, confidential or proprietary information being sent to or received from a client, vendor, service provider, counterparty or other third party could result in legal liability, regulatory action and reputational harm.

***Group Inc. is a holding company and is dependent for liquidity on payments from its subsidiaries, many of which are subject to restrictions.***

Group Inc. is a holding company and, therefore, depends on dividends, distributions and other payments from its subsidiaries to fund dividend payments and to fund all payments on its obligations, including debt obligations. Many of our subsidiaries, including our broker-dealer and bank subsidiaries, are subject to laws that restrict dividend payments or authorize regulatory bodies to block or reduce the flow of funds from those subsidiaries to Group Inc.

In addition, our broker-dealer and bank subsidiaries are subject to restrictions on their ability to lend or transact with affiliates and to minimum regulatory capital and other requirements, as well as restrictions on their ability to use funds deposited with them in brokerage or bank accounts to fund their businesses. Additional restrictions on related-party transactions, increased capital and liquidity requirements and additional limitations on the use of funds on deposit in bank or brokerage accounts, as well as lower earnings, can reduce the amount of funds available to meet the obligations of Group Inc., including under the FRB's source of strength requirement, and even require Group Inc. to provide additional funding to such subsidiaries. Restrictions or regulatory action of that kind could impede access to funds that Group Inc. needs to make payments on its obligations, including debt obligations, or dividend payments. In addition, Group Inc.'s right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors.

There has been a trend towards increased regulation and supervision of our subsidiaries by the governments and regulators in the countries in which those subsidiaries are located or do business. Concerns about protecting clients and creditors of financial institutions that are controlled by persons or entities located outside of the country in which such entities are located or do business have caused or may cause a number of governments and regulators to take additional steps to "ring fence" or require internal total loss-absorbing capacity at such entities in order to protect clients and creditors of such entities in the event of financial difficulties involving such entities. The result has been and may continue to be additional limitations on our ability to efficiently move capital and liquidity among our affiliated entities, thereby increasing the overall level of capital and liquidity required by us on a consolidated basis.

Furthermore, Group Inc. has guaranteed the payment obligations of certain of its subsidiaries, including GS&Co. and GS Bank USA, subject to certain exceptions. In addition, Group Inc. guarantees many of the obligations of its other consolidated subsidiaries on a transaction-by-transaction basis, as negotiated with counterparties. These guarantees may require Group Inc. to provide substantial funds or assets to its subsidiaries or their creditors or counterparties at a time when Group Inc. is in need of liquidity to fund its own obligations.

The requirements for Group Inc. and GS Bank USA to develop and submit recovery and resolution plans to regulators, and the incorporation of feedback received from regulators, may require us to increase capital or liquidity levels or issue additional long-term debt at Group Inc. or particular subsidiaries or otherwise incur additional or duplicative operational or other costs at multiple entities, and may reduce our ability to provide Group Inc. guarantees of the obligations of our subsidiaries or raise debt at Group Inc. Resolution planning may also impair our ability to structure our intercompany and external activities in a manner that we may otherwise deem most operationally efficient. Furthermore, arrangements to facilitate our resolution planning may cause us to be subject to additional taxes. Any such limitations or requirements would be in addition to the legal and regulatory restrictions described above on our ability to engage in capital actions or make intercompany dividends or payments.

See "Business — Regulation" in Part I, Item 1 of this Form 10-K for further information about regulatory restrictions.

***The application of regulatory strategies and requirements in the U.S. and non-U.S. jurisdictions to facilitate the orderly resolution of large financial institutions could create greater risk of loss for Group Inc.'s security holders.***

As described in “Business — Regulation — Banking Supervision and Regulation — Insolvency of an Insured Depository Institution or a Bank Holding Company,” if the FDIC is appointed as receiver under OLA, the rights of Group Inc.’s creditors would be determined under OLA, and substantial differences exist in the rights of creditors between OLA and the U.S. Bankruptcy Code, including the right of the FDIC under OLA to disregard the strict priority of creditor claims in some circumstances, which could have a material adverse effect on debtholders.

The FDIC has announced that a single point of entry strategy may be a desirable strategy under OLA to resolve a large financial institution such as Group Inc. in a manner that would, among other things, impose losses on shareholders, debtholders and other creditors of the top-tier BHC (in our case, Group Inc.), while the BHC’s subsidiaries may continue to operate. It is possible that the application of the single point of entry strategy under OLA, in which Group Inc. would be the only entity to enter resolution proceedings (and its material broker-dealer, bank and other operating entities would not enter resolution proceedings), would result in greater losses to Group Inc.’s security holders (including holders of our fixed rate, floating rate and indexed debt securities), than the losses that would result from the application of a bankruptcy proceeding or a different resolution strategy, such as a multiple point of entry resolution strategy for Group Inc. and certain of its material subsidiaries.

Assuming Group Inc. entered resolution proceedings and that support from Group Inc. to its subsidiaries was sufficient to enable the subsidiaries to remain solvent, losses at the subsidiary level would be transferred to Group Inc. and ultimately borne by Group Inc.’s security holders, third-party creditors of Group Inc.’s subsidiaries would receive full recoveries on their claims, and Group Inc.’s security holders (including our shareholders, debtholders and other unsecured creditors) could face significant and possibly complete losses. In that case, Group Inc.’s security holders would face losses while the third-party creditors of Group Inc.’s subsidiaries would incur no losses because the subsidiaries would continue to operate and would not enter resolution or bankruptcy proceedings. In addition, holders of Group Inc.’s eligible long-term debt and holders of Group Inc.’s other debt securities could face losses ahead of its other similarly situated creditors in a resolution under OLA if the FDIC exercised its right, described above, to disregard the priority of creditor claims.

OLA also provides the FDIC with authority to cause creditors and shareholders of the financial company such as Group Inc. in receivership to bear losses before taxpayers are exposed to such losses, and amounts owed to the U.S. government would generally receive a statutory payment priority over the claims of private creditors, including senior creditors.

In addition, under OLA, claims of creditors (including debtholders) could be satisfied through the issuance of equity or other securities in a bridge entity to which Group Inc.’s assets are transferred. If such a securities-for-claims exchange were implemented, there can be no assurance that the value of the securities of the bridge entity would be sufficient to repay or satisfy all or any part of the creditor claims for which the securities were exchanged. While the FDIC has issued regulations to implement OLA, not all aspects of how the FDIC might exercise this authority are known and additional rulemaking is likely.

In addition, certain jurisdictions, including the U.K. and the E.U., have implemented, or are considering, changes to resolution regimes to provide resolution authorities with the ability to recapitalize a failing entity by writing down its unsecured debt or converting its unsecured debt into equity. Such “bail-in” powers are intended to enable the recapitalization of a failing institution by allocating losses to its shareholders and unsecured debtholders. U.S. regulators are considering and non-U.S. authorities have proposed requirements that certain subsidiaries of large financial institutions maintain minimum amounts of total loss-absorbing capacity that would pass losses up from the subsidiaries to the top-tier BHC and, ultimately, to security holders of the top-tier BHC in the event of failure.

***The application of Group Inc.'s proposed resolution strategy could result in greater losses for Group Inc.'s security holders, and failure to address shortcomings in our resolution plan could subject us to increased regulatory requirements.***

In our resolution plan, Group Inc. would be resolved under the U.S. Bankruptcy Code. The strategy described in our resolution plan is a variant of the single point of entry strategy: Group Inc. and Goldman Sachs Funding LLC (Funding IHC), a wholly-owned, direct subsidiary of Group Inc., would recapitalize and provide liquidity to certain major subsidiaries, including through the forgiveness of intercompany indebtedness, the extension of the maturities of intercompany indebtedness and the extension of additional intercompany loans. If this strategy were successful, creditors of some or all of Group Inc.'s major subsidiaries would receive full recoveries on their claims, while Group Inc.'s security holders could face significant and possibly complete losses.

To facilitate the execution of our resolution plan, we formed Funding IHC, a wholly-owned, direct subsidiary of Group Inc. In exchange for an unsecured subordinated funding note and equity interest, Group Inc. has transferred certain intercompany receivables and substantially all of its global core liquid assets (GCLA) to Funding IHC, and has agreed to transfer additional GCLA above prescribed thresholds.

We also put in place a Capital and Liquidity Support Agreement (CLSA) among Group Inc., Funding IHC and our major subsidiaries. Under the CLSA, Funding IHC has provided Group Inc. with a committed line of credit that allows Group Inc. to draw sufficient funds to meet its cash needs during the ordinary course of business. In addition, if our financial resources deteriorate so severely that resolution may be imminent, (i) the committed line of credit will automatically terminate and the unsecured subordinated funding note will automatically be forgiven, (ii) all intercompany receivables owed by the major subsidiaries to Group Inc. will be transferred to Funding IHC or their maturities will be extended to five years, (iii) Group Inc. will be obligated to transfer substantially all of its remaining intercompany receivables and GCLA (other than an amount to fund anticipated bankruptcy expenses) to Funding IHC, and (iv) Funding IHC will be obligated to provide capital and liquidity support to the major subsidiaries. Group Inc.'s and Funding IHC's obligations under the CLSA are secured pursuant to a related security agreement. Such actions would materially and adversely affect Group Inc.'s liquidity. As a result, during a period of severe stress, Group Inc. might commence bankruptcy proceedings at an earlier time than it otherwise would if the CLSA and related security agreement had not been implemented.

If Group Inc.'s proposed resolution strategy were successful, Group Inc.'s security holders could face losses while the third-party creditors of Group Inc.'s major subsidiaries would incur no losses because those subsidiaries would continue to operate and not enter resolution or bankruptcy proceedings. As part of the strategy, Group Inc. could also seek to elevate the priority of its guarantee obligations relating to its major subsidiaries' derivative contracts or transfer them to another entity so that cross-default and early termination rights would be stayed under the ISDA Protocol, which would result in holders of Group Inc.'s eligible long-term debt and holders of Group Inc.'s other debt securities incurring losses ahead of the beneficiaries of those guarantee obligations. It is also possible that holders of Group Inc.'s eligible long-term debt and other debt securities could incur losses ahead of other similarly situated creditors.

If Group Inc.'s proposed resolution strategy were not successful, Group Inc.'s financial condition would be adversely impacted and Group Inc.'s security holders, including debtholders, may as a consequence be in a worse position than if the strategy had not been implemented. In all cases, any payments to debtholders are dependent on our ability to make such payments and are therefore subject to our credit risk.

As a result of our recovery and resolution planning processes, including incorporating feedback from our regulators, we may incur increased operational, funding or other costs and face limitations on our ability to structure our internal organization or engage in internal or external activities in a manner that we may otherwise deem most operationally efficient.

***Our businesses, profitability and liquidity may be adversely affected by deterioration in the credit quality of, or defaults by, third parties who owe us money, securities or other assets or whose securities or obligations we hold.***

We are exposed to the risk that third parties that owe us money, securities or other assets will not perform their obligations. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons. A failure of a significant market participant, or even concerns about a default by such an institution, could lead to significant liquidity problems, losses or defaults by other institutions, which in turn could adversely affect us.



We are also subject to the risk that our rights against third parties may not be enforceable in all circumstances. In addition, deterioration in the credit quality of third parties whose securities or obligations we hold, including a deterioration in the value of collateral posted by third parties to secure their obligations to us under derivative contracts and loan agreements, could result in losses and/or adversely affect our ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes.

A significant downgrade in the credit ratings of our counterparties could also have a negative impact on our results. While in many cases we are permitted to require additional collateral from counterparties that experience financial difficulty, disputes may arise as to the amount of collateral we are entitled to receive and the value of pledged assets. The termination of contracts and the foreclosure on collateral may subject us to claims for the improper exercise of our rights. Default rates, downgrades and disputes with counterparties as to the valuation of collateral increase significantly in times of market stress and illiquidity.

As part of our clearing and prime brokerage activities, we finance our clients' positions, and we could be held responsible for the defaults or misconduct of our clients. Although we regularly review credit exposures to specific clients and counterparties and to specific industries, countries and regions that we believe may present credit concerns, default risk may arise from events or circumstances that are difficult to detect or foresee.

***Concentration of risk increases the potential for significant losses in our market-making, underwriting, investing and lending activities.***

Concentration of risk increases the potential for significant losses in our market-making, underwriting, investing and lending activities. The number and size of such transactions may affect our results of operations in a given period. Moreover, because of concentration of risk, we may suffer losses even when economic and market conditions are generally favorable for our competitors. Disruptions in the credit markets can make it difficult to hedge these credit exposures effectively or economically. In addition, we extend large commitments as part of our credit origination activities.

Rules adopted under the Dodd-Frank Act, and similar rules adopted in other jurisdictions, require issuers of certain asset-backed securities and any person who organizes and initiates certain asset-backed securities transactions to retain economic exposure to the asset, which has affected the cost of and structures used in connection with these securitization activities. Our inability to reduce our credit risk by selling, syndicating or securitizing these positions, including during periods of market stress, could negatively affect our results of operations due to a decrease in the fair value of the positions, including due to the insolvency or bankruptcy of the borrower, as well as the loss of revenues associated with selling such securities or loans.

In the ordinary course of business, we may be subject to a concentration of credit risk to a particular counterparty, borrower, issuer, including sovereign issuers, or geographic area or group of related countries, such as the E.U., and a failure or downgrade of, or default by, such entity could negatively impact our businesses, perhaps materially, and the systems by which we set limits and monitor the level of our credit exposure to individual entities, industries and countries may not function as we have anticipated. Regulatory reform, including the Dodd-Frank Act, has led to increased centralization of trading activity through particular clearing houses, central agents or exchanges, which has significantly increased our concentration of risk with respect to these entities. While our activities expose us to many different industries, counterparties and countries, we routinely execute a high volume of transactions with counterparties engaged in financial services activities, including brokers and dealers, commercial banks, clearing houses, exchanges and investment funds. This has resulted in significant credit concentration with respect to these counterparties.

***The financial services industry is both highly competitive and interrelated.***

The financial services industry and all of our businesses are intensely competitive, and we expect them to remain so. We compete on the basis of a number of factors, including transaction execution, our products and services, innovation, reputation, creditworthiness and price. There has been substantial consolidation and convergence among companies in the financial services industry. This consolidation and convergence has hastened the globalization of the securities and other financial services markets. As a result, we have had to commit capital to support our international operations and to execute large global transactions. To the extent we expand into new business areas and new geographic regions, we will face competitors with more experience and more established relationships with clients, regulators and industry participants in the relevant market, which could adversely affect our ability to expand.

Governments and regulators have recently adopted regulations, imposed taxes, adopted compensation restrictions or otherwise put forward various proposals that have or may impact our ability to conduct certain of our businesses in a cost-effective manner or at all in certain or all jurisdictions, including proposals relating to restrictions on the type of activities in which financial institutions are permitted to engage. These or other similar rules, many of which do not apply to all our U.S. or non-U.S. competitors, could impact our ability to compete effectively.

Pricing and other competitive pressures in our businesses have continued to increase, particularly in situations where some of our competitors may seek to increase market share by reducing prices. For example, in connection with investment banking and other assignments, we have experienced pressure to extend and price credit at levels that may not always fully compensate us for the risks we take.

The financial services industry is highly interrelated in that a significant volume of transactions occur among a limited number of members of that industry. Many transactions are syndicated to other financial institutions and financial institutions are often counterparties in transactions. This has led to claims by other market participants and regulators that such institutions have colluded in order to manipulate markets or market prices, including allegations that antitrust laws have been violated. While we have extensive procedures and controls that are designed to identify and prevent such activities, allegations of such activities, particularly by regulators, can have a negative reputational impact and can subject us to large fines and settlements, and potentially significant penalties, including treble damages.

***We face enhanced risks as new business initiatives lead us to transact with a broader array of clients and counterparties and expose us to new asset classes and new markets.***

A number of our recent and planned business initiatives and expansions of existing businesses may bring us into contact, directly or indirectly, with individuals and entities that are not within our traditional client and counterparty base and expose us to new asset classes and new markets. For example, we continue to transact business and invest in new regions, including a wide range of emerging and growth markets. Furthermore, in a number of our businesses, including where we make markets, invest and lend, we directly or indirectly own interests in, or otherwise become affiliated with the ownership and operation of public services, such as airports, toll roads and shipping ports, as well as physical commodities and commodities infrastructure components, both within and outside the U.S.

We have recently increased and intend to further increase our retail-oriented deposit-taking and lending activities. To the extent we engage in such activities or similar retail-oriented activities, we could face additional compliance, legal and regulatory risk, increased reputational risk and increased operational risk due to, among other things, higher transaction volumes and significantly increased retention and transmission of customer and client information. As a result of a recent information security event involving a credit reporting agency, identity fraud may increase and industry practices may change in a manner that makes it more difficult for financial institutions, such as us, to evaluate the creditworthiness of retail customers.

New business initiatives expose us to new and enhanced risks, including risks associated with dealing with governmental entities, reputational concerns arising from dealing with less sophisticated clients, counterparties and investors, greater regulatory scrutiny of these activities, increased credit-related, market, sovereign and operational risks, risks arising from accidents or acts of terrorism, and reputational concerns with the manner in which these assets are being operated or held or in which we interact with these counterparties.

***Our results may be adversely affected by the composition of our client base.***

Our client base is not the same as that of our major competitors. Our businesses may have a higher or lower percentage of clients in certain industries or markets than some or all of our competitors. Therefore, unfavorable industry developments or market conditions affecting certain industries or markets may result in our businesses underperforming relative to similar businesses of a competitor if our businesses have a higher concentration of clients in such industries or markets. For example, our market-making businesses have a higher percentage of clients with actively managed assets than our competitors and such clients have been disproportionately affected by the low levels of volatility.

Correspondingly, favorable or simply less adverse developments or market conditions involving industries or markets in a business where we have a lower concentration of clients in such industry or market may also result in our underperforming relative to a similar business of a competitor that has a higher concentration of clients in such industry or market. For example, we have a smaller corporate client base in our market-making businesses than many of our peers and therefore such competitors may benefit more from increased activity by corporate clients.

***Derivative transactions and delayed settlements may expose us to unexpected risk and potential losses.***

We are party to a large number of derivative transactions, including credit derivatives. Many of these derivative instruments are individually negotiated and non-standardized, which can make exiting, transferring or settling positions difficult. Many credit derivatives require that we deliver to the counterparty the underlying security, loan or other obligation in order to receive payment. In a number of cases, we do not hold the underlying security, loan or other obligation and may not be able to obtain the underlying security, loan or other obligation. This could cause us to forfeit the payments due to us under these contracts or result in settlement delays with the attendant credit and operational risk as well as increased costs to us.

Derivative transactions may also involve the risk that documentation has not been properly executed, that executed agreements may not be enforceable against the counterparty, or that obligations under such agreements may not be able to be “netted” against other obligations with such counterparty. In addition, counterparties may claim that such transactions were not appropriate or authorized.

As a signatory to the ISDA Protocol and being subject to the FRB’s and FDIC’s rules on QFCs and similar rules in other jurisdictions, we may not be able to exercise remedies against counterparties and, as this new regime has not yet been tested, we may suffer risks or losses that we would not have expected to suffer if we could immediately close out transactions upon a termination event. Various non-U.S. regulators have also proposed regulations contemplated by the ISDA Protocol, and those implementing regulations may result in additional limitations on our ability to exercise remedies against counterparties. The impact of the ISDA Protocol and these rules and regulations will depend on the development of market practices and structures.

Derivative contracts and other transactions, including secondary bank loan purchases and sales, entered into with third parties are not always confirmed by the counterparties or settled on a timely basis. While the transaction remains unconfirmed or during any delay in settlement, we are subject to heightened credit and operational risk and in the event of a default may find it more difficult to enforce our rights.

In addition, as new complex derivative products are created, covering a wider array of underlying credit and other instruments, disputes about the terms of the underlying contracts could arise, which could impair our ability to effectively manage our risk exposures from these products and subject us to increased costs. The provisions of the Dodd-Frank Act requiring central clearing of credit derivatives and other OTC derivatives, or a market shift toward standardized derivatives, could reduce the risk associated with such transactions, but under certain circumstances could also limit our ability to develop derivatives that best suit the needs of our clients and to hedge our own risks, and could adversely affect our profitability and increase our credit exposure to such platform.

***Certain of our businesses and our funding may be adversely affected by changes in the reference rates, currencies, indexes, baskets or ETFs to which products we offer or funding that we raise are linked.***

All of our floating rate funding pays interest by reference to a rate, such as LIBOR or Federal Funds. In addition, many of the products that we own or that we offer, such as structured notes, warrants, swaps or security-based swaps, pay interest or determine the principal amount to be paid at maturity or in the event of default by reference to similar rates or by reference to an index, currency, basket, ETF or other financial metric (the underlier). In the event that the composition of the underlier is significantly changed, by reference to rules governing such underlier or otherwise, or the underlier ceases to exist (for example, in the event that LIBOR is discontinued, a country withdraws from the Euro or links its currency to or delinks its currency from another currency or benchmark, or an index or ETF sponsor materially alters the composition of an index or ETF), there may be uncertainty as to the calculation of the amounts to be paid to the lender, investor or counterparty, depending on the terms of the governing instrument.

Such changes in an underlier or underliers could result in our hedges being ineffective or otherwise result in losses on a product or having to pay more or receive less on securities that we own or have issued. In addition, such uncertainty could result in lengthy and costly litigation.

***Our businesses may be adversely affected if we are unable to hire and retain qualified employees.***

Our performance is largely dependent on the talents and efforts of highly skilled people; therefore, our continued ability to compete effectively in our businesses, to manage our businesses effectively and to expand into new businesses and geographic areas depends on our ability to attract new talented and diverse employees and to retain and motivate our existing employees. Factors that affect our ability to attract and retain such employees include our compensation and benefits, and our reputation as a successful business with a culture of fairly hiring, training and promoting qualified employees. As a significant portion of the compensation that we pay to our employees is in the form of year-end discretionary compensation, a significant portion of which is in the form of deferred equity-related awards, declines in our profitability, or in the outlook for our future profitability, as well as regulatory limitations on compensation levels and terms, can negatively impact our ability to hire and retain highly qualified employees.

Competition from within the financial services industry and from businesses outside the financial services industry, including the technology industry, for qualified employees has often been intense. Recently, we have experienced increased competition in hiring and retaining employees to address the demands of new regulatory requirements, expanding retail-oriented businesses and our technology initiatives. This is also the case in emerging and growth markets, where we are often competing for qualified employees with entities that have a significantly greater presence or more extensive experience in the region.

Changes in law or regulation in jurisdictions in which our operations are located that affect taxes on our employees' income, or the amount or composition of compensation, may also adversely affect our ability to hire and retain qualified employees in those jurisdictions.

As described further in "Business — Regulation — Compensation Practices" in Part I, Item 1 of this Form 10-K, our compensation practices are subject to review by, and the standards of, the FRB. As a large global financial and banking institution, we are subject to limitations on compensation practices (which may or may not affect our competitors) by the FRB, the PRA, the FCA, the FDIC and other regulators worldwide. These limitations, including any imposed by or as a result of future legislation or regulation, may require us to alter our compensation practices in ways that could adversely affect our ability to attract and retain talented employees.

***We may be adversely affected by increased governmental and regulatory scrutiny or negative publicity.***

Governmental scrutiny from regulators, legislative bodies and law enforcement agencies with respect to matters relating to compensation, our business practices, our past actions and other matters has increased dramatically in the past several years. The financial crisis and the current political and public sentiment regarding financial institutions has resulted in a significant amount of adverse press coverage, as well as adverse statements or charges by regulators or other government officials. Press coverage and other public statements that assert some form of wrongdoing (including, in some cases, press coverage and public statements that do not directly involve us) often result in some type of investigation by regulators, legislators and law enforcement officials or in lawsuits.

Responding to these investigations and lawsuits, regardless of the ultimate outcome of the proceeding, is time-consuming and expensive and can divert the time and effort of our senior management from our business. Penalties and fines sought by regulatory authorities have increased substantially over the last several years, and certain regulators have been more likely in recent years to commence enforcement actions or to advance or support legislation targeted at the financial services industry. Adverse publicity, governmental scrutiny and legal and enforcement proceedings can also have a negative impact on our reputation and on the morale and performance of our employees, which could adversely affect our businesses and results of operations.

***Substantial legal liability or significant regulatory action against us could have material adverse financial effects or cause us significant reputational harm, which in turn could seriously harm our business prospects.***

We face significant legal risks in our businesses, and the volume of claims and amount of damages and penalties claimed in litigation and regulatory proceedings against financial institutions remain high. See Notes 18 and 27 to the consolidated financial statements in Part II, Item 8 of this Form 10-K for information about certain legal and regulatory proceedings and investigations in which we are involved. Our experience has been that legal claims by customers and clients increase in a market downturn and that employment-related claims increase following periods in which we have reduced our staff. Additionally, governmental entities have been and are plaintiffs in certain of the legal proceedings in which we are involved, and we may face future actions or claims by the same or other governmental entities, as well as follow-on civil litigation that is often commenced after regulatory settlements.

Significant settlements by several large financial institutions, including, in some cases, us, with governmental entities have been publicly announced. The trend of large settlements with governmental entities may adversely affect the outcomes for other financial institutions in similar actions, especially where governmental officials have announced that the large settlements will be used as the basis or a template for other settlements. The uncertain regulatory enforcement environment makes it difficult to estimate probable losses, which can lead to substantial disparities between legal reserves and subsequent actual settlements or penalties.

Recently, claims of collusion or anti-competitive conduct have become more common. Civil cases have been brought against financial institutions (including us) alleging bid rigging, group boycotts or other anti-competitive practices. Antitrust laws generally provide for joint and several liability and treble damages. These claims have in the past, and may in the future, result in significant settlements.

We are subject to laws and regulations worldwide, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, relating to corrupt and illegal payments to, and hiring practices with regard to, government officials and others. Violation of such laws and regulations could result in significant monetary penalties, severe restrictions on our activities and damage to our reputation.

Certain law enforcement authorities have recently required admissions of wrongdoing, and, in some cases, criminal pleas, as part of the resolutions of matters brought by them against financial institutions. Any such resolution of a matter involving us could lead to increased exposure to civil litigation, could adversely affect our reputation, could result in penalties or limitations on our ability to do business in certain jurisdictions and could have other negative effects.

In addition, the U.S. Department of Justice has announced a policy of requiring companies to provide investigators with all relevant facts relating to the individuals responsible for the alleged misconduct in order to qualify for any cooperation credit in civil and criminal investigations of corporate wrongdoing, which may result in our incurring increased fines and penalties if the Department of Justice determines that we have not provided sufficient information about applicable individuals in connection with an investigation, as well as increased costs in responding to Department of Justice investigations. It is possible that other governmental authorities will adopt similar policies.

***The growth of electronic trading and the introduction of new trading technology may adversely affect our business and may increase competition.***

Technology is fundamental to our business and our industry. The growth of electronic trading and the introduction of new technologies is changing our businesses and presenting us with new challenges. Securities, futures and options transactions are increasingly occurring electronically, both on our own systems and through other alternative trading systems, and it appears that the trend toward alternative trading systems will continue. Some of these alternative trading systems compete with us, particularly our exchange-based market-making activities, and we may experience continued competitive pressures in these and other areas. In addition, the increased use by our clients of low-cost electronic trading systems and direct electronic access to trading markets could cause a reduction in commissions and spreads. As our clients increasingly use our systems to trade directly in the markets, we may incur liabilities as a result of their use of our order routing and execution infrastructure. We have invested significant resources into the development of electronic trading systems and expect to continue to do so, but there is no assurance that the revenues generated by these systems will yield an adequate return on our investment, particularly given the generally lower commissions arising from electronic trades.

***Our commodities activities, particularly our physical commodities activities, subject us to extensive regulation and involve certain potential risks, including environmental, reputational and other risks that may expose us to significant liabilities and costs.***

As part of our commodities business, we purchase and sell certain physical commodities, arrange for their storage and transport, and engage in market making of commodities. The commodities involved in these activities may include crude oil, refined oil products, natural gas, liquefied natural gas, electric power, agricultural products, metals (base and precious), minerals (including unenriched uranium), emission credits, coal, freight and related products and indices.

In our investing and lending businesses, we make investments in and finance entities that engage in the production, storage and transportation of numerous commodities, including many of the commodities referenced above.

These activities subject us and/or the entities in which we invest to extensive and evolving federal, state and local energy, environmental, antitrust and other governmental laws and regulations worldwide, including environmental laws and regulations relating to, among others, air quality, water quality, waste management, transportation of hazardous substances, natural resources, site remediation and health and safety. Additionally, rising climate change concerns may lead to additional regulation that could increase the operating costs and profitability of our investments.

There may be substantial costs in complying with current or future laws and regulations relating to our commodities-related activities and investments. Compliance with these laws and regulations could require significant commitments of capital toward environmental monitoring, renovation of storage facilities or transport vessels, payment of emission fees and carbon or other taxes, and application for, and holding of, permits and licenses.

Commodities involved in our intermediation activities and investments are also subject to the risk of unforeseen or catastrophic events, which are likely to be outside of our control, including those arising from the breakdown or failure of transport vessels, storage facilities or other equipment or processes or other mechanical malfunctions, fires, leaks, spills or release of hazardous substances, performance below expected levels of output or efficiency, terrorist attacks, extreme weather events or other natural disasters or other hostile or catastrophic events. In addition, we rely on third-party suppliers or service providers to perform their contractual obligations and any failure on their part, including the failure to obtain raw materials at reasonable prices or to safely transport or store commodities, could expose us to costs or losses. Also, while we seek to insure against potential risks, we may not be able to obtain insurance to cover some of these risks and the insurance that we have may be inadequate to cover our losses.

The occurrence of any of such events may prevent us from performing under our agreements with clients, may impair our operations or financial results and may result in litigation, regulatory action, negative publicity or other reputational harm.

We may also be required to divest or discontinue certain of these activities for regulatory or legal reasons. For example, the FRB has proposed regulations that could impose significant additional capital requirements on certain commodity-related activities. If that occurs, we may receive a value that is less than the then carrying value, as we may be unable to exit these activities in an orderly transaction.

***In conducting our businesses around the world, we are subject to political, economic, legal, operational and other risks that are inherent in operating in many countries.***

In conducting our businesses and maintaining and supporting our global operations, we are subject to risks of possible nationalization, expropriation, price controls, capital controls, exchange controls and other restrictive governmental actions, as well as the outbreak of hostilities or acts of terrorism. For example, sanctions have been imposed by the U.S. and the E.U. on certain individuals and companies in Russia. In many countries, the laws and regulations applicable to the securities and financial services industries and many of the transactions in which we are involved are uncertain and evolving, and it may be difficult for us to determine the exact requirements of local laws in every market. Any determination by local regulators that we have not acted in compliance with the application of local laws in a particular market or our failure to develop effective working relationships with local regulators could have a significant and negative effect not only on our businesses in that market, but also on our reputation generally. Further, in some jurisdictions a failure to comply with laws and regulations may subject us and our personnel not only to civil actions, but also criminal actions. We are also subject to the enhanced risk that transactions we structure might not be legally enforceable in all cases.

In March 2017, the U.K. notified the European Council of its decision to leave the E.U. (Brexit). The exit of the U.K. from the E.U. will likely change the arrangements by which U.K. firms are able to provide services into the E.U., which may materially adversely affect the manner in which we operate certain of our businesses in Europe and could require us to restructure certain of our operations. The outcome of the negotiations between the U.K. and the E.U. in connection with Brexit is highly uncertain. Such uncertainty may result in market volatility and may negatively impact the confidence of investors and clients. Additionally, depending on the outcome, Brexit could have a disproportionate effect on our operations in the E.U. compared to some of our competitors who have more extensive pre-existing operations in the E.U. outside of the U.K.

Our businesses and operations are increasingly expanding throughout the world, including in emerging and growth markets, and we expect this trend to continue. Various emerging and growth market countries have experienced severe economic and financial disruptions, including significant devaluations of their currencies, defaults or threatened defaults on sovereign debt, capital and currency exchange controls, and low or negative growth rates in their economies, as well as military activity, civil unrest or acts of terrorism. The possible effects of any of these conditions include an adverse impact on our businesses and increased volatility in financial markets generally.

While business and other practices throughout the world differ, our principal entities are subject in their operations worldwide to rules and regulations relating to corrupt and illegal payments, hiring practices and money laundering, as well as laws relating to doing business with certain individuals, groups and countries, such as the U.S. Foreign Corrupt Practices Act, the USA PATRIOT Act and U.K. Bribery Act. While we have invested and continue to invest significant resources in training and in compliance monitoring, the geographical diversity of our operations, employees, clients and customers, as well as the vendors and other third parties that we deal with, greatly increases the risk that we may be found in violation of such rules or regulations and any such violation could subject us to significant penalties or adversely affect our reputation.

In addition, there have been a number of highly publicized cases around the world, involving actual or alleged fraud or other misconduct by employees in the financial services industry in recent years, and we run the risk that employee misconduct could occur. This misconduct has included and may include in the future the theft of proprietary information, including proprietary software. It is not always possible to deter or prevent employee misconduct and the precautions we take to prevent and detect this activity have not been and may not be effective in all cases.

***We may incur losses as a result of unforeseen or catastrophic events, including the emergence of a pandemic, terrorist attacks, extreme weather events or other natural disasters.***

The occurrence of unforeseen or catastrophic events, including the emergence of a pandemic, such as the Ebola or Zika viruses, or other widespread health emergency (or concerns over the possibility of such an emergency), terrorist attacks, extreme terrestrial or solar weather events or other natural disasters, could create economic and financial disruptions, and could lead to operational difficulties (including travel limitations) that could impair our ability to manage our businesses.

## Item 1B. Unresolved Staff Comments

There are no material unresolved written comments that were received from the SEC staff 180 days or more before the end of our fiscal year relating to our periodic or current reports under the Exchange Act.

## Item 2. Properties

Our principal executive offices are located at 200 West Street, New York, New York and comprise approximately 2.1 million square feet. The building is located on a parcel leased from Battery Park City Authority pursuant to a ground lease. Under the lease, Battery Park City Authority holds title to all improvements, including the office building, subject to Goldman Sachs' right of exclusive possession and use until June 2069, the expiration date of the lease. Under the terms of the ground lease, we made a lump sum ground rent payment in June 2007 of \$161 million for rent through the term of the lease.

We have offices at 30 Hudson Street in Jersey City, New Jersey, which we own and which include approximately 1.6 million square feet of office space.

We have additional offices and commercial space in the U.S. and elsewhere in the Americas, which together comprise approximately 2.9 million square feet of leased and owned space.

In Europe, the Middle East and Africa, we have offices that total approximately 1.6 million square feet of leased and owned space. Our European headquarters is located in London at Peterborough Court, pursuant to a lease that we can terminate in 2021. In total, we have offices with approximately 1.2 million square feet in London, relating to various properties. We are currently constructing a 1.1 million square foot office in London. We expect initial occupancy during 2019.

In Asia, Australia and New Zealand, we have offices with approximately 1.9 million square feet. Our headquarters in this region are in Tokyo, at the Roppongi Hills Mori Tower, and in Hong Kong, at the Cheung Kong Center. In Japan, we currently have offices with approximately 219,000 square feet, the majority of which have leases that will expire in 2023. In Hong Kong, we currently have offices with approximately 308,000 square feet, the majority of which will also expire in 2023.

In the preceding paragraphs, square footage figures are provided only for properties that are used in the operation of our businesses.

Our occupancy expenses include costs associated with office space held in excess of our current requirements. This excess space, the cost of which is charged to earnings as incurred, is being held for potential growth or to replace currently occupied space that we may exit in the future. We regularly evaluate our space capacity in relation to current and projected staffing levels. We may incur exit costs in the future if we (i) reduce our space capacity or (ii) commit to, or occupy, new properties in locations in which we operate and dispose of existing space that had been held for potential growth. These exit costs may be material to our operating results in a given period.

### Item 3. Legal Proceedings

We are involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of our businesses. Many of these proceedings are in early stages, and many of these cases seek an indeterminate amount of damages. However, we believe, based on currently available information, that the results of such proceedings, in the aggregate, will not have a material adverse effect on our financial condition, but may be material to our operating results in a given period. Given the range of litigation and investigations presently under way, our litigation expenses can be expected to remain high. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Use of Estimates” in Part II, Item 7 of this Form 10-K. See Notes 18 and 27 to the consolidated financial statements in Part II, Item 8 of this Form 10-K for information about certain judicial, regulatory and legal proceedings.

### Item 4. Mine Safety Disclosures

Not applicable.

### Executive Officers of The Goldman Sachs Group, Inc.

Set forth below are the name, age, present title, principal occupation and certain biographical information for our executive officers. Our executive officers have been appointed by and serve at the pleasure of our board of directors.

#### Lloyd C. Blankfein, 63

Mr. Blankfein has been Chairman and Chief Executive Officer since June 2006, and a director since April 2003.

#### R. Martin Chavez, 53

Mr. Chavez has been an Executive Vice President and Chief Financial Officer since May 2017. He had previously served as Chief Information Officer since 2014. From 2012 to 2014, he was Global co-Chief Operating Officer of the Equities business.

#### Richard J. Gnodde, 57

Mr. Gnodde has been a Vice Chairman since January 2017, and Chief Executive Officer or co-Chief Executive Officer of Goldman Sachs International since 2006. He previously served as co-head of the Investment Banking Division from 2011 to May 2017.

#### Dane E. Holmes, 47

Mr. Holmes has been an Executive Vice President and Global Head of Human Capital Management since January 2018 and Global Head of Pine Street, our leadership development program, since 2016. He had previously served as Global Head of Investor Relations since 2007.

#### Gregory K. Palm, 69

Mr. Palm has been General Counsel and Head or Co-Head of the Legal Department since 1992, and an Executive Vice President and Secretary since 1999.

#### John F.W. Rogers, 61

Mr. Rogers has been an Executive Vice President since April 2011 and Chief of Staff and Secretary to the Board of Directors of Goldman Sachs since December 2001.

#### Pablo J. Salame, 52

Mr. Salame has been a Vice Chairman since January 2017 and global co-head of the Securities Division since 2008.

#### Harvey M. Schwartz, 53

Mr. Schwartz has been President and co-Chief Operating Officer since January 2017. He also served as Chief Financial Officer from January 2013 through April 2017. From February 2008 to January 2013, he was global co-head of the Securities Division.

#### Karen P. Seymour, 56

Ms. Seymour has been an Executive Vice President, General Counsel and Secretary, and Co-Head of the Legal Department since January 2018. From 2000 through January 2002 and 2005 through 2017, she was a partner at Sullivan & Cromwell LLP, a global law firm, including serving as a member of its management committee from April 2015 to December 2017 and as the co-managing partner of its litigation group from December 2012 to April 2015.

#### Sarah E. Smith, 58

Ms. Smith has been an Executive Vice President and Global Head of Compliance since March 2017. She had previously served as Controller and Chief Accounting Officer since 2002.

#### David M. Solomon, 56

Mr. Solomon has been President and co-Chief Operating Officer since January 2017. He had previously served as co-head of the Investment Banking Division since July 2006.



**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

The principal market on which our common stock is traded is the NYSE. Information relating to the high and low sales prices per share of our common stock, as reported by the Consolidated Tape Association, for each full quarterly period during 2015, 2016 and 2017 is set forth in "Supplemental Financial Information — Common Stock Price Range" in Part II, Item 8 of this Form 10-K. As of February 9, 2018, there were 7,652 holders of record of our common stock.

The table below presents dividends declared by Group Inc. during 2017 and 2016.

	Date of Declaration	Dividend Declared Per Common Share
<b>2017</b>		
First Quarter	<b>January 17, 2017</b>	<b>\$0.65</b>
Second Quarter	<b>April 17, 2017</b>	<b>\$0.75</b>
Third Quarter	<b>July 17, 2017</b>	<b>\$0.75</b>
Fourth Quarter	<b>October 16, 2017</b>	<b>\$0.75</b>
<b>2016</b>		
First Quarter	January 19, 2016	\$0.65
Second Quarter	April 18, 2016	\$0.65
Third Quarter	July 18, 2016	\$0.65
Fourth Quarter	October 17, 2016	\$0.65

The declaration of dividends by Group Inc. is subject to the discretion of the Board of Directors of Group Inc. (Board). Our Board will take into account such matters as general business conditions, our financial results, capital requirements, contractual, legal and regulatory restrictions on the payment of dividends by us to our shareholders or by our subsidiaries to us, the effect on our debt ratings and such other factors as our Board may deem relevant. The holders of our common stock share proportionately on a per share basis in all dividends and other distributions on common stock declared by our Board. See "Business — Regulation" in Part I, Item 1 of this Form 10-K for information about potential regulatory limitations on our receipt of funds from our regulated subsidiaries and our payment of dividends to shareholders of Group Inc. Prior to the payment of dividends, we must receive confirmation that the FRB does not object to such payment.

The table below presents purchases made by or on behalf of Group Inc. or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act) of our common stock during the fourth quarter of 2017. Information relating to compensation plans under which our equity securities are authorized for issuance is presented in Part III, Item 12 of this Form 10-K.

	Total Shares Purchased	Average Price Paid Per Share	Total Shares Purchased as Part of a Publicly Announced Program	Maximum Shares That May Yet Be Purchased Under the Program
October 2017	<b>3,021,930</b>	<b>\$241.88</b>	<b>3,021,930</b>	<b>51,180,272</b>
November 2017	<b>3,424,899</b>	<b>\$240.23</b>	<b>3,424,899</b>	<b>47,755,373</b>
December 2017	<b>128,943</b>	<b>\$247.68</b>	<b>128,943</b>	<b>47,626,430</b>
<b>Total</b>	<b>6,575,772</b>		<b>6,575,772</b>	

Since March 2000, our Board has approved a repurchase program authorizing repurchases of up to 555 million shares of our common stock. The repurchase program is effected primarily through regular open-market purchases (which may include repurchase plans designed to comply with Rule 10b5-1), the amounts and timing of which are determined primarily by our current and projected capital position, but which may also be influenced by general market conditions and the prevailing price and trading volumes of our common stock. The repurchase program has no set expiration or termination date. Prior to repurchasing common stock, we must receive confirmation that the FRB does not object to such capital action.

**Item 6. Selected Financial Data**

The Selected Financial Data table is set forth in Part II, Item 8 of this Form 10-K.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Introduction

The Goldman Sachs Group, Inc. (Group Inc. or parent company), a Delaware corporation, together with its consolidated subsidiaries, is a leading global investment banking, securities and investment management firm that provides a wide range of financial services to a substantial and diversified client base that includes corporations, financial institutions, governments and individuals. Founded in 1869, we are headquartered in New York and maintain offices in all major financial centers around the world.

When we use the terms “the firm,” “we,” “us” and “our,” we mean Group Inc. and its consolidated subsidiaries. We report our activities in four business segments: Investment Banking, Institutional Client Services, Investing & Lending and Investment Management. See “Results of Operations” below for further information about our business segments.

References to “this Form 10-K” are to our Annual Report on Form 10-K for the year ended December 31, 2017. All references to “the consolidated financial statements” or “Supplemental Financial Information” are to Part II, Item 8 of this Form 10-K. All references to 2017, 2016 and 2015 refer to our years ended, or the dates, as the context requires, December 31, 2017, December 31, 2016 and December 31, 2015, respectively. Any reference to a future year refers to a year ending on December 31 of that year. Certain reclassifications have been made to previously reported amounts to conform to the current presentation.

In this discussion and analysis of our financial condition and results of operations, we have included information that may constitute “forward-looking statements” within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are not historical facts, but instead represent only our beliefs regarding future events, many of which, by their nature, are inherently uncertain and outside our control.

These statements include statements other than historical information or statements of current conditions and may relate to our future plans and objectives and results, among other things, and may also include statements about the effect of changes to the capital, leverage, liquidity, long-term debt and total loss-absorbing capacity rules applicable to banks and bank holding companies (BHCs), the impact of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) on our businesses and operations, and various legal proceedings, governmental investigations or mortgage-related contingencies as set forth in Notes 27 and 18, respectively, to the consolidated financial statements, as well as statements about the results of our Dodd-Frank Act and firm stress tests, statements about the objectives and effectiveness of our business continuity plan, information security program, risk management and liquidity policies, statements about our resolution plan and resolution strategy and their implications for our debtholders and other stakeholders, statements about the design and effectiveness of our resolution capital and liquidity models and our triggers and alerts framework, statements about trends in or growth opportunities for our businesses, statements about our future status, activities or reporting under U.S. or non-U.S. banking and financial regulation, statements about our investment banking transaction backlog, statements about the estimated effects of the Tax Cuts and Jobs Act (Tax Legislation), statements about our average Liquidity Coverage Ratio (LCR) and statements about our strategic growth initiatives.

By identifying these statements for you in this manner, we are alerting you to the possibility that our actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements. Important factors that could cause our actual results and financial condition to differ from those indicated in these forward-looking statements include, among others, those described in “Risk Factors” in Part I, Item 1A of this Form 10-K and “Cautionary Statement Pursuant to the U.S. Private Securities Litigation Reform Act of 1995” in Part I, Item 1 of this Form 10-K.

## Executive Overview

**2017 versus 2016.** We generated net earnings of \$4.29 billion and diluted earnings per common share of \$9.01 for 2017, a decrease of 42% and 45%, respectively, compared with \$7.40 billion and \$16.29 per share for 2016. Return on average common shareholders' equity was 4.9% for 2017, compared with 9.4% for 2016. Book value per common share was \$181.00 as of December 2017, 0.8% lower compared with December 2016.

In the fourth quarter of 2017, we recorded \$4.40 billion of estimated income tax expense related to Tax Legislation. Excluding this expense, diluted earnings per common share were \$19.76 and return on average common shareholders' equity was 10.8% for 2017. See "Results of Operations — Financial Overview" below for further information about these non-GAAP measures, including the calculation of diluted earnings per common share and return on average common shareholders' equity, excluding the estimated impact of Tax Legislation. See "Results of Operations — Provision for Taxes" below for further information about Tax Legislation.

Net revenues were \$32.07 billion for 2017, 5% higher than 2016, due to significantly higher net revenues in Investing & Lending and higher net revenues in both Investment Banking and Investment Management. These increases were partially offset by lower net revenues in Institutional Client Services, primarily reflecting significantly lower net revenues in Fixed Income, Currency and Commodities Client Execution (FICC Client Execution).

Operating expenses were \$20.94 billion for 2017, 3% higher than 2016, due to slightly higher non-compensation expenses and compensation and benefits expenses.

We returned \$7.90 billion of capital to common shareholders during 2017, including \$6.72 billion of common share repurchases and \$1.18 billion in common stock dividends. Our Common Equity Tier 1 (CET1) ratio as calculated in accordance with the Standardized approach and the Basel III Advanced approach, in each case reflecting the applicable transitional provisions, was 12.1% and 10.9%, respectively, as of December 2017. See Note 20 to the consolidated financial statements for further information about our capital ratios.

In 2017, we announced strategic growth initiatives with an emphasis on growing earnings and returns. To accomplish these initiatives, we will continue to make investments in our businesses, including in technology and talent, while exploring new opportunities. We estimate these initiatives could generate \$5 billion of incremental net revenues and \$2.5 billion of incremental pre-tax earnings in 2020.

**2016 versus 2015.** We generated net earnings of \$7.40 billion and diluted earnings per common share of \$16.29 for 2016, an increase of 22% and 34%, respectively, compared with \$6.08 billion and \$12.14 per share for 2015. Return on average common shareholders' equity was 9.4% for 2016, compared with 7.4% for 2015. Book value per common share was \$182.47 as of December 2016, 6.7% higher compared with December 2015.

Net revenues were \$30.61 billion for 2016, 9% lower than 2015, due to significantly lower net revenues in Investing & Lending and lower net revenues in Investment Banking, Institutional Client Services and Investment Management. These results reflected the impact of a challenging operating environment during the first half of 2016, particularly during the first quarter, although the environment improved during the second half of the year.

Operating expenses were \$20.30 billion for 2016, 19% lower than 2015, primarily due to significantly lower non-compensation expenses, primarily reflecting significantly lower net provisions for mortgage-related litigation and regulatory matters, as 2015 included provisions related to the settlement agreement with the Residential Mortgage-Backed Securities Working Group of the U.S. Financial Fraud Enforcement Task Force (RMBS Working Group), as well as lower market development expenses and professional fees, reflecting expense savings initiatives. Compensation and benefits expenses were also lower, reflecting a decrease in net revenues and the impact of expense savings initiatives.

We returned \$7.20 billion of capital to common shareholders during 2016, including \$6.07 billion of common share repurchases and \$1.13 billion in common stock dividends. Our CET1 ratio as calculated in accordance with the Standardized approach and the Basel III Advanced approach, in each case reflecting the applicable transitional provisions, was 14.5% and 13.1%, respectively, as of December 2016. See Note 20 to the consolidated financial statements for further information about our capital ratios.

## **Business Environment**

### **Global**

During 2017, real gross domestic product (GDP) growth appeared to generally increase compared to 2016 in both advanced and emerging market economies. In advanced economies, real GDP growth was higher in the U.S., the Euro area and Japan, but decreased slightly in the U.K. In emerging markets, real GDP growth increased slightly in China and appeared to decrease in India. Real GDP appeared to grow in Russia and Brazil compared with contractions in 2016. Broadly, global macroeconomic data remained strong throughout 2017, and volatility in equity, fixed income, currency and commodity markets was low. Major elections were held in France, the U.K., Germany and China, but none of these events resulted in significant volatility across markets. Major central banks continued to gradually tighten their stance on monetary policy, as the U.S. Federal Reserve increased its target interest rate three times and began the process of balance sheet normalization. In investment banking, industry-wide announced and completed mergers and acquisitions transactions remained solid during 2017, although volumes declined compared with 2016. Industry-wide offerings in equity underwriting increased significantly compared with 2016, and industry-wide debt underwriting offerings remained strong, particularly in leveraged finance activity.

### **United States**

In the U.S., real GDP increased by 2.3% in 2017, compared with an increase of 1.5% in 2016, as growth in business fixed investment increased. Measures of consumer confidence were stronger on average compared with the prior year, and the unemployment rate declined to 4.1% as of December 2017. Housing starts, sales and prices increased compared with 2016, while measures of inflation were mixed. The U.S. Federal Reserve increased its target rate for the federal funds rate by 25 basis points at each of the March, June and December meetings to end the year at a target range of 1.25% to 1.50%. In September, the U.S. Federal Reserve formally announced the process of balance sheet normalization. Previously, the U.S. Federal Reserve reinvested all proceeds from the maturity of bonds on its balance sheet, but since October 2017, \$6 billion of U.S. Treasury securities and \$4 billion of agency debt and mortgage-backed securities matured each month without reinvestment of the proceeds. These monthly allowances are expected to rise gradually over time to peak levels of \$30 billion and \$20 billion, respectively. The yield on the 10-year U.S. Treasury note decreased by 5 basis points during 2017 to 2.40%. The price of natural gas decreased by 21% compared to the end of 2016 to \$2.95 per million British thermal units and the price of crude oil (WTI) increased by 12% to approximately \$60 per barrel. In equity markets, the NASDAQ Composite Index, the Dow Jones Industrial Average and the S&P 500 Index increased by 28%, 25% and 19%, respectively, during 2017.

### **Europe**

In the Euro area, real GDP increased by 2.5% in 2017, compared with an increase of 1.7% in 2016. Net exports improved, while growth in consumer spending and fixed investment slowed slightly. Measures of inflation remained subdued, prompting the European Central Bank (ECB) to announce an extension of its asset purchase program in the fourth quarter of 2017, although the pace of its monthly asset purchases decreased from €60 billion to €30 billion beginning in January 2018. The ECB maintained its main refinancing operations rate at 0.00% and its deposit rate at (0.40%). The Euro appreciated by 14% against the U.S. dollar. Yields on 10-year government bonds in the Euro area generally increased during the year. In equity markets, the DAX Index, CAC 40 Index and Euro Stoxx 50 Index increased by 13%, 9% and 6%, respectively, during 2017. During 2017, the process of negotiating an arrangement for the withdrawal of the U.K. from the E.U. began, resulting in an agreement on certain issues in December as negotiations shifted to transitional arrangements. In the U.K., real GDP increased by 1.7% in 2017, compared with an increase of 1.9% in 2016. Inflation increased materially in 2017 prompting the Bank of England to raise the official bank rate by 25 basis points in November. The British pound appreciated by 10% against the U.S. dollar during 2017. Yields on 10-year government bonds in the U.K. decreased slightly during the year and, in equity markets, the FTSE 100 Index increased by 8% during 2017.

### **Asia**

In Japan, real GDP increased by 1.6% in 2017, compared with an increase of 0.9% in 2016. The Bank of Japan maintained its negative interest rate policy and continued to target a yield on 10-year Japanese government bonds of approximately 0%. The yield on 10-year Japanese government bonds was essentially unchanged, the U.S. dollar depreciated by 4% against the Japanese yen and the Nikkei 225 Index increased by 19% in 2017. In China, real GDP increased by 6.9% in 2017, compared with an increase of 6.7% in 2016. The People's Bank of China slightly tightened its stance on monetary policy in early 2017. Measures of inflation decreased and the U.S. dollar depreciated by 6% against the Chinese yuan. In equity markets, the Hang Seng Index and the Shanghai Composite Index increased by 36% and 7%, respectively, during 2017. In India, real GDP appeared to increase by 6.2% in 2017, compared with an increase of 7.9% in 2016, and the rate of inflation decreased compared with 2016. The U.S. dollar depreciated by 6% against the Indian rupee and the BSE Sensex Index increased by 28% during 2017.

## Management's Discussion and Analysis

### Other Markets

In Brazil, real GDP appeared to increase by 1.1% in 2017, compared with a contraction of 3.5% in 2016. The U.S. dollar appreciated by 2% against the Brazilian real and the Bovespa Index increased by 27%. In Russia, real GDP appeared to increase by 1.5% in 2017, compared with a contraction of 0.2% in 2016. The U.S. dollar depreciated by 6% against the Russian ruble and the MICEX Index decreased by 6% during 2017.

### Critical Accounting Policies

#### Fair Value

**Fair Value Hierarchy.** Financial instruments owned and financial instruments sold, but not yet purchased (i.e., inventory), as well as certain other financial assets and financial liabilities, are included in our consolidated statements of financial condition at fair value (i.e., marked-to-market), with related gains or losses generally recognized in our consolidated statements of earnings. The use of fair value to measure financial instruments is fundamental to our risk management practices and is our most critical accounting policy.

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We measure certain financial assets and financial liabilities as a portfolio (i.e., based on its net exposure to market and/or credit risks). In determining fair value, the hierarchy under U.S. generally accepted accounting principles (U.S. GAAP) gives (i) the highest priority to unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities (level 1 inputs), (ii) the next priority to inputs other than level 1 inputs that are observable, either directly or indirectly (level 2 inputs), and (iii) the lowest priority to inputs that cannot be observed in market activity (level 3 inputs). In evaluating the significance of a valuation input, we consider, among other factors, a portfolio's net risk exposure to that input. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to their fair value measurement.

The fair values for substantially all of our financial assets and financial liabilities are based on observable prices and inputs and are classified in levels 1 and 2 of the fair value hierarchy. Certain level 2 and level 3 financial assets and financial liabilities may require appropriate valuation adjustments that a market participant would require to arrive at fair value for factors such as counterparty and our credit quality, funding risk, transfer restrictions, liquidity and bid/offer spreads.

Instruments classified in level 3 of the fair value hierarchy are those which require one or more significant inputs that are not observable. As of December 2017 and December 2016, level 3 financial assets represented 2.1% and 2.7%, respectively, of our total assets. See Notes 5 through 8 to the consolidated financial statements for further information about level 3 financial assets, including changes in level 3 financial assets and related fair value measurements. Absent evidence to the contrary, instruments classified in level 3 of the fair value hierarchy are initially valued at transaction price, which is considered to be the best initial estimate of fair value. Subsequent to the transaction date, we use other methodologies to determine fair value, which vary based on the type of instrument. Estimating the fair value of level 3 financial instruments requires judgments to be made. These judgments include:

- Determining the appropriate valuation methodology and/or model for each type of level 3 financial instrument;
- Determining model inputs based on an evaluation of all relevant empirical market data, including prices evidenced by market transactions, interest rates, credit spreads, volatilities and correlations; and
- Determining appropriate valuation adjustments, including those related to illiquidity or counterparty credit quality.

Regardless of the methodology, valuation inputs and assumptions are only changed when corroborated by substantive evidence.

#### Controls Over Valuation of Financial Instruments.

Market makers and investment professionals in our revenue-producing units are responsible for pricing our financial instruments. Our control infrastructure is independent of the revenue-producing units and is fundamental to ensuring that all of our financial instruments are appropriately valued at market-clearing levels. In the event that there is a difference of opinion in situations where estimating the fair value of financial instruments requires judgment (e.g., calibration to market comparables or trade comparison, as described below), the final valuation decision is made by senior managers in control and support functions. This independent price verification is critical to ensuring that our financial instruments are properly valued.

## Management's Discussion and Analysis

**Price Verification.** All financial instruments at fair value classified in levels 1, 2 and 3 of the fair value hierarchy are subject to our independent price verification process. The objective of price verification is to have an informed and independent opinion with regard to the valuation of financial instruments under review. Instruments that have one or more significant inputs which cannot be corroborated by external market data are classified in level 3 of the fair value hierarchy. Price verification strategies utilized by our independent control and support functions include:

- **Trade Comparison.** Analysis of trade data (both internal and external, where available) is used to determine the most relevant pricing inputs and valuations.
- **External Price Comparison.** Valuations and prices are compared to pricing data obtained from third parties (e.g., brokers or dealers, Markit, Bloomberg, IDC, TRACE). Data obtained from various sources is compared to ensure consistency and validity. When broker or dealer quotations or third-party pricing vendors are used for valuation or price verification, greater priority is generally given to executable quotations.
- **Calibration to Market Comparables.** Market-based transactions are used to corroborate the valuation of positions with similar characteristics, risks and components.
- **Relative Value Analyses.** Market-based transactions are analyzed to determine the similarity, measured in terms of risk, liquidity and return, of one instrument relative to another or, for a given instrument, of one maturity relative to another.
- **Collateral Analyses.** Margin calls on derivatives are analyzed to determine implied values, which are used to corroborate our valuations.
- **Execution of Trades.** Where appropriate, trading desks are instructed to execute trades in order to provide evidence of market-clearing levels.
- **Backtesting.** Valuations are corroborated by comparison to values realized upon sales.

See Notes 5 through 8 to the consolidated financial statements for further information about fair value measurements.

**Review of Net Revenues.** Independent control and support functions ensure adherence to our pricing policy through a combination of daily procedures, including the explanation and attribution of net revenues based on the underlying factors. Through this process, we independently validate net revenues, identify and resolve potential fair value or trade booking issues on a timely basis and seek to ensure that risks are being properly categorized and quantified.

**Review of Valuation Models.** Our independent model risk management group (Model Risk Management), consisting of quantitative professionals who are separate from model developers, performs an independent model review and validation process of our valuation models. New or changed models are reviewed and approved prior to being put into use. Models are evaluated and re-approved annually to assess the impact of any changes in the product or market and any market developments in pricing theories. See “Risk Management — Model Risk Management” for further information about the review and validation of our valuation models.

### Goodwill and Identifiable Intangible Assets

**Goodwill.** Goodwill is the cost of acquired companies in excess of the fair value of net assets, including identifiable intangible assets, at the acquisition date.

Goodwill is assessed for impairment annually in the fourth quarter or more frequently if events occur or circumstances change that indicate an impairment may exist. When assessing goodwill for impairment, first, qualitative factors are assessed to determine whether it is more likely than not that the estimated fair value of a reporting unit is less than its estimated carrying value. If the results of the qualitative assessment are not conclusive, a quantitative goodwill test is performed by comparing the estimated fair value of each reporting unit with its estimated carrying value.

In the fourth quarter of 2017, we assessed goodwill for impairment for each of our reporting units by performing a qualitative assessment. The qualitative assessment required management to make judgments and to evaluate several factors, which included, but were not limited to, performance indicators, firm and industry events, macroeconomic indicators and fair value indicators. Based on our evaluation of these factors, we determined that it was more likely than not that the estimated fair value of each of the reporting units exceeded its respective estimated carrying value. Therefore, we determined that goodwill for each reporting unit was not impaired and that a quantitative goodwill test was not required.

See Note 13 to the consolidated financial statements for further information about our goodwill.

Estimating the fair value of our reporting units requires management to make judgments. Critical inputs to the fair value estimates include projected earnings and attributed equity. There is inherent uncertainty in the projected earnings. The estimated net book value of each reporting unit reflects an allocation of total shareholders' equity and represents the estimated amount of total shareholders' equity required to support the activities of the reporting unit under currently applicable regulatory capital requirements. See “Equity Capital Management and Regulatory Capital” for further information about our capital requirements.

If we experience a prolonged or severe period of weakness in the business environment, financial markets or our performance, or additional increases in capital requirements, our goodwill could be impaired in the future. In addition, significant changes to other inputs of the quantitative goodwill test could cause the estimated fair value of our reporting units to decline, which could result in an impairment of goodwill in the future.

**Identifiable Intangible Assets.** We amortize our identifiable intangible assets over their estimated useful lives generally using the straight-line method. Identifiable intangible assets are tested for impairment whenever events or changes in circumstances suggest that an asset's or asset group's carrying value may not be fully recoverable.

A prolonged or severe period of market weakness, or significant changes in regulation, could adversely impact our businesses and impair the value of our identifiable intangible assets. In addition, certain events could indicate a potential impairment of our identifiable intangible assets, including weaker business performance resulting in a decrease in our customer base and decreases in revenues from customer contracts and relationships. Management judgment is required to evaluate whether indications of potential impairment have occurred, and to test intangible assets for impairment, if required.

An impairment, generally calculated as the difference between the estimated fair value and the carrying value of an asset or asset group, is recognized if the total of the estimated undiscounted cash flows relating to the asset or asset group is less than the corresponding carrying value.

See Note 13 to the consolidated financial statements for further information about our identifiable intangible assets.

## **Recent Accounting Developments**

See Note 3 to the consolidated financial statements for information about Recent Accounting Developments.

## **Use of Estimates**

U.S. GAAP requires management to make certain estimates and assumptions. In addition to the estimates we make in connection with fair value measurements and the accounting for goodwill and identifiable intangible assets, the use of estimates and assumptions is also important in determining income tax expense related to Tax Legislation, provisions for losses that may arise from litigation and regulatory proceedings (including governmental investigations), the allowance for losses on loans receivable and lending commitments held for investment, and provisions for losses that may arise from tax audits.

We estimate and provide for potential losses that may arise out of litigation and regulatory proceedings to the extent that such losses are probable and can be reasonably estimated. In addition, we estimate the upper end of the range of reasonably possible aggregate loss in excess of the related reserves for litigation and regulatory proceedings where we believe the risk of loss is more than slight. See Notes 18 and 27 to the consolidated financial statements for information about certain judicial, litigation and regulatory proceedings.

Significant judgment is required in making these estimates and our final liabilities may ultimately be materially different. Our total estimated liability in respect of litigation and regulatory proceedings is determined on a case-by-case basis and represents an estimate of probable losses after considering, among other factors, the progress of each case, proceeding or investigation, our experience and the experience of others in similar cases, proceedings or investigations, and the opinions and views of legal counsel.

In accounting for income taxes, we recorded an estimated impact of Tax Legislation. We have made assumptions and judgments regarding interpretations of Tax Legislation. In addition, in accounting for income taxes, we recognize tax positions in the financial statements only when it is more likely than not that the position will be sustained on examination by the relevant taxing authority based on the technical merits of the position. See Note 24 to the consolidated financial statements for further information about income taxes.

We also estimate and record an allowance for losses related to our loans receivable and lending commitments held for investment. Management's estimate of loan losses entails judgment about loan collectability at the reporting dates, and there are uncertainties inherent in those judgments. See Note 9 to the consolidated financial statements for further information about the allowance for losses on loans receivable and lending commitments held for investment.

## Results of Operations

The composition of our net revenues has varied over time as financial markets and the scope of our operations have changed. The composition of net revenues can also vary over the shorter term due to fluctuations in U.S. and global economic and market conditions. See "Risk Factors" in Part I, Item 1A of this Form 10-K for further information about the impact of economic and market conditions on our results of operations.

### Financial Overview

The table below presents an overview of our financial results and selected financial ratios.

<i>\$ in millions, except per share amounts</i>	Year Ended December		
	2017	2016	2015
Net revenues	<b>\$32,073</b>	\$30,608	\$33,820
Pre-tax earnings	<b>\$11,132</b>	\$10,304	\$ 8,778
Net earnings	<b>\$ 4,286</b>	\$ 7,398	\$ 6,083
Net earnings applicable to common shareholders	<b>\$ 3,685</b>	\$ 7,087	\$ 5,568
Diluted earnings per common share	<b>\$ 9.01</b>	\$ 16.29	\$ 12.14
Return on average common shareholders' equity	<b>4.9%</b>	9.4%	7.4%
Net earnings to average total assets	<b>0.5%</b>	0.8%	0.7%
Return on average total shareholders' equity	<b>5.0%</b>	8.5%	7.0%
Total average shareholders' equity to average total assets	<b>9.5%</b>	9.8%	9.9%
Dividend payout ratio	<b>32.2%</b>	16.0%	21.0%

In the table above:

- Dividend payout ratio is calculated by dividing dividends declared per common share by diluted earnings per common share.
- Net earnings applicable to common shareholders for 2016 included a benefit of \$266 million, reflected in preferred stock dividends, related to the exchange of APEX for shares of Series E and Series F Preferred Stock. See Note 19 to the consolidated financial statements for further information.
- Return on average common shareholders' equity is calculated by dividing net earnings applicable to common shareholders by average monthly common shareholders' equity. Return on average total shareholders' equity is calculated by dividing net earnings by average monthly total shareholders' equity. The table below presents our average common and total shareholders' equity.

<i>\$ in millions</i>	Average for the Year Ended December		
	2017	2016	2015
Total shareholders' equity	<b>\$ 85,959</b>	\$ 86,658	\$ 86,314
Preferred stock	<b>(11,238)</b>	(11,304)	(10,585)
<b>Common shareholders' equity</b>	<b>\$ 74,721</b>	\$ 75,354	\$ 75,729

- In 2017, we recorded \$4.40 billion of estimated income tax expense related to Tax Legislation. Excluding this expense, diluted earnings per common share were \$19.76 and return on average common shareholders' equity was 10.8% for 2017. We believe that presenting our results excluding Tax Legislation is meaningful as excluding this item increases the comparability of period-to-period results. See "Results of Operations — Provision for Taxes" below for further information about Tax Legislation. Diluted earnings per common share and return on average common shareholders' equity, excluding the estimated impact of Tax Legislation, are non-GAAP measures and may not be comparable to similar non-GAAP measures used by other companies. The tables below present the calculation of net earnings applicable to common shareholders, diluted earnings per common share and average common shareholders' equity, excluding the estimated impact of Tax Legislation.

<i>in millions, except per share amounts</i>	Year Ended December 2017
Net earnings applicable to common shareholders, as reported	<b>\$ 3,685</b>
Estimated impact of Tax Legislation	<b>4,400</b>
Net earnings applicable to common shareholders, excluding the estimated impact of Tax Legislation	<b>\$ 8,085</b>
Divided by average diluted common shares	<b>409.1</b>
<b>Diluted earnings per common share, excluding the estimated impact of Tax Legislation</b>	<b>\$ 19.76</b>

<i>\$ in millions</i>	Average for the Year Ended December 2017
Common shareholders' equity, as reported	<b>\$74,721</b>
Estimated impact of Tax Legislation	<b>338</b>
<b>Common shareholders' equity, excluding the estimated impact of Tax Legislation</b>	<b>\$75,059</b>

- In 2017, as required, we adopted ASU No. 2016-09, "Compensation — Stock Compensation (Topic 718) — Improvements to Employee Share-Based Payment Accounting." The impact of adoption was a reduction to our provision for taxes of \$719 million for 2017, which increased diluted earnings per common share by approximately \$1.75 and return on average common shareholders' equity by approximately 1.0 percentage points. See Note 3 to the consolidated financial statements for further information about this ASU.
- In 2015, we recorded provisions of \$3.37 billion related to the settlement agreement with the RMBS Working Group, which reduced diluted earnings per common share by \$6.53 and return on average common shareholders' equity by 3.8 percentage points for 2015. See Note 27 to the consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2015 for further information.



**Management's Discussion and Analysis****Net Revenues**

The table below presents our net revenues by line item in the consolidated statements of earnings.

\$ in millions	Year Ended December		
	2017	2016	2015
Investment banking	\$ 7,371	\$ 6,273	\$ 7,027
Investment management	5,803	5,407	5,868
Commissions and fees	3,051	3,208	3,320
Market making	7,660	9,933	9,523
Other principal transactions	5,256	3,200	5,018
Total non-interest revenues	29,141	28,021	30,756
Interest income	13,113	9,691	8,452
Interest expense	10,181	7,104	5,388
Net interest income	2,932	2,587	3,064
<b>Total net revenues</b>	<b>\$32,073</b>	<b>\$30,608</b>	<b>\$33,820</b>

In the table above:

- Investment banking consists of revenues (excluding net interest) from financial advisory and underwriting assignments, as well as derivative transactions directly related to these assignments. These activities are included in our Investment Banking segment.
- Investment management consists of revenues (excluding net interest) from providing investment management services to a diverse set of clients, as well as wealth advisory services and certain transaction services to high-net-worth individuals and families. These activities are included in our Investment Management segment.
- Commissions and fees consists of revenues from executing and clearing client transactions on major stock, options and futures exchanges worldwide, as well as over-the-counter (OTC) transactions. These activities are included in our Institutional Client Services and Investment Management segments.
- Market making consists of revenues (excluding net interest) from client execution activities related to making markets in interest rate products, credit products, mortgages, currencies, commodities and equity products. These activities are included in our Institutional Client Services segment.
- Other principal transactions consists of revenues (excluding net interest) from our investing activities and the origination of loans to provide financing to clients. In addition, other principal transactions includes revenues related to our consolidated investments. These activities are included in our Investing & Lending segment.

**Operating Environment.** During 2017, generally higher asset prices and tighter credit spreads were supportive of industry-wide underwriting activities, investment management performance and other principal transactions. However, low levels of volatility in equity, fixed income, currency and commodity markets continued to negatively affect our market-making activities, particularly in fixed income, currency and commodity products. The price of natural gas decreased significantly during 2017, while the price of oil increased compared with the end of 2016.

If the trend of low volatility continues over the long term and market-making activity levels remain low, or if investment banking activity levels, asset prices or assets under supervision decline, net revenues would likely be negatively impacted. See "Segment Operating Results" below for further information about the operating environment and material trends and uncertainties that may impact our results of operations.

The first half of 2016 included challenging trends in the operating environment for our business activities including concerns and uncertainties about global economic growth, central bank activity and the political uncertainty and economic implications surrounding the potential exit of the U.K. from the E.U. During the second half of 2016, the operating environment improved, as global equity markets steadily increased and investment grade and high-yield credit spreads tightened. These trends provided a more favorable backdrop for our business activities.

**2017 versus 2016**

Net revenues in the consolidated statements of earnings were \$32.07 billion for 2017, 5% higher than 2016, due to significantly higher other principal transactions revenues, and higher investment banking revenues, investment management revenues and net interest income. These increases were partially offset by significantly lower market making revenues and lower commissions and fees.

**Non-Interest Revenues.** Investment banking revenues in the consolidated statements of earnings were \$7.37 billion for 2017, 18% higher than 2016. Revenues in financial advisory were higher compared with 2016, reflecting an increase in completed mergers and acquisitions transactions. Revenues in underwriting were significantly higher compared with 2016, due to significantly higher revenues in both debt underwriting, primarily reflecting an increase in industry-wide leveraged finance activity, and equity underwriting, reflecting an increase in industry-wide secondary offerings.

## Management's Discussion and Analysis

Investment management revenues in the consolidated statements of earnings were \$5.80 billion for 2017, 7% higher than 2016, due to higher management and other fees, reflecting higher average assets under supervision, and higher transaction revenues.

Commissions and fees in the consolidated statements of earnings were \$3.05 billion for 2017, 5% lower than 2016, reflecting a decline in our listed cash equity volumes in the U.S. Market volumes in the U.S. also declined.

Market making revenues in the consolidated statements of earnings were \$7.66 billion for 2017, 23% lower than 2016, due to significantly lower revenues in commodities, currencies, credit products, interest rate products and equity derivative products. These results were partially offset by significantly higher revenues in equity cash products and significantly improved results in mortgages.

Other principal transactions revenues in the consolidated statements of earnings were \$5.26 billion for 2017, 64% higher than 2016, primarily reflecting a significant increase in net gains from private equities, which were positively impacted by company-specific events and corporate performance. In addition, net gains from public equities were significantly higher, as global equity prices increased during the year.

**Net Interest Income.** Net interest income in the consolidated statements of earnings was \$2.93 billion for 2017, 13% higher than 2016, reflecting an increase in interest income primarily due to the impact of higher interest rates on collateralized agreements, higher interest income from loans receivable due to higher yields and an increase in total average loans receivable, an increase in total average financial instruments owned, and the impact of higher interest rates on other interest-earning assets and deposits with banks. The increase in interest income was partially offset by higher interest expense primarily due to the impact of higher interest rates on other interest-bearing liabilities, an increase in total average long-term borrowings, and the impact of higher interest rates on interest-bearing deposits, short-term borrowings and collateralized financings. See “Statistical Disclosures — Distribution of Assets, Liabilities and Shareholders’ Equity” for further information about our sources of net interest income.

### **2016 versus 2015**

Net revenues in the consolidated statements of earnings were \$30.61 billion for 2016, 9% lower than 2015, reflecting the impact of a challenging operating environment during the first half of 2016, particularly during the first quarter, although the environment improved during the second half of the year. The decrease in net revenues was primarily due to significantly lower other principal transactions revenues and lower investment banking revenues, net interest income and investment management revenues. In addition, commissions and fees were slightly lower. These results were partially offset by slightly higher market making revenues.

**Non-Interest Revenues.** Investment banking revenues in the consolidated statements of earnings were \$6.27 billion for 2016, 11% lower compared with a strong 2015. Revenues in financial advisory were lower compared with a strong 2015, reflecting a decrease in industry-wide transactions. Revenues in underwriting were lower compared with a strong 2015, due to significantly lower revenues in equity underwriting, reflecting a decrease in industry-wide volumes. Revenues in debt underwriting were significantly higher, reflecting significantly higher revenues from asset-backed activity and higher revenues from leveraged finance activity.

Investment management revenues in the consolidated statements of earnings were \$5.41 billion for 2016, 8% lower than 2015, primarily reflecting significantly lower incentive fees compared with a strong 2015. In addition, management and other fees were slightly lower, reflecting shifts in the mix of client assets and strategies, partially offset by the impact of higher average assets under supervision.

Commissions and fees in the consolidated statements of earnings were \$3.21 billion for 2016, 3% lower than 2015, reflecting lower listed cash equity volumes in Asia and Europe, consistent with market volumes in these regions.

Market making revenues in the consolidated statements of earnings were \$9.93 billion for 2016, 4% higher than 2015, due to significantly higher revenues in interest rate products and credit products. These results were partially offset by significantly lower revenues in equity cash products and lower revenues in currencies, mortgages, equity derivative products and commodities.

Other principal transactions revenues in the consolidated statements of earnings were \$3.20 billion for 2016, 36% lower than 2015, primarily due to significantly lower revenues from investments in equities, primarily reflecting a significant decrease in net gains from private equities, driven by company-specific events and corporate performance. In addition, revenues in debt securities and loans were significantly lower compared with 2015, reflecting significantly lower revenues related to relationship lending activities, due to the impact of changes in credit spreads on economic hedges. Losses related to these hedges were \$596 million in 2016, compared with gains of \$329 million in 2015. This decrease was partially offset by higher net gains from investments in debt instruments. See Note 9 to the consolidated financial statements for further information about economic hedges related to our relationship lending activities.

**Net Interest Income.** Net interest income in the consolidated statements of earnings was \$2.59 billion for 2016, 16% lower than 2015, reflecting an increase in interest expense primarily due to the impact of higher interest rates on other interest-bearing liabilities, interest-bearing deposits and collateralized financings, and increases in total average long-term borrowings and total average interest-bearing deposits. The increase in interest expense was partially offset by higher interest income related to collateralized agreements, reflecting the impact of higher interest rates, and loans receivable, reflecting an increase in total average balances and the impact of higher interest rates. See “Statistical Disclosures — Distribution of Assets, Liabilities and Shareholders’ Equity” for further information about our sources of net interest income.

### Operating Expenses

Our operating expenses are primarily influenced by compensation, headcount and levels of business activity. Compensation and benefits includes salaries, discretionary compensation, amortization of equity awards and other items such as benefits. Discretionary compensation is significantly impacted by, among other factors, the level of net revenues, overall financial performance, prevailing labor markets, business mix, the structure of our share-based compensation programs and the external environment. In addition, see “Use of Estimates” for further information about expenses that may arise from litigation and regulatory proceedings.

In the context of the challenging environment, we completed an initiative during 2016 that identified areas where we can operate more efficiently, resulting in a reduction of approximately \$900 million in annual run rate compensation. For 2016, net savings from this initiative, after severance and other related costs, were approximately \$500 million.

The table below presents our operating expenses and total staff (including employees, consultants and temporary staff).

\$ in millions	Year Ended December		
	2017	2016	2015
Compensation and benefits	<b>\$11,853</b>	\$11,647	\$12,678
Brokerage, clearing, exchange and distribution fees	<b>2,540</b>	2,555	2,576
Market development	<b>588</b>	457	557
Communications and technology	<b>897</b>	809	806
Depreciation and amortization	<b>1,152</b>	998	991
Occupancy	<b>733</b>	788	772
Professional fees	<b>965</b>	882	963
Other expenses	<b>2,213</b>	2,168	5,699
Total non-compensation expenses	<b>9,088</b>	8,657	12,364
<b>Total operating expenses</b>	<b>\$20,941</b>	\$20,304	\$25,042
Total staff at period-end	<b>36,600</b>	34,400	36,800

In the table above, other expenses for 2015 included \$3.37 billion recorded for the settlement agreement with the RMBS Working Group. See Note 27 to the consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2015 for further information.

**2017 versus 2016.** Operating expenses in the consolidated statements of earnings were \$20.94 billion for 2017, 3% higher than 2016. Compensation and benefits expenses in the consolidated statements of earnings were \$11.85 billion for 2017, 2% higher than 2016. The ratio of compensation and benefits to net revenues for 2017 was 37.0% compared with 38.1% for 2016.

Non-compensation expenses in the consolidated statements of earnings were \$9.09 billion for 2017, 5% higher than 2016, primarily driven by our investments to fund growth. The increase compared with 2016 reflected higher expenses related to consolidated investments and our digital lending and deposit platform, *Marcus: by Goldman Sachs* (Marcus). These increases were primarily included in depreciation and amortization expenses, market development expenses and other expenses. In addition, technology expenses increased, reflecting higher expenses related to cloud-based services and software depreciation, and professional fees increased, primarily related to consulting costs. These increases were partially offset by lower net provisions for litigation and regulatory proceedings, and lower occupancy expenses (primarily related to exit costs in 2016).

Net provisions for litigation and regulatory proceedings for 2017 were \$188 million compared with \$396 million for 2016. 2017 included a \$127 million charitable contribution to Goldman Sachs Gives, our donor-advised fund. Compensation was reduced to fund this charitable contribution to Goldman Sachs Gives. We ask our participating managing directors to make recommendations regarding potential charitable recipients for this contribution.

As of December 2017, total staff increased 6% compared with December 2016, reflecting investments in technology and Marcus, and support of our regulatory efforts.

**2016 versus 2015.** Operating expenses in the consolidated statements of earnings were \$20.30 billion for 2016, 19% lower than 2015. Compensation and benefits expenses in the consolidated statements of earnings were \$11.65 billion for 2016, 8% lower than 2015, reflecting a decrease in net revenues and the impact of expense savings initiatives. The ratio of compensation and benefits to net revenues for 2016 was 38.1% compared with 37.5% for 2015.

Non-compensation expenses in the consolidated statements of earnings were \$8.66 billion for 2016, 30% lower than 2015, primarily due to significantly lower net provisions for mortgage-related litigation and regulatory matters, which are included in other expenses. In addition, market development expenses and professional fees were lower compared with 2015, reflecting expense savings initiatives. Net provisions for litigation and regulatory proceedings for 2016 were \$396 million compared with \$4.01 billion for 2015 (2015 primarily related to net provisions for mortgage-related matters). 2016 included a \$114 million charitable contribution to Goldman Sachs Gives. Compensation was reduced to fund this charitable contribution to Goldman Sachs Gives. We ask our participating managing directors to make recommendations regarding potential charitable recipients for this contribution.

As of December 2016, total staff decreased 7% compared with December 2015, due to expense savings initiatives.

### Provision for Taxes

The effective income tax rate for 2017 was 61.5%, up from 28.2% for 2016. The increase compared with 2016 reflected the estimated impact of Tax Legislation, which was enacted on December 22, 2017 and, among other things, lowers U.S. corporate income tax rates as of January 1, 2018, implements a territorial tax system and imposes a repatriation tax on deemed repatriated earnings of foreign subsidiaries. The estimated impact of Tax Legislation was an increase in income tax expense of \$4.40 billion, of which \$3.32 billion was due to the repatriation tax and \$1.08 billion was due to the effects of the implementation of the territorial tax system and the remeasurement of U.S. deferred tax assets at lower enacted corporate tax rates.

The impact of Tax Legislation may differ from this estimate, possibly materially, due to, among other things, (i) refinement of our calculations based on updated information, (ii) changes in interpretations and assumptions, (iii) guidance that may be issued and (iv) actions we may take as a result of Tax Legislation.

Excluding the estimated impact of Tax Legislation, the effective income tax rate for 2017 was 22.0%, down from 28.2% for 2016. This decrease was primarily due to tax benefits on the settlement of employee share-based awards in accordance with ASU No. 2016-09. The impact of these settlements in 2017 was a reduction to our provision for taxes of \$719 million and a reduction in our effective income tax rate of 6.4 percentage points. See Note 3 to the consolidated financial statements for further information about this ASU.

The effective income tax rate, excluding the estimated impact of Tax Legislation, is a non-GAAP measure and may not be comparable to similar non-GAAP measures used by other companies. We believe that presenting our effective income tax rate, excluding the estimated impact of Tax Legislation is meaningful, as excluding this item increases the comparability of period-to-period results.

The table below presents the calculation of the effective income tax rate, excluding the estimated impact of Tax Legislation.

<i>\$ in millions</i>	Year Ended December 2017		
	Pre-tax earnings	Provision for taxes	Effective income tax rate
As reported	\$11,132	\$6,846	61.5%
Estimated impact of Tax Legislation	-	4,400	-
<b>Excluding the estimated impact of Tax Legislation</b>	<b>\$11,132</b>	<b>\$2,446</b>	<b>22.0%</b>

The effective income tax rate for 2016 was 28.2%, down from 30.7% for 2015. The decline compared with 2015 was primarily due to the impact of non-deductible provisions for mortgage-related litigation and regulatory matters in 2015, partially offset by the impact of changes in tax law on deferred tax assets, the mix of earnings and an increase related to higher enacted tax rates impacting certain of our U.K. subsidiaries in 2016.

Effective January 1, 2018, Tax Legislation reduced the U.S. corporate tax rate to 21 percent, eliminated tax deductions for certain expenses and enacted two new taxes, Base Erosion and Anti-Abuse Tax (BEAT) and Global Intangible Low Taxed Income (GILTI). BEAT is an alternative minimum tax that applies to banks that pay more than 2 percent of total deductible expenses to certain foreign subsidiaries. GILTI is a 10.5 percent tax, before allowable credits for foreign taxes paid, on the annual earnings and profits of certain foreign subsidiaries. Based on our current understanding of these rules, the impact of BEAT and GILTI is not expected to be material to our effective income tax rate.

### Segment Operating Results

The table below presents the net revenues, operating expenses and pre-tax earnings of our segments.

<i>\$ in millions</i>	Year Ended December		
	2017	2016	2015
<b>Investment Banking</b>			
Net revenues	\$ 7,371	\$ 6,273	\$ 7,027
Operating expenses	3,526	3,437	3,713
<b>Pre-tax earnings</b>	<b>\$ 3,845</b>	<b>\$ 2,836</b>	<b>\$ 3,314</b>
<b>Institutional Client Services</b>			
Net revenues	\$11,902	\$14,467	\$15,151
Operating expenses	9,692	9,713	13,938
<b>Pre-tax earnings</b>	<b>\$ 2,210</b>	<b>\$ 4,754</b>	<b>\$ 1,213</b>
<b>Investing &amp; Lending</b>			
Net revenues	\$ 6,581	\$ 4,080	\$ 5,436
Operating expenses	2,796	2,386	2,402
<b>Pre-tax earnings</b>	<b>\$ 3,785</b>	<b>\$ 1,694</b>	<b>\$ 3,034</b>
<b>Investment Management</b>			
Net revenues	\$ 6,219	\$ 5,788	\$ 6,206
Operating expenses	4,800	4,654	4,841
<b>Pre-tax earnings</b>	<b>\$ 1,419</b>	<b>\$ 1,134</b>	<b>\$ 1,365</b>
<b>Total net revenues</b>	<b>\$32,073</b>	<b>\$30,608</b>	<b>\$33,820</b>
<b>Total operating expenses</b>	<b>20,941</b>	<b>20,304</b>	<b>25,042</b>
<b>Total pre-tax earnings</b>	<b>\$11,132</b>	<b>\$10,304</b>	<b>\$ 8,778</b>

In the table above:

- Operating expenses included \$3.37 billion recorded in Institutional Client Services in 2015 related to the settlement agreement with the RMBS Working Group. See Note 27 to the consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2015 for further information.
- All operating expenses have been allocated to our segments except for charitable contributions of \$127 million for 2017, \$114 million for 2016 and \$148 million for 2015.

Net revenues in our segments include allocations of interest income and interest expense to specific securities, commodities and other positions in relation to the cash generated by, or funding requirements of, such underlying positions. See Note 25 to the consolidated financial statements for further information about our business segments.

Our cost drivers taken as a whole, compensation, headcount and levels of business activity, are broadly similar in each of our business segments. Compensation and benefits expenses within our segments reflect, among other factors, our overall performance, as well as the performance of individual businesses. Consequently, pre-tax margins in one segment of our business may be significantly affected by the performance of our other business segments. A description of segment operating results follows.

### Investment Banking

Our Investment Banking segment consists of:

**Financial Advisory.** Includes strategic advisory assignments with respect to mergers and acquisitions, divestitures, corporate defense activities, restructurings, spin-offs, risk management and derivative transactions directly related to these client advisory assignments.

**Underwriting.** Includes public offerings and private placements, including local and cross-border transactions and acquisition financing, of a wide range of securities and other financial instruments, including loans, and derivative transactions directly related to these client underwriting activities.

The table below presents the operating results of our Investment Banking segment.

<i>\$ in millions</i>	Year Ended December		
	2017	2016	2015
Financial Advisory	\$3,188	\$2,932	\$3,470
Equity underwriting	1,243	891	1,546
Debt underwriting	2,940	2,450	2,011
Total Underwriting	4,183	3,341	3,557
Total net revenues	7,371	6,273	7,027
Operating expenses	3,526	3,437	3,713
<b>Pre-tax earnings</b>	<b>\$3,845</b>	<b>\$2,836</b>	<b>\$3,314</b>

The table below presents our financial advisory and underwriting transaction volumes.

<i>\$ in billions</i>	Year Ended December		
	2017	2016	2015
Announced mergers and acquisitions	\$1,016	\$ 969	\$1,530
Completed mergers and acquisitions	\$ 933	\$1,215	\$1,241
Equity and equity-related offerings	\$ 68	\$ 49	\$ 73
Debt offerings	\$ 279	\$ 266	\$ 244

In the table above:

- Volumes are per Dealogic. Prior periods have been conformed to reflect volumes per Dealogic.
- Announced and completed mergers and acquisitions volumes are based on full credit to each of the advisors in a transaction. Equity and equity-related offerings and debt offerings are based on full credit for single book managers and equal credit for joint book managers. Transaction volumes may not be indicative of net revenues in a given period. In addition, transaction volumes for prior periods may vary from amounts previously reported due to the subsequent withdrawal or a change in the value of a transaction.
- Equity and equity-related offerings includes Rule 144A and public common stock offerings, convertible offerings and rights offerings.
- Debt offerings includes non-convertible preferred stock, mortgage-backed securities, asset-backed securities and taxable municipal debt. Includes publicly registered and Rule 144A issues. Excludes leveraged loans.

**Operating Environment.** During 2017, industry-wide announced and completed mergers and acquisitions transactions remained solid, increasing slightly compared with 2016, although volumes declined compared with the prior year.

In underwriting, generally higher equity prices and tighter credit spreads during 2017 continued to contribute to a relatively favorable financing environment. Industry-wide debt underwriting offerings remained strong, particularly in leveraged finance activity. Industry-wide equity underwriting offerings increased significantly during 2017 compared with the weak backdrop for new issuances during 2016.

In the future, if industry-wide mergers and acquisitions transactions decline or volumes continue to decline, or if industry-wide activity levels in debt underwriting or equity underwriting decline, net revenues in Investment Banking would likely be negatively impacted.

During 2016, Investment Banking operated in an environment characterized by robust industry-wide mergers and acquisitions activity. Industry-wide equity underwriting volumes decreased significantly compared with strong levels in 2015, while industry-wide debt underwriting volumes increased compared with 2015.

**2017 versus 2016.** Net revenues in Investment Banking were \$7.37 billion for 2017, 18% higher than 2016.

Net revenues in Financial Advisory were \$3.19 billion, 9% higher than 2016, reflecting an increase in completed mergers and acquisitions transactions. Net revenues in Underwriting were \$4.18 billion, 25% higher than 2016, due to significantly higher net revenues in both debt underwriting, primarily reflecting an increase in industry-wide leveraged finance activity, and equity underwriting, reflecting an increase in industry-wide secondary offerings.

Operating expenses were \$3.53 billion for 2017, 3% higher than 2016, due to increased compensation and benefits expenses, reflecting higher net revenues. Pre-tax earnings were \$3.85 billion in 2017, 36% higher than 2016.

As of December 2017, our investment banking transaction backlog increased compared with the end of 2016, due to significantly higher estimated net revenues from potential debt underwriting transactions and significantly higher estimated net revenues from potential equity underwriting transactions, primarily in initial public offerings. These increases were partially offset by lower estimated net revenues from potential advisory transactions, principally related to mergers and acquisitions.

Our investment banking transaction backlog represents an estimate of our future net revenues from investment banking transactions where we believe that future revenue realization is more likely than not. We believe changes in our investment banking transaction backlog may be a useful indicator of client activity levels which, over the long term, impact our net revenues. However, the time frame for completion and corresponding revenue recognition of transactions in our backlog varies based on the nature of the assignment, as certain transactions may remain in our backlog for longer periods of time and others may enter and leave within the same reporting period. In addition, our transaction backlog is subject to certain limitations, such as assumptions about the likelihood that individual client transactions will occur in the future. Transactions may be cancelled or modified, and transactions not included in the estimate may also occur.

**2016 versus 2015.** Net revenues in Investment Banking were \$6.27 billion for 2016, 11% lower compared with a strong 2015.

Net revenues in Financial Advisory were \$2.93 billion, 16% lower compared with a strong 2015, reflecting a decrease in industry-wide transactions. Net revenues in Underwriting were \$3.34 billion, 6% lower compared with a strong 2015, due to significantly lower net revenues in equity underwriting, reflecting a decrease in industry-wide volumes. Net revenues in debt underwriting were significantly higher, reflecting significantly higher net revenues from asset-backed activity and higher net revenues from leveraged finance activity.

## Management's Discussion and Analysis

Operating expenses were \$3.44 billion for 2016, 7% lower than 2015, due to decreased compensation and benefits expenses, reflecting lower net revenues. Pre-tax earnings were \$2.84 billion in 2016, 14% lower than 2015.

As of December 2016, our investment banking transaction backlog was lower compared with a strong level of backlog at the end of 2015, primarily due to lower estimated net revenues from potential advisory transactions and significantly lower estimated net revenues from potential debt underwriting transactions, principally reflecting decreases in mergers and acquisitions activity and acquisition-related financing, respectively. Estimated net revenues from potential equity underwriting transactions were slightly lower compared with the end of 2015.

### Institutional Client Services

Our Institutional Client Services segment consists of:

**Fixed Income, Currency and Commodities Client Execution.** Includes client execution activities related to making markets in both cash and derivative instruments for interest rate products, credit products, mortgages, currencies and commodities.

- **Interest Rate Products.** Government bonds (including inflation-linked securities) across maturities, other government-backed securities, repurchase agreements, and interest rate swaps, options and other derivatives.
- **Credit Products.** Investment-grade corporate securities, high-yield securities, credit derivatives, exchange-traded funds, bank and bridge loans, municipal securities, emerging market and distressed debt, and trade claims.
- **Mortgages.** Commercial mortgage-related securities, loans and derivatives, residential mortgage-related securities, loans and derivatives (including U.S. government agency-issued collateralized mortgage obligations and other securities and loans), and other asset-backed securities, loans and derivatives.
- **Currencies.** Currency options, spot/forwards and other derivatives on G-10 currencies and emerging-market products.
- **Commodities.** Commodity derivatives and, to a lesser extent, physical commodities, involving crude oil and petroleum products, natural gas, base, precious and other metals, electricity, coal, agricultural and other commodity products.

**Equities.** Includes client execution activities related to making markets in equity products and commissions and fees from executing and clearing institutional client transactions on major stock, options and futures exchanges worldwide, as well as OTC transactions. Equities also includes our securities services business, which provides financing, securities lending and other prime brokerage services to institutional clients, including hedge funds, mutual funds, pension funds and foundations, and generates revenues primarily in the form of interest rate spreads or fees.

### Market-Making Activities

As a market maker, we facilitate transactions in both liquid and less liquid markets, primarily for institutional clients, such as corporations, financial institutions, investment funds and governments, to assist clients in meeting their investment objectives and in managing their risks. In this role, we seek to earn the difference between the price at which a market participant is willing to sell an instrument to us and the price at which another market participant is willing to buy it from us, and vice versa (i.e., bid/offer spread). In addition, we maintain inventory, typically for a short period of time, in response to, or in anticipation of, client demand. We also hold inventory to actively manage our risk exposures that arise from these market-making activities. Our market-making inventory is recorded in financial instruments owned (long positions) or financial instruments sold, but not yet purchased (short positions) in our consolidated statements of financial condition.

Our results are influenced by a combination of interconnected drivers, including (i) client activity levels and transactional bid/offer spreads (collectively, client activity), and (ii) changes in the fair value of our inventory and interest income and interest expense related to the holding, hedging and funding of our inventory (collectively, market-making inventory changes). Due to the integrated nature of our market-making activities, disaggregation of net revenues into client activity and market-making inventory changes is judgmental and has inherent complexities and limitations.

The amount and composition of our net revenues vary over time as these drivers are impacted by multiple interrelated factors affecting economic and market conditions, including volatility and liquidity in the market, changes in interest rates, currency exchange rates, credit spreads, equity prices and commodity prices, investor confidence, and other macroeconomic concerns and uncertainties.

In general, assuming all other market-making conditions remain constant, increases in client activity levels or bid/offer spreads tend to result in increases in net revenues, and decreases tend to have the opposite effect. However, changes in market-making conditions can materially impact client activity levels and bid/offer spreads, as well as the fair value of our inventory. For example, a decrease in liquidity in the market could have the impact of (i) increasing our bid/offer spread, (ii) decreasing investor confidence and thereby decreasing client activity levels, and (iii) wider credit spreads on our inventory positions.

The table below presents the operating results of our Institutional Client Services segment.

<i>\$ in millions</i>	Year Ended December		
	2017	2016	2015
FICC Client Execution	<b>\$ 5,299</b>	\$ 7,556	\$ 7,322
Equities client execution	<b>2,046</b>	2,194	3,028
Commissions and fees	<b>2,920</b>	3,078	3,156
Securities services	<b>1,637</b>	1,639	1,645
Total Equities	<b>6,603</b>	6,911	7,829
Total net revenues	<b>11,902</b>	14,467	15,151
Operating expenses	<b>9,692</b>	9,713	13,938
<b>Pre-tax earnings</b>	<b>\$ 2,210</b>	\$ 4,754	\$ 1,213

The table below presents net revenues of our Institutional Client Services segment by line item in the consolidated statements of earnings. See "Net Revenues" above for further information about market making revenues, commissions and fees, and net interest income.

<i>\$ in millions</i>	FICC Client Execution	Total Equities	Institutional Client Services
<b>Year Ended December 2017</b>			
Market making	<b>\$ 4,403</b>	<b>\$ 3,257</b>	<b>\$ 7,660</b>
Commissions and fees	<b>—</b>	<b>2,920</b>	<b>2,920</b>
Net interest income	<b>896</b>	<b>426</b>	<b>1,322</b>
<b>Total net revenues</b>	<b>\$ 5,299</b>	<b>\$ 6,603</b>	<b>\$11,902</b>
<b>Year Ended December 2016</b>			
Market making	\$ 6,803	\$ 3,130	\$ 9,933
Commissions and fees	—	3,078	3,078
Net interest income	753	703	1,456
Total net revenues	\$ 7,556	\$ 6,911	\$14,467
<b>Year Ended December 2015</b>			
Market making	\$ 5,893	\$ 3,630	\$ 9,523
Commissions and fees	—	3,156	3,156
Net interest income	1,429	1,043	2,472
Total net revenues	\$ 7,322	\$ 7,829	\$15,151

In the table above:

- The difference between commissions and fees and those in the consolidated statements of earnings represents commissions and fees included in our Investment Management segment.
- See Note 25 to the consolidated financial statements for net interest income by business segment.
- The primary driver of net revenues for FICC Client Execution, for the periods in the table above, was client activity.

**Operating Environment.** Low volatility levels in equity, fixed income, currency and commodity markets were a consistent theme during 2017, impacting the operating environment for Institutional Client Services throughout the year. During 2017, average VIX declined to 11.10 compared with 15.84 in 2016, U.S. and European interest rates experienced historically low volatility levels, and volatility in G-10 currencies were near 10-year lows. This continued to negatively affect client activity across businesses, particularly in FICC Client Execution for 2017.

Although market-making conditions remained challenging, including the price of natural gas decreasing by 21% compared to the end of 2016 to \$2.95 per million British thermal units, there were some positives in the financial markets. Global equity markets continued to increase, with the MSCI World Index up 22% during 2017, and credit spreads continued to generally tighten in 2017. In addition, the price of oil increased by 12% compared to the end of 2016 to approximately \$60 per barrel (WTI).

If the trend of low volatility continues over the long term and activity levels remain low, net revenues in Institutional Client Services would likely continue to be negatively impacted. See "Business Environment" above for further information about economic and market conditions in the global operating environment during the year.

The first half of 2016 included challenging trends in the operating environment for Institutional Client Services including concerns and uncertainties about global economic growth, central bank activity and the political uncertainty and economic implications surrounding the potential exit of the U.K. from the E.U. During the second half of 2016, the operating environment improved, as global equity markets steadily increased and investment grade and high-yield credit spreads tightened. These trends drove improved client sentiment and market-making conditions during the second half of 2016.



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**2017 versus 2016.** Net revenues in Institutional Client Services were \$11.90 billion for 2017, 18% lower than 2016.

Net revenues in FICC Client Execution were \$5.30 billion for 2017, 30% lower than 2016, reflecting significantly lower client activity. Approximately one-third of the decline in FICC Client Execution net revenues was due to significantly lower results in commodities.

The following provides details of our FICC Client Execution net revenues by business, compared with 2016 results:

- Net revenues in commodities were significantly lower, reflecting the impact of challenging market-making conditions on our inventory.
- Net revenues in interest rate products were significantly lower, reflecting lower client activity.
- Net revenues in currencies were significantly lower, reflecting lower client activity and the impact of challenging market-making conditions on our inventory.
- Net revenues in credit products were significantly lower, reflecting lower client activity.
- Net revenues in mortgages were significantly higher, reflecting the impact of favorable market-making conditions on our inventory, including generally tighter spreads, compared with a challenging 2016.

Net revenues in Equities were \$6.60 billion, 4% lower than 2016, primarily due to lower commissions and fees, reflecting a decline in our listed cash equity volumes in the U.S. Market volumes in the U.S. also declined. In addition, net revenues in equities client execution were lower, reflecting lower net revenues in derivatives, partially offset by higher net revenues in cash products. Net revenues in securities services were essentially unchanged.

Operating expenses were \$9.69 billion for 2017, essentially unchanged compared with 2016, due to decreased compensation and benefits expenses, reflecting lower net revenues, largely offset by increased technology expenses, reflecting higher expenses related to cloud-based services and software depreciation, and increased consulting costs. Pre-tax earnings were \$2.21 billion in 2017, 54% lower than 2016.

**2016 versus 2015.** Net revenues in Institutional Client Services were \$14.47 billion for 2016, 5% lower than 2015.

Net revenues in FICC Client Execution were \$7.56 billion for 2016, 3% higher than 2015. This increase was primarily driven by the impact of changes in market-making conditions on our inventory.

The following provides details of our FICC Client Execution net revenues by business, compared with 2015 results:

- Net revenues in credit products were significantly higher, reflecting improved market-making conditions, including generally tighter spreads, and higher client activity levels compared with low activity in 2015.
- Net revenues in interest rate products were higher, reflecting higher client activity levels.
- Net revenues in mortgages were significantly lower, reflecting less favorable market-making conditions, including generally wider spreads.
- Net revenues in currencies were lower, reflecting less favorable market-making conditions in emerging markets products compared with 2015, which included a strong first quarter of 2015.
- Net revenues in commodities were lower, reflecting significantly lower client activity.

Net revenues in Equities were \$6.91 billion, 12% lower than 2015, primarily due to significantly lower net revenues in equities client execution, reflecting significantly lower net revenues in cash products, primarily in Asia, as well as lower net revenues in derivatives. Commissions and fees were slightly lower, reflecting lower listed cash equity volumes in Asia and Europe, consistent with market volumes in these regions, and net revenues in securities services were essentially unchanged compared with 2015.

We elect the fair value option for certain unsecured borrowings. For 2015, the fair value net gain attributable to the impact of changes in our credit spreads on these borrowings was \$255 million (\$214 million and \$41 million related to FICC Client Execution and equities client execution, respectively). For 2016, we adopted the requirement in ASU No. 2016-01 to present separately such gains and losses in other comprehensive income. The amount included in accumulated other comprehensive loss for 2016 was a loss of \$844 million (\$544 million, net of tax). See Note 3 to the consolidated financial statements for further information about ASU No. 2016-01.

Operating expenses were \$9.71 billion for 2016, 30% lower than 2015, primarily due to significantly lower net provisions for mortgage-related litigation and regulatory matters, and decreased compensation and benefits expenses, reflecting lower net revenues. Pre-tax earnings were \$4.75 billion in 2016 compared with \$1.21 billion in 2015.

### Investing & Lending

Investing & Lending includes our investing activities and the origination of loans, including our relationship lending activities, to provide financing to clients. These investments and loans are typically longer-term in nature. We make investments, some of which are consolidated, including through our merchant banking business and our special situations group, in debt securities and loans, public and private equity securities, infrastructure and real estate entities. Some of these investments are made indirectly through funds that we manage. We also make unsecured and secured loans to retail clients through our digital platforms, Marcus and *Goldman Sachs Private Bank Select* (GS Select), respectively.

The table below presents the operating results of our Investing & Lending segment.

\$ in millions	Year Ended December		
	2017	2016	2015
Equity securities	<b>\$4,578</b>	\$2,573	\$3,781
Debt securities and loans	<b>2,003</b>	1,507	1,655
Total net revenues	<b>6,581</b>	4,080	5,436
Operating expenses	<b>2,796</b>	2,386	2,402
<b>Pre-tax earnings</b>	<b>\$3,785</b>	\$1,694	\$3,034

**Operating Environment.** During 2017, generally higher global equity prices and tighter credit spreads contributed to a favorable environment for our equity and debt investments. Results also reflected net gains from company-specific events, including sales, and corporate performance. This environment contrasts with 2016, where, in the first quarter of 2016, market conditions were difficult and corporate performance, particularly in the energy sector, was impacted by a challenging macroeconomic environment. However, market conditions improved during the rest of 2016 as macroeconomic concerns moderated. If macroeconomic concerns negatively affect company-specific events or corporate performance, or if global equity markets decline or credit spreads widen, net revenues in Investing & Lending would likely be negatively impacted.

**2017 versus 2016.** Net revenues in Investing & Lending were \$6.58 billion for 2017, 61% higher than 2016. Net revenues in equity securities were \$4.58 billion, including \$3.82 billion of net gains from private equities and \$762 million in net gains from public equities. Net revenues in equity securities were 78% higher than 2016, primarily reflecting a significant increase in net gains from private equities, which were positively impacted by company-specific events and corporate performance. In addition, net gains from public equities were significantly higher, as global equity prices increased during the year. Of the \$4.58 billion of net revenues in equity securities, approximately 60% was driven by net gains from company-specific events, such as sales, and public equities. Net revenues in debt securities and loans were \$2.00 billion, 33% higher than 2016, reflecting significantly higher net interest income (2017 included approximately \$1.80 billion of net interest income). Net revenues in debt securities and loans for 2017 also included an impairment of approximately \$130 million on a secured loan.

Operating expenses were \$2.80 billion for 2017, 17% higher than 2016, due to increased compensation and benefits expenses, reflecting higher net revenues, increased expenses related to consolidated investments, and increased expenses related to Marcus. Pre-tax earnings were \$3.79 billion in 2017 compared with \$1.69 billion in 2016.

**2016 versus 2015.** Net revenues in Investing & Lending were \$4.08 billion for 2016, 25% lower than 2015. Net revenues in equity securities were \$2.57 billion, including \$2.17 billion of net gains from private equities and \$402 million in net gains from public equities. Net revenues in equity securities were 32% lower than 2015, primarily reflecting a significant decrease in net gains from private equities, driven by company-specific events and corporate performance. Net revenues in debt securities and loans were \$1.51 billion, 9% lower than 2015, reflecting significantly lower net revenues related to relationship lending activities, due to the impact of changes in credit spreads on economic hedges. Losses related to these hedges were \$596 million in 2016, compared with gains of \$329 million in 2015. This decrease was partially offset by higher net gains from investments in debt instruments and higher net interest income. See Note 9 to the consolidated financial statements for further information about economic hedges related to our relationship lending activities.

Operating expenses were \$2.39 billion for 2016, essentially unchanged compared with 2015. Pre-tax earnings were \$1.69 billion in 2016, 44% lower than 2015.

### Investment Management

Investment Management provides investment management services and offers investment products (primarily through separately managed accounts and commingled vehicles, such as mutual funds and private investment funds) across all major asset classes to a diverse set of institutional and individual clients. Investment Management also offers wealth advisory services provided by our subsidiary, The Ayco Company, L.P., including portfolio management and financial planning and counseling, and brokerage and other transaction services to high-net-worth individuals and families.

Assets under supervision (AUS) include client assets where we earn a fee for managing assets on a discretionary basis. This includes net assets in our mutual funds, hedge funds, credit funds and private equity funds (including real estate funds), and separately managed accounts for institutional and individual investors. Assets under supervision also include client assets invested with third-party managers, bank deposits and advisory relationships where we earn a fee for advisory and other services, but do not have investment discretion. Assets under supervision do not include the self-directed brokerage assets of our clients. Long-term assets under supervision represent assets under supervision excluding liquidity products. Liquidity products represent money market and bank deposit assets.

Assets under supervision typically generate fees as a percentage of net asset value, which vary by asset class and distribution channel and are affected by investment performance as well as asset inflows and redemptions. Asset classes such as alternative investment and equity assets typically generate higher fees relative to fixed income and liquidity product assets. The average effective management fee (which excludes non-asset-based fees) we earned on our assets under supervision was 35 basis points for both 2017 and 2016, and 39 basis points for 2015.

In certain circumstances, we are also entitled to receive incentive fees based on a percentage of a fund's or a separately managed account's return, or when the return exceeds a specified benchmark or other performance targets.

The table below presents the operating results of our Investment Management segment.

<i>\$ in millions</i>	Year Ended December		
	2017	2016	2015
Management and other fees	<b>\$5,144</b>	\$4,798	\$4,887
Incentive fees	<b>417</b>	421	780
Transaction revenues	<b>658</b>	569	539
Total net revenues	<b>6,219</b>	5,788	6,206
Operating expenses	<b>4,800</b>	4,654	4,841
<b>Pre-tax earnings</b>	<b>\$1,419</b>	\$1,134	\$1,365

The table below presents our period-end assets under supervision by asset class.

<i>\$ in billions</i>	As of December		
	2017	2016	2015
Alternative investments	<b>\$ 168</b>	\$ 154	\$ 148
Equity	<b>321</b>	266	252
Fixed income	<b>660</b>	601	546
Total long-term AUS	<b>1,149</b>	1,021	946
Liquidity products	<b>345</b>	358	306
<b>Total AUS</b>	<b>\$1,494</b>	\$1,379	\$1,252

In the table above, alternative investments primarily includes hedge funds, credit funds, private equity, real estate, currencies, commodities and asset allocation strategies.

The table below presents our period-end assets under supervision by distribution channel.

<i>\$ in billions</i>	As of December		
	2017	2016	2015
Institutional	<b>\$ 576</b>	\$ 511	\$ 471
High-net-worth individuals	<b>458</b>	413	369
Third-party distributed	<b>460</b>	455	412
<b>Total</b>	<b>\$1,494</b>	\$1,379	\$1,252

The table below presents a summary of the changes in our assets under supervision.

<i>\$ in billions</i>	Year Ended December		
	2017	2016	2015
Beginning balance	<b>\$1,379</b>	\$1,252	\$1,178
Net inflows/(outflows):			
Alternative investments	<b>15</b>	5	7
Equity	<b>2</b>	(3)	23
Fixed income	<b>25</b>	40	41
Total long-term AUS net inflows/(outflows)	<b>42</b>	42	71
Liquidity products	<b>(13)</b>	52	23
Total AUS net inflows/(outflows)	<b>29</b>	94	94
Net market appreciation/(depreciation)	<b>86</b>	33	(20)
<b>Ending balance</b>	<b>\$1,494</b>	\$1,379	\$1,252

In the table above:

- Total AUS net inflows/(outflows) for 2017 included \$23 billion of inflows (\$20 billion in total long-term AUS and \$3 billion in liquidity products) in connection with the acquisition of a portion of Verus Investors' outsourced chief investment officer business (Verus acquisition) and \$5 billion of equity asset outflows in connection with the divestiture of our local Australian-focused investment capabilities and fund platform (Australian divestiture).
- Total long-term AUS net inflows/(outflows) for 2015 included \$18 billion of fixed income, equity and alternative investments asset inflows in connection with our acquisition of Pacific Global Advisors' solutions business.

The table below presents our average monthly assets under supervision by asset class.

\$ in billions	Average for the Year Ended December		
	2017	2016	2015
Alternative investments	\$ 162	\$ 149	\$ 145
Equity	292	256	247
Fixed income	633	578	530
Total long-term AUS	1,087	983	922
Liquidity products	330	326	272
<b>Total AUS</b>	<b>\$1,417</b>	<b>\$1,309</b>	<b>\$1,194</b>

**Operating Environment.** During 2017, Investment Management operated in an environment characterized by generally higher asset prices, resulting in appreciation in both equity and fixed income assets. In addition, our long-term assets under supervision increased from net inflows primarily in fixed income and alternative investment assets. These increases were partially offset by net outflows in liquidity products. As a result, the mix of average assets under supervision during 2017 shifted slightly from liquidity products to long-term assets under supervision as compared to the mix at the end of 2016. In the future, if asset prices decline, or investors favor assets that typically generate lower fees or investors withdraw their assets, net revenues in Investment Management would likely be negatively impacted.

Following a challenging first quarter of 2016, market conditions improved during the remainder of 2016 with higher asset prices resulting in full year appreciation in both equity and fixed income assets. Also, our assets under supervision increased during 2016 from net inflows, primarily in fixed income assets, and liquidity products. The mix of our average assets under supervision shifted slightly compared with 2015 from long-term assets under supervision to liquidity products. Management fees were impacted by many factors, including inflows to advisory services and outflows from actively-managed mutual funds.

**2017 versus 2016.** Net revenues in Investment Management were \$6.22 billion for 2017, 7% higher than 2016, due to higher management and other fees, reflecting higher average assets under supervision, and higher transaction revenues. During the year, total assets under supervision increased \$115 billion to \$1.49 trillion. Long-term assets under supervision increased \$128 billion, including net market appreciation of \$86 billion, primarily in equity and fixed income assets, and net inflows of \$42 billion (which includes \$20 billion of inflows in connection with the Verus acquisition and \$5 billion of equity asset outflows in connection with the Australian divestiture), primarily in fixed income and alternative investment assets. Liquidity products decreased \$13 billion (which includes \$3 billion of inflows in connection with the Verus acquisition).

Operating expenses were \$4.80 billion for 2017, 3% higher than 2016, primarily due to increased compensation and benefits expenses, reflecting higher net revenues. Pre-tax earnings were \$1.42 billion in 2017, 25% higher than 2016.

**2016 versus 2015.** Net revenues in Investment Management were \$5.79 billion for 2016, 7% lower than 2015. This decrease primarily reflected significantly lower incentive fees compared with a strong 2015. In addition, management and other fees were slightly lower, reflecting shifts in the mix of client assets and strategies, partially offset by the impact of higher average assets under supervision. During 2016, total assets under supervision increased \$127 billion to \$1.38 trillion. Long-term assets under supervision increased \$75 billion, including net inflows of \$42 billion, primarily in fixed income assets, and net market appreciation of \$33 billion, primarily in equity and fixed income assets. In addition, liquidity products increased \$52 billion.

Operating expenses were \$4.65 billion for 2016, 4% lower than 2015, due to decreased compensation and benefits expenses, reflecting lower net revenues. Pre-tax earnings were \$1.13 billion in 2016, 17% lower than 2015.

### **Geographic Data**

See Note 25 to the consolidated financial statements for a summary of our total net revenues, pre-tax earnings and net earnings by geographic region.

## Management's Discussion and Analysis

### Balance Sheet and Funding Sources

#### Balance Sheet Management

One of our risk management disciplines is our ability to manage the size and composition of our balance sheet. While our asset base changes due to client activity, market fluctuations and business opportunities, the size and composition of our balance sheet also reflects factors including (i) our overall risk tolerance, (ii) the amount of equity capital we hold and (iii) our funding profile, among other factors. See “Equity Capital Management and Regulatory Capital — Equity Capital Management” for information about our equity capital management process.

Although our balance sheet fluctuates on a day-to-day basis, our total assets at quarter-end and year-end dates are generally not materially different from those occurring within our reporting periods.

In order to ensure appropriate risk management, we seek to maintain a sufficiently liquid balance sheet and have processes in place to dynamically manage our assets and liabilities which include (i) balance sheet planning, (ii) balance sheet limits, (iii) monitoring of key metrics and (iv) scenario analyses.

**Balance Sheet Planning.** We prepare a balance sheet plan that combines our projected total assets and composition of assets with our expected funding sources over a three-year time horizon. This plan is reviewed quarterly and may be adjusted in response to changing business needs or market conditions. The objectives of this planning process are:

- To develop our balance sheet projections, taking into account the general state of the financial markets and expected business activity levels, as well as regulatory requirements;
- To allow business risk managers and managers from our independent control and support functions to objectively evaluate balance sheet limit requests from business managers in the context of our overall balance sheet constraints, including our liability profile and equity capital levels, and key metrics; and
- To inform the target amount, tenor and type of funding to raise, based on our projected assets and contractual maturities.

Business risk managers and managers from our independent control and support functions along with business managers review current and prior period information and expectations for the year to prepare our balance sheet plan. The specific information reviewed includes asset and liability size and composition, limit utilization, risk and performance measures, and capital usage.

Our consolidated balance sheet plan, including our balance sheets by business, funding projections, and projected key metrics, is reviewed and approved by the Firmwide Finance Committee. See “Risk Management — Overview and Structure of Risk Management” for an overview of our risk management structure.

**Balance Sheet Limits.** The Firmwide Finance Committee has the responsibility of reviewing and approving balance sheet limits. These limits are set at levels which are close to actual operating levels, rather than at levels which reflect our maximum risk appetite, in order to ensure prompt escalation and discussion among business managers and managers in our independent control and support functions on a routine basis. The Firmwide Finance Committee reviews and approves balance sheet limits on a quarterly basis and may also approve changes in limits on a more frequent basis in response to changing business needs or market conditions. In addition, the Risk Governance Committee sets aged inventory limits for certain financial instruments as a disincentive to hold inventory over longer periods of time. Requests for changes in limits are evaluated after giving consideration to their impact on our key metrics. Compliance with limits is monitored on a daily basis by business risk managers, as well as managers in our independent control and support functions.

**Monitoring of Key Metrics.** We monitor key balance sheet metrics daily both by business and on a consolidated basis, including asset and liability size and composition, limit utilization and risk measures. We allocate assets to businesses and review and analyze movements resulting from new business activity, as well as market fluctuations.

**Scenario Analyses.** We conduct various scenario analyses including as part of the Comprehensive Capital Analysis and Review (CCAR) and Dodd-Frank Act Stress Tests (DFAST), as well as our resolution and recovery planning. See “Equity Capital Management and Regulatory Capital — Equity Capital Management” below for further information about these scenario analyses. These scenarios cover short-term and long-term time horizons using various macroeconomic and firm-specific assumptions, based on a range of economic scenarios. We use these analyses to assist us in developing our longer-term balance sheet management strategy, including the level and composition of assets, funding and equity capital. Additionally, these analyses help us develop approaches for maintaining appropriate funding, liquidity and capital across a variety of situations, including a severely stressed environment.

### Balance Sheet Allocation

In addition to preparing our consolidated statements of financial condition in accordance with U.S. GAAP, we prepare a balance sheet that generally allocates assets to our businesses, which is a non-GAAP presentation and may not be comparable to similar non-GAAP presentations used by other companies. We believe that presenting our assets on this basis is meaningful because it is consistent with the way management views and manages risks associated with our assets and better enables investors to assess the liquidity of our assets.

The table below presents our balance sheet allocation.

<i>\$ in millions</i>	As of December	
	2017	2016
<b>GCLA, segregated assets and other</b>	<b>\$285,270</b>	\$280,563
<b>Secured client financing</b>	<b>164,123</b>	153,978
Inventory	216,883	206,988
Secured financing agreements	64,991	65,606
Receivables	36,750	29,592
<b>Institutional Client Services</b>	<b>318,624</b>	302,186
Public equity	2,072	3,224
Private equity	20,253	18,224
Total equity	22,325	21,448
Loans receivable	65,933	49,672
Loans, at fair value	14,877	14,230
Total loans	80,810	63,902
Debt securities	8,797	7,445
Other	8,481	5,162
<b>Investing &amp; Lending</b>	<b>120,413</b>	97,957
<b>Total inventory and related assets</b>	<b>439,037</b>	400,143
<b>Other assets</b>	<b>28,346</b>	25,481
<b>Total assets</b>	<b>\$916,776</b>	\$860,165

In 2017, we aggregated global core liquid assets (GCLA) and other with cash and securities segregated for regulatory and other purposes related to client activity (previously included in secured client financing). Previously reported amounts have been conformed to the current presentation.

The following is a description of the captions in the table above:

- **GCLA, Segregated Assets and Other.** We maintain liquidity to meet a broad range of potential cash outflows and collateral needs in a stressed environment. See “Risk Management — Liquidity Risk Management” below for details on the composition and sizing of our GCLA. We also segregate cash and securities for regulatory and other purposes related to client activity. Securities are segregated from our own inventory, as well as from collateral obtained through securities borrowed or resale agreements. In addition, we maintain other unrestricted operating cash balances, primarily for use in specific currencies, entities, or jurisdictions where we do not have immediate access to parent company liquidity.

- **Secured Client Financing.** We provide collateralized financing for client positions, including margin loans secured by client collateral, securities borrowed, and resale agreements primarily collateralized by government obligations. Our secured client financing arrangements, which are generally short-term, are accounted for at fair value or at amounts that approximate fair value, and include daily margin requirements to mitigate counterparty credit risk.

- **Institutional Client Services.** In Institutional Client Services, we maintain inventory positions to facilitate market making in fixed income, equity, currency and commodity products. Additionally, as part of market-making activities, we enter into resale or securities borrowing arrangements to obtain securities or use our own inventory to cover transactions in which we or our clients have sold securities that have not yet been purchased. The receivables in Institutional Client Services primarily relate to securities transactions.

- **Investing & Lending.** In Investing & Lending, we make investments and originate loans to provide financing to clients. We also make unsecured and secured loans to retail clients. These investments and loans are typically longer-term in nature. In addition, we make investments, directly and indirectly through funds that we manage, in debt securities, loans, public and private equity securities, infrastructure, real estate entities and other investments. As of December 2017, total equity included \$2.07 billion of private equity securities that were acquired during 2017. The regional composition of total equity was approximately 54% and 55% in the Americas, 18% and 18% in Europe, Middle East and Africa (EMEA), and 28% and 27% in Asia as of December 2017 and December 2016, respectively. Other Investing & Lending primarily includes receivables from customers and counterparties.

The table below presents details about loans.

<i>\$ in millions</i>	As of December 2017		
	Loans Receivable	Loans, at Fair Value	Total
Corporate loans	\$30,749	\$ 3,924	\$34,673
Loans to Private Wealth Management clients	16,591	7,102	23,693
Loans backed by:			
Commercial real estate	7,987	1,825	9,812
Residential real estate	6,234	1,043	7,277
Marcus loans	1,912	—	1,912
Other loans	3,263	983	4,246
Allowance for loan losses	(803)	—	(803)
<b>Total</b>	<b>\$65,933</b>	<b>\$14,877</b>	<b>\$80,810</b>

Loans receivable consists of loans held for investment that are accounted for at amortized cost net of allowance for loan losses. See Note 9 to the consolidated financial statements for further information about loans receivable.

**Other Assets.** Other assets are generally less liquid, nonfinancial assets, including property, leasehold improvements and equipment, goodwill and identifiable intangible assets, income tax-related receivables and miscellaneous receivables.

The table below presents the reconciliation of this balance sheet allocation to our U.S. GAAP balance sheet.

<i>\$ in millions</i>	GCLA, Segregated Assets and Other	Secured Client Financing	Institutional Client Services	Investing & Lending	Total
<b>As of December 2017</b>					
Cash and cash equivalents	\$110,051	\$ -	\$ -	\$ -	\$110,051
Securities purchased under agreements to resell	73,277	26,202	20,931	412	120,822
Securities borrowed	49,242	97,546	44,060	-	190,848
Receivables from brokers, dealers and clearing organizations	-	7,712	16,945	19	24,676
Receivables from customers and counterparties	-	32,663	19,805	7,644	60,112
Loans receivable	-	-	-	65,933	65,933
Financial instruments owned	52,700	-	216,883	46,405	315,988
Subtotal	\$285,270	\$164,123	\$318,624	\$120,413	\$888,430
Other assets					28,346
<b>Total assets</b>					<b>\$916,776</b>
<b>As of December 2016</b>					
Cash and cash equivalents	\$121,711	\$ -	\$ -	\$ -	\$121,711
Securities purchased under agreements to resell	71,561	25,458	18,844	1,062	116,925
Securities borrowed	42,144	95,694	46,762	-	184,600
Receivables from brokers, dealers and clearing organizations	-	6,540	11,504	-	18,044
Receivables from customers and counterparties	-	26,286	18,088	3,406	47,780
Loans receivable	-	-	-	49,672	49,672
Financial instruments owned	45,147	-	206,988	43,817	295,952
Subtotal	\$280,563	\$153,978	\$302,186	\$ 97,957	\$834,684
Other assets					25,481
<b>Total assets</b>					<b>\$860,165</b>

In the table above:

- Total assets for Institutional Client Services and Investing & Lending represent inventory and related assets. These amounts differ from total assets by business segment disclosed in Note 25 to the consolidated financial statements because total assets disclosed in Note 25 include allocations of our GCLA, segregated assets and other, secured client financing and other assets.
- See “Balance Sheet Analysis and Metrics” for explanations on the changes in our balance sheet from December 2016 to December 2017.

### Balance Sheet Analysis and Metrics

As of December 2017, total assets in our consolidated statements of financial condition were \$916.78 billion, an increase of \$56.61 billion from December 2016, primarily reflecting increases in financial instruments owned of \$20.04 billion, loans receivable of \$16.26 billion and receivables from customers and counterparties of \$12.33 billion. The increase in financial instruments owned primarily reflected higher client activity and an increase in available-for-sale securities in U.S. government and agency obligations and corporate loans and debt securities, partially offset by the impact of currency movements on derivative valuations. The increase in loans receivable primarily reflected an increase in loans to corporate borrowers and loans backed by real estate. The increase in receivables from customers and counterparties reflected client activity.

As of December 2017, total liabilities in our consolidated statements of financial condition were \$834.53 billion, an increase of \$61.26 billion from December 2016, primarily reflecting increases in unsecured long-term borrowings of \$28.60 billion, collateralized financings of \$23.44 billion and deposits of \$14.51 billion, partially offset by a decrease in payables to customers and counterparties of \$12.57 billion. The increase in unsecured long-term borrowings was primarily due to net new issuances. The increase in collateralized financings reflected the impact of client and firm activity. The increase in deposits reflected increases in institutional deposits and Marcus deposits. The decrease in payables to customers and counterparties reflected client activity.

As of December 2017 and December 2016, our total securities sold under agreements to repurchase, accounted for as collateralized financings, were \$84.72 billion and \$71.82 billion, respectively, which were 2% lower and 5% lower than the daily average amount of repurchase agreements during the quarters ended December 2017 and December 2016, respectively, and 1% lower and 9% lower than the daily average amount of repurchase agreements during the years ended December 2017 and December 2016, respectively. The decrease in our repurchase agreements relative to the daily averages during 2017 and 2016 resulted from the impact of firm and client activity at the end of both years.

The table below presents information about our balance sheet and our leverage ratios.

<i>\$ in millions</i>	As of December	
	2017	2016
Total assets	\$916,776	\$860,165
Unsecured long-term borrowings	\$217,687	\$189,086
Total shareholders' equity	\$ 82,243	\$ 86,893
Leverage ratio	11.1x	9.9x
Debt to equity ratio	2.6x	2.2x

In the table above:

- The leverage ratio equals total assets divided by total shareholders' equity and measures the proportion of equity and debt we use to finance assets. This ratio is different from the Tier 1 leverage ratio included in Note 20 to the consolidated financial statements.
- The debt to equity ratio equals unsecured long-term borrowings divided by total shareholders' equity.

The table below presents information about our shareholders' equity and book value per common share, including the reconciliation of total shareholders' equity to tangible common shareholders' equity.

<i>\$ in millions, except per share amounts</i>	As of December	
	2017	2016
Total shareholders' equity	<b>\$ 82,243</b>	\$ 86,893
Preferred stock	<b>(11,853)</b>	(11,203)
Common shareholders' equity	<b>70,390</b>	75,690
Goodwill and identifiable intangible assets	<b>(4,038)</b>	(4,095)
<b>Tangible common shareholders' equity</b>	<b>\$ 66,352</b>	\$ 71,595
Book value per common share	<b>\$ 181.00</b>	\$ 182.47
Tangible book value per common share	<b>\$ 170.61</b>	\$ 172.60

In the table above:

- Tangible common shareholders' equity equals total shareholders' equity less preferred stock, goodwill and identifiable intangible assets. We believe that tangible common shareholders' equity is meaningful because it is a measure that we and investors use to assess capital adequacy. Tangible common shareholders' equity is a non-GAAP measure and may not be comparable to similar non-GAAP measures used by other companies.
- Book value per common share and tangible book value per common share as of December 2017 were both reduced by \$11.31 due to the estimated impact of Tax Legislation. See "Results of Operations — Financial Overview" and "— Provision for Taxes" above for further information about the enactment of Tax Legislation.
- Book value per common share and tangible book value per common share are based on common shares outstanding and restricted stock units granted to employees with no future service requirements (collectively, basic shares) of 388.9 million and 414.8 million as of December 2017 and December 2016, respectively. We believe that tangible book value per common share (tangible common shareholders' equity divided by basic shares) is meaningful because it is a measure that we and investors use to assess capital adequacy. Tangible book value per common share is a non-GAAP measure and may not be comparable to similar non-GAAP measures used by other companies.

## Funding Sources

Our primary sources of funding are secured financings, unsecured long-term and short-term borrowings, and deposits. We seek to maintain broad and diversified funding sources globally across products, programs, markets, currencies and creditors to avoid funding concentrations.

We raise funding through a number of different products, including:

- Collateralized financings, such as repurchase agreements, securities loaned and other secured financings;
- Long-term unsecured debt (including structured notes) through syndicated U.S. registered offerings, U.S. registered and Rule 144A medium-term note programs, offshore medium-term note offerings and other debt offerings;
- Savings, demand and time deposits through internal and third-party broker-dealers, as well as from retail and institutional clients; and
- Short-term unsecured debt at the subsidiary level through U.S. and non-U.S. hybrid financial instruments and other methods.

Our funding is primarily raised in U.S. dollar, Euro, British pound and Japanese yen. We generally distribute our funding products through our own sales force and third-party distributors to a large, diverse creditor base in a variety of markets in the Americas, Europe and Asia. We believe that our relationships with our creditors are critical to our liquidity. Our creditors include banks, governments, securities lenders, corporations, pension funds, insurance companies, mutual funds and individuals. We have imposed various internal guidelines to monitor creditor concentration across our funding programs.



**Secured Funding.** We fund a significant amount of inventory on a secured basis, including repurchase agreements, securities loaned and other secured financings. As of December 2017 and December 2016, secured funding included in collateralized financings in the consolidated statements of financial condition was \$124.30 billion and \$100.86 billion, respectively. We may also pledge our inventory as collateral for securities borrowed under a securities lending agreement or as collateral for derivative transactions. We also use our own inventory to cover transactions in which we or our clients have sold securities that have not yet been purchased. Secured funding is less sensitive to changes in our credit quality than unsecured funding, due to our posting of collateral to our lenders. Nonetheless, we continually analyze the refinancing risk of our secured funding activities, taking into account trade tenors, maturity profiles, counterparty concentrations, collateral eligibility and counterparty rollover probabilities. We seek to mitigate our refinancing risk by executing term trades with staggered maturities, diversifying counterparties, raising excess secured funding, and pre-funding residual risk through our GCLA.

We seek to raise secured funding with a term appropriate for the liquidity of the assets that are being financed, and we seek longer maturities for secured funding collateralized by asset classes that may be harder to fund on a secured basis, especially during times of market stress. Our secured funding, excluding funding collateralized by liquid government and agency obligations, is primarily executed for tenors of one month or greater and is primarily executed through term repurchase agreements and securities loaned contracts.

The weighted average maturity of our secured funding included in collateralized financings in the consolidated statements of financial condition, excluding funding that was collateralized by liquid government and agency obligations, exceeded 120 days as of December 2017.

Assets that may be harder to fund on a secured basis during times of market stress include certain financial instruments in the following categories: mortgage and other asset-backed loans and securities, non-investment-grade corporate debt securities, equity securities and emerging market securities. Assets that are classified in level 3 of the fair value hierarchy are generally funded on an unsecured basis. See Notes 5 and 6 to the consolidated financial statements for further information about the classification of financial instruments in the fair value hierarchy and "Unsecured Long-Term Borrowings" below for further information about the use of unsecured long-term borrowings as a source of funding.

We also raise financing through other types of collateralized financings, such as secured loans and notes. Goldman Sachs Bank USA (GS Bank USA) has access to funding from the Federal Home Loan Bank. As of December 2017 and December 2016, our outstanding borrowings against the Federal Home Loan Bank were \$3.40 billion and \$2.43 billion, respectively.

GS Bank USA also has access to funding through the Federal Reserve Bank discount window. While we do not rely on this funding in our liquidity planning and stress testing, we maintain policies and procedures necessary to access this funding and test discount window borrowing procedures.

**Unsecured Long-Term Borrowings.** We issue unsecured long-term borrowings as a source of funding for inventory and other assets and to finance a portion of our GCLA. We issue in different tenors, currencies and products to maximize the diversification of our investor base.

The table below presents our quarterly unsecured long-term borrowings maturity profile as of December 2017.

<i>\$ in millions</i>	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2019	\$8,354	\$6,927	\$3,806	\$11,418	\$ 30,505
2020	\$5,264	\$8,071	\$6,039	\$ 3,746	23,120
2021	\$2,772	\$3,651	\$7,757	\$ 7,601	21,781
2022	\$5,998	\$5,991	\$4,869	\$ 5,744	22,602
2023 - thereafter					119,679
<b>Total</b>					<b>\$217,687</b>

The weighted average maturity of our unsecured long-term borrowings as of December 2017 was approximately eight years. To mitigate refinancing risk, we seek to limit the principal amount of debt maturing on any one day or during any week or year. We enter into interest rate swaps to convert a portion of our unsecured long-term borrowings into floating-rate obligations to manage our exposure to interest rates. See Note 16 to the consolidated financial statements for further information about our unsecured long-term borrowings.

**Deposits.** Our deposits provide us with a diversified source of funding and reduce our reliance on wholesale funding. A growing source of our deposit base consists of retail deposits. Deposits are primarily used to finance lending activity, other inventory and a portion of our GCLA. We raise deposits primarily through GS Bank USA and Goldman Sachs International Bank (GSIB). As of December 2017 and December 2016, our deposits were \$138.60 billion and \$124.10 billion, respectively. See Note 14 to the consolidated financial statements for further information about our deposits.

## Management's Discussion and Analysis

**Unsecured Short-Term Borrowings.** A significant portion of our unsecured short-term borrowings was originally long-term debt that is scheduled to mature within one year of the reporting date. We use unsecured short-term borrowings, including hybrid financial instruments, to finance liquid assets and for other cash management purposes. In light of regulatory developments, Group Inc. no longer issues debt with an original maturity of less than one year, other than to its subsidiaries.

As of December 2017 and December 2016, our unsecured short-term borrowings, including the current portion of unsecured long-term borrowings, were \$46.92 billion and \$39.27 billion, respectively. See Note 15 to the consolidated financial statements for further information about our unsecured short-term borrowings.

### Equity Capital Management and Regulatory Capital

Capital adequacy is of critical importance to us. We have in place a comprehensive capital management policy that provides a framework, defines objectives and establishes guidelines to assist us in maintaining the appropriate level and composition of capital in both business-as-usual and stressed conditions.

#### Equity Capital Management

We determine the appropriate level and composition of our equity capital by considering multiple factors including our current and future consolidated regulatory capital requirements, the results of our capital planning and stress testing process, resolution capital models and other factors, such as rating agency guidelines, subsidiary capital requirements, the business environment and conditions in the financial markets. We manage our capital requirements and the levels of our capital usage principally by setting limits on balance sheet assets and/or limits on risk, in each case at both the consolidated and business levels.

We principally manage the level and composition of our equity capital through issuances and repurchases of our common stock. We may also, from time to time, issue or repurchase our preferred stock, junior subordinated debt issued to trusts, and other subordinated debt or other forms of capital as business conditions warrant. Prior to any repurchases, we must receive confirmation that the Board of Governors of the Federal Reserve System (Federal Reserve Board or FRB) does not object to such capital action. See Notes 16 and 19 to the consolidated financial statements for further information about our preferred stock, junior subordinated debt issued to trusts and other subordinated debt.

**Capital Planning and Stress Testing Process.** As part of capital planning, we project sources and uses of capital given a range of business environments, including stressed conditions. Our stress testing process is designed to identify and measure material risks associated with our business activities including market risk, credit risk and operational risk, as well as our ability to generate revenues.

The following is a description of our capital planning and stress testing process:

- **Capital Planning.** Our capital planning process incorporates an internal capital adequacy assessment with the objective of ensuring that we are appropriately capitalized relative to the risks in our businesses. We incorporate stress scenarios into our capital planning process with a goal of holding sufficient capital to ensure we remain adequately capitalized after experiencing a severe stress event. Our assessment of capital adequacy is viewed in tandem with our assessment of liquidity adequacy and is integrated into our overall risk management structure, governance and policy framework.

Our capital planning process also includes an internal risk-based capital assessment. This assessment incorporates market risk, credit risk and operational risk. Market risk is calculated by using Value-at-Risk (VaR) calculations supplemented by risk-based add-ons which include risks related to rare events (tail risks). Credit risk utilizes assumptions about our counterparties' probability of default and the size of our losses in the event of a default. Operational risk is calculated based on scenarios incorporating multiple types of operational failures, as well as considering internal and external actual loss experience. Backtesting for market risk and credit risk is used to gauge the effectiveness of models at capturing and measuring relevant risks.

- **Stress Testing.** Our stress tests incorporate our internally designed stress scenarios, including our internally developed severely adverse scenario, and those required under CCAR and DFAST, and are designed to capture our specific vulnerabilities and risks. We provide further information about our stress test processes and a summary of the results on our website as described in "Business — Available Information" in Part I, Item 1 of this Form 10-K.

As required by the FRB's annual CCAR rules, we submit a capital plan for review by the FRB. The purpose of the FRB's review is to ensure that we have a robust, forward-looking capital planning process that accounts for our unique risks and that permits continued operation during times of economic and financial stress.

## Management's Discussion and Analysis

The FRB evaluates us based, in part, on whether we have the capital necessary to continue operating under the baseline and stress scenarios provided by the FRB and those developed internally. This evaluation also takes into account our process for identifying risk, our controls and governance for capital planning, and our guidelines for making capital planning decisions. In addition, the FRB evaluates our plan to make capital distributions (i.e., dividend payments and repurchases or redemptions of stock, subordinated debt or other capital securities) and issue capital, across a range of macroeconomic scenarios and firm-specific assumptions.

In addition, the DFAST rules require us to conduct stress tests on a semi-annual basis and publish a summary of certain results. The FRB also conducts its own annual stress tests and publishes a summary of certain results.

With respect to our 2017 CCAR submission, the FRB informed us that it did not object to our capital actions. These capital actions included the potential to repurchase outstanding common stock of up to \$8.70 billion, and the potential to issue and redeem other capital securities over the twelve-month period beginning July 2017, and the potential to increase our common stock dividend by up to \$0.05 per share in the second quarter of 2018. However, we do not expect that we will utilize our entire share repurchase authorization by June 2018. The amount and timing of our capital actions will be based on, among other things, our current and projected capital position, and capital deployment opportunities. We published a summary of our annual DFAST results in June 2017. See "Business — Available Information" in Part I, Item 1 of this Form 10-K.

In October 2017, we submitted our semi-annual DFAST results to the FRB and published a summary of the results of our internally developed severely adverse scenario. See "Business — Available Information" in Part I, Item 1 of this Form 10-K.

We are required to submit our 2018 CCAR results to the FRB by April 5, 2018.

In addition, the rules adopted by the FRB under the Dodd-Frank Act require GS Bank USA to conduct stress tests on an annual basis and publish a summary of certain results. GS Bank USA submitted its 2017 annual DFAST results to the FRB in April 2017 and published a summary of its annual DFAST results in June 2017. See "Business — Available Information" in Part I, Item 1 of this Form 10-K.

Goldman Sachs International (GSI) and GSIB also have their own capital planning and stress testing process, which incorporates internally designed stress tests and those required under the Prudential Regulation Authority's (PRA) Internal Capital Adequacy Assessment Process.

**Contingency Capital Plan.** As part of our comprehensive capital management policy, we maintain a contingency capital plan. Our contingency capital plan provides a framework for analyzing and responding to a perceived or actual capital deficiency, including, but not limited to, identification of drivers of a capital deficiency, as well as mitigants and potential actions. It outlines the appropriate communication procedures to follow during a crisis period, including internal dissemination of information, as well as timely communication with external stakeholders.

**Capital Attribution.** We assess each of our businesses' capital usage based upon our internal assessment of risks, which incorporates an attribution of all of our relevant regulatory capital requirements. These regulatory capital requirements are allocated using our attributed equity framework, which takes into consideration our binding capital constraints. We also attribute risk-weighted assets (RWAs) to our business segments. As of December 2017, approximately 60% and 55% of RWAs calculated in accordance with the Standardized Capital Rules and the Basel III Advanced Rules, respectively, subject to transitional provisions, were attributed to our Institutional Client Services segment and substantially all of the remaining RWAs were attributed to our Investing & Lending segment. We manage the levels of our capital usage based upon balance sheet and risk limits, as well as capital return analyses of our businesses based on our capital attribution.

**Share Repurchase Program.** We use our share repurchase program to help maintain the appropriate level of common equity. The repurchase program is effected primarily through regular open-market purchases (which may include repurchase plans designed to comply with Rule 10b5-1), the amounts and timing of which are determined primarily by our current and projected capital position and our capital plan submitted to the FRB as part of CCAR. The amounts and timing of the repurchases may also be influenced by general market conditions and the prevailing price and trading volumes of our common stock.

## Management's Discussion and Analysis

As of December 2017, the remaining share authorization under our existing repurchase program was 47.6 million shares; however, we are only permitted to make repurchases to the extent that such repurchases have not been objected to by the FRB. See “Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities” in Part II, Item 5 of this Form 10-K and Note 19 to the consolidated financial statements for further information about our share repurchase program, and see above for information about our capital planning and stress testing process.

**Resolution Capital Models.** In connection with our resolution planning efforts, we have established a Resolution Capital Adequacy and Positioning (RCAP) framework, which is designed to ensure that our major subsidiaries (GS Bank USA, Goldman Sachs & Co. LLC (GS&Co.), GSI, GSIB, Goldman Sachs Japan Co., Ltd. (GSJCL), Goldman Sachs Asset Management, L.P. and Goldman Sachs Asset Management International) have access to sufficient loss-absorbing capacity (in the form of equity, subordinated debt and unsecured senior debt) so that they are able to wind-down following a Group Inc. bankruptcy filing in accordance with our preferred resolution strategy.

In addition, we have established a triggers and alerts framework which is designed to provide the Board of Directors of Group Inc. (Board) with information needed to make an informed decision on whether and when to commence bankruptcy proceedings for Group Inc.

### Rating Agency Guidelines

The credit rating agencies assign credit ratings to the obligations of Group Inc., which directly issues or guarantees substantially all of our senior unsecured debt obligations. GS&Co. and GSI have been assigned long- and short-term issuer ratings by certain credit rating agencies. GS Bank USA and GSIB have also been assigned long- and short-term issuer ratings, as well as ratings on their long-term and short-term bank deposits. In addition, credit rating agencies have assigned ratings to debt obligations of certain other subsidiaries of Group Inc.

The level and composition of our equity capital are among the many factors considered in determining our credit ratings. Each agency has its own definition of eligible capital and methodology for evaluating capital adequacy, and assessments are generally based on a combination of factors rather than a single calculation. See “Risk Management — Liquidity Risk Management — Credit Ratings” for further information about credit ratings of Group Inc., GS Bank USA, GSIB, GS&Co. and GSI.

### Consolidated Regulatory Capital

We are subject to the FRB’s risk-based capital and leverage regulations, subject to certain transitional provisions (Capital Framework). These regulations are largely based on the Basel Committee on Banking Supervision’s (Basel Committee) capital framework for strengthening international capital standards (Basel III) and also implement certain provisions of the Dodd-Frank Act. Under the Capital Framework, we are an “Advanced approach” banking organization and have been designated as a global systemically important bank (G-SIB).

We calculate our CET1, Tier 1 capital and Total capital ratios in accordance with (i) the Standardized approach and market risk rules set out in the Capital Framework (together, the Standardized Capital Rules) and (ii) the Advanced approach and market risk rules set out in the Capital Framework (together, the Basel III Advanced Rules) as described in Note 20 to the consolidated financial statements.

The lower of each capital ratio calculated in (i) and (ii) is the ratio against which our compliance with minimum ratio requirements is assessed. Each of the capital ratios calculated in accordance with the Basel III Advanced Rules was lower than that calculated in accordance with the Standardized Capital Rules and therefore the Basel III Advanced ratios were the ratios that applied to us as of both December 2017 and December 2016.

See Note 20 to the consolidated financial statements for further information about our capital ratios as of both December 2017 and December 2016, and for further information about the Capital Framework.

### Minimum Capital Ratios and Capital Buffers

The table below presents our minimum required ratios.

	December 2017 Minimum Ratio
CET1 ratio	<b>7.000%</b>
Tier 1 capital ratio	<b>8.500%</b>
Total capital ratio	<b>10.500%</b>
Tier 1 leverage ratio	<b>4.000%</b>

In the table above:

- The minimum capital ratios as of December 2017 reflect (i) the 50% phase-in of the capital conservation buffer of 2.5%, (ii) the 50% phase-in of the G-SIB buffer of 2.5% (based on 2015 financial data) and (iii) the countercyclical capital buffer of zero percent.
- Tier 1 leverage ratio is defined as Tier 1 capital divided by quarterly average adjusted total assets (which includes adjustments for goodwill and identifiable intangible assets, and certain investments in nonconsolidated financial institutions).

The minimum capital ratios applicable to us as of January 2019 will reflect the fully phased-in capital conservation buffer, the countercyclical capital buffer, if any, determined by the FRB and the fully phased-in G-SIB buffer. The G-SIB buffer applicable to us as of January 2019 is 2.5% based on financial data as of or for the year ended December 2017. The G-SIB and countercyclical buffers in the future may differ due to additional guidance from our regulators and/or positional changes.

Our minimum required supplementary leverage ratio is 5.0% as of January 1, 2018. See "Supplementary Leverage Ratio" below for further information.

See Note 20 to the consolidated financial statements for information about our capital buffers.

### Fully Phased-in Capital Ratios

The table below presents our capital ratios calculated in accordance with the Standardized Capital Rules and the Basel III Advanced Rules on a fully phased-in basis.

<i>\$ in millions</i>	As of December	
	2017	2016
Common shareholders' equity	<b>\$ 70,390</b>	\$ 75,690
Deduction for goodwill and identifiable intangible assets, net of deferred tax liabilities	<b>(3,334)</b>	(3,015)
Deduction for investments in nonconsolidated financial institutions	-	(765)
Other adjustments	<b>(63)</b>	(799)
<b>Common Equity Tier 1</b>	<b>66,993</b>	71,111
Preferred stock	<b>11,853</b>	11,203
Deduction for investments in covered funds	<b>(590)</b>	(445)
Other adjustments	<b>(29)</b>	(61)
<b>Tier 1 capital</b>	<b>\$ 78,227</b>	\$ 81,808
<b>Standardized Tier 2 and Total capital</b>		
Tier 1 capital	<b>\$ 78,227</b>	\$ 81,808
Qualifying subordinated debt	<b>13,360</b>	14,566
Allowance for losses on loans and lending commitments	<b>1,078</b>	722
Other adjustments	<b>(28)</b>	(6)
Standardized Tier 2 capital	<b>14,410</b>	15,282
<b>Standardized Total capital</b>	<b>\$ 92,637</b>	\$ 97,090
<b>Basel III Advanced Tier 2 and Total capital</b>		
Tier 1 capital	<b>\$ 78,227</b>	\$ 81,808
Standardized Tier 2 capital	<b>14,410</b>	15,282
Allowance for losses on loans and lending commitments	<b>(1,078)</b>	(722)
Basel III Advanced Tier 2 capital	<b>13,332</b>	14,560
<b>Basel III Advanced Total capital</b>	<b>\$ 91,559</b>	\$ 96,368
<b>RWAs</b>		
Credit RWAs	<b>\$476,594</b>	\$422,544
Market RWAs	<b>87,381</b>	85,263
<b>Standardized RWAs</b>	<b>\$563,975</b>	\$507,807
Credit RWAs	<b>\$421,763</b>	\$361,223
Market RWAs	<b>86,854</b>	84,475
Operational RWAs	<b>117,475</b>	115,088
<b>Basel III Advanced RWAs</b>	<b>\$626,092</b>	\$560,786
<b>CET1 ratio</b>		
Standardized	<b>11.9%</b>	14.0%
Basel III Advanced	<b>10.7%</b>	12.7%
<b>Tier 1 capital ratio</b>		
Standardized	<b>13.9%</b>	16.1%
Basel III Advanced	<b>12.5%</b>	14.6%
<b>Total capital ratio</b>		
Standardized	<b>16.4%</b>	19.1%
Basel III Advanced	<b>14.6%</b>	17.2%

Although the deductions from and adjustments to regulatory capital in the table above were not fully phased-in until January 2018, we believe that the fully phased-in capital ratios are meaningful because they are measures that we, our regulators and investors use to assess our ability to meet future regulatory capital requirements. These fully phased-in capital ratios are non-GAAP measures and may not be comparable to similar non-GAAP measures used by other companies.

In the table above:

- Deduction for goodwill and identifiable intangible assets, net of deferred tax liabilities, included goodwill of \$3.67 billion as of both December 2017 and December 2016, and identifiable intangible assets of \$373 million and \$429 million as of December 2017 and December 2016, respectively, net of associated deferred tax liabilities of \$704 million and \$1.08 billion as of December 2017 and December 2016, respectively.
- Deduction for investments in nonconsolidated financial institutions represents the amount by which our investments in the capital of nonconsolidated financial institutions exceed certain prescribed thresholds. The decrease from December 2016 to December 2017 primarily reflects reductions in our fund investments.
- Deduction for investments in covered funds represents our aggregate investments in applicable covered funds, excluding investments that are subject to an extended conformance period. This deduction was not subject to a transition period. See "Business — Regulation" in Part I, Item 1 of this Form 10-K for further information about the Volcker Rule.
- Other adjustments within CET1 primarily include the overfunded portion of our defined benefit pension plan obligation net of associated deferred tax liabilities, disallowed deferred tax assets, credit valuation adjustments on derivative liabilities, debt valuation adjustments and other required credit risk-based deductions.
- Qualifying subordinated debt is subordinated debt issued by Group Inc. with an original maturity of five years or greater. The outstanding amount of subordinated debt qualifying for Tier 2 capital is reduced upon reaching a remaining maturity of five years. See Note 16 to the consolidated financial statements for further information about our subordinated debt.

See Note 20 to the consolidated financial statements for information about our transitional capital ratios, which represent the ratios that are applicable to us as of both December 2017 and December 2016.

### Supplementary Leverage Ratio

The Capital Framework includes a supplementary leverage ratio requirement for Advanced approach banking organizations. Under amendments to the Capital Framework, the U.S. federal bank regulatory agencies approved a final rule that implements the supplementary leverage ratio aligned with the definition of leverage established by the Basel Committee. The supplementary leverage ratio compares Tier 1 capital to a measure of leverage exposure, which consists of daily average total assets for the quarter and certain off-balance-sheet exposures, less certain balance sheet deductions. The Capital Framework requires a minimum supplementary leverage ratio of 5.0% (consisting of the minimum requirement of 3.0% and a 2.0% buffer) for U.S. BHCs deemed to be G-SIBs, effective on January 1, 2018.

The table below presents our supplementary leverage ratio, calculated on a fully phased-in basis.

<i>\$ in millions</i>	For the Three Months Ended or as of December	
	2017	2016
Tier 1 capital	\$ 78,227	\$ 81,808
Average total assets	\$ 937,424	\$ 883,515
Deductions from Tier 1 capital	(4,572)	(4,897)
Average adjusted total assets	932,852	878,618
Off-balance-sheet exposures	408,164	391,555
<b>Total supplementary leverage exposure</b>	<b>\$1,341,016</b>	<b>\$1,270,173</b>
Supplementary leverage ratio	<b>5.8%</b>	6.4%

In the table above, the off-balance-sheet exposures consists of derivatives, securities financing transactions, commitments and guarantees.

### Subsidiary Capital Requirements

Many of our subsidiaries, including GS Bank USA and our broker-dealer subsidiaries, are subject to separate regulation and capital requirements of the jurisdictions in which they operate.

**GS Bank USA.** GS Bank USA is subject to regulatory capital requirements that are calculated in substantially the same manner as those applicable to BHCs and calculates its capital ratios in accordance with the risk-based capital and leverage requirements applicable to state member banks, which are based on the Capital Framework. See Note 20 to the consolidated financial statements for further information about the Capital Framework as it relates to GS Bank USA, including GS Bank USA's capital ratios and required minimum ratios.

**Management's Discussion and Analysis**

In addition, under FRB rules, commencing on January 1, 2018, in order to be considered a “well-capitalized” depository institution, GS Bank USA must have a supplementary leverage ratio of 6.0% or greater. The supplementary leverage ratio compares Tier 1 capital to a measure of leverage exposure, defined as daily average total assets for the quarter and certain off-balance-sheet exposures, less certain balance sheet deductions.

The table below presents GS Bank USA's supplementary leverage ratio, calculated on a fully phased-in basis.

<i>\$ in millions</i>	For the Three Months Ended or as of December	
	2017	2016
Tier 1 capital	<b>\$ 25,341</b>	\$ 24,479
Average total assets	<b>\$168,854</b>	\$169,721
Deductions from Tier 1 capital	<b>(14)</b>	(20)
Average adjusted total assets	<b>168,840</b>	169,701
Off-balance-sheet exposures	<b>176,892</b>	163,464
<b>Total supplementary leverage exposure</b>	<b>\$345,732</b>	\$333,165
Supplementary leverage ratio	<b>7.3%</b>	7.3%

In the table above, the off-balance-sheet exposures consists of derivatives, securities financing transactions, commitments and guarantees.

**GSI.** Our regulated U.K. broker-dealer, GSI, is one of our principal non-U.S. regulated subsidiaries and is regulated by the PRA and the Financial Conduct Authority. GSI is subject to the capital framework for E.U.-regulated financial institutions prescribed in the E.U. Fourth Capital Requirements Directive (CRD IV) and the E.U. Capital Requirements Regulation (CRR). These capital regulations are largely based on Basel III.

The table below presents GSI's minimum required capital ratios.

	December 2017 Minimum Ratio	December 2016 Minimum Ratio
CET1 ratio	<b>7.165%</b>	6.549%
Tier 1 capital ratio	<b>9.143%</b>	8.530%
Total capital ratio	<b>11.771%</b>	11.163%

The minimum capital ratios in the table above incorporate capital guidance received from the PRA and could change in the future. GSI's future capital requirements may also be impacted by developments such as the introduction of capital buffers as described above in “Minimum Capital Ratios and Capital Buffers.”

As of December 2017, GSI had a CET1 ratio of 11.0%, a Tier 1 capital ratio of 13.6% and a Total capital ratio of 16.0%. Each of these ratios included approximately 67 basis points attributable to amounts which will be finalized upon the issuance of GSI's 2017 annual audited financial statements. As of December 2016, GSI had a CET1 ratio of 12.9%, a Tier 1 capital ratio of 12.9% and a Total capital ratio of 17.2%.

In November 2016, the European Commission proposed amendments to the CRR to implement a 3% minimum leverage ratio requirement for certain E.U. financial institutions. This leverage ratio compares the CRR's definition of Tier 1 capital to a measure of leverage exposure, defined as the sum of certain assets plus certain off-balance-sheet exposures (which include a measure of derivatives, securities financing transactions, commitments and guarantees), less Tier 1 capital deductions. Any required minimum leverage ratio is expected to become effective for GSI no earlier than January 1, 2021. As of December 2017 and December 2016, GSI had a leverage ratio of 4.1% and 3.8%, respectively. The ratio as of December 2017 included approximately 20 basis points attributable to amounts which will be finalized upon the issuance of GSI's 2017 annual audited financial statements. This leverage ratio is based on our current interpretation and understanding of this rule and may evolve as we discuss the interpretation and application of this rule with GSI's regulators.

**Other Subsidiaries.** The capital requirements of several of our subsidiaries may increase in the future due to the various developments arising from the Basel Committee, the Dodd-Frank Act, and other governmental entities and regulators. See Note 20 to the consolidated financial statements for information about the capital requirements of our other regulated subsidiaries.

Subsidiaries not subject to separate regulatory capital requirements may hold capital to satisfy local tax and legal guidelines, rating agency requirements (for entities with assigned credit ratings) or internal policies, including policies concerning the minimum amount of capital a subsidiary should hold based on its underlying level of risk. In certain instances, Group Inc. may be limited in its ability to access capital held at certain subsidiaries as a result of regulatory, tax or other constraints. As of December 2017 and December 2016, Group Inc.'s equity investment in subsidiaries was \$93.88 billion and \$92.77 billion, respectively, compared with its total shareholders' equity of \$82.24 billion and \$86.89 billion, respectively.

Our capital invested in non-U.S. subsidiaries is generally exposed to foreign exchange risk, substantially all of which is managed through a combination of derivatives and non-U.S. denominated debt. See Note 7 to the consolidated financial statements for information about our net investment hedges, which are used to hedge this risk.

**Guarantees of Subsidiaries.** Group Inc. has guaranteed the payment obligations of GS&Co. and GS Bank USA, in each case subject to certain exceptions.

## **Regulatory Matters and Developments**

Our businesses are subject to significant and evolving regulation. The Dodd-Frank Act, enacted in July 2010, significantly altered the financial regulatory regime within which we operate. In addition, other reforms have been adopted or are being considered by regulators and policy makers worldwide. Given that many of the new and proposed rules are highly complex, the full impact of regulatory reform will not be known until the rules are implemented and market practices develop under the final regulations. See “Business — Regulation” in Part I, Item 1 of this Form 10-K for further information about the laws, rules and regulations and proposed laws, rules and regulations that apply to us and our operations. In addition, see Note 20 to the consolidated financial statements for information about regulatory developments as they relate to our regulatory capital and leverage ratios.

### **Resolution and Recovery Plans**

We are required by the FRB and the FDIC to submit a periodic plan that describes our strategy for a rapid and orderly resolution in the event of material financial distress or failure (resolution plan). We are also required by the FRB to submit a periodic recovery plan that outlines the steps that management could take to reduce risk, maintain sufficient liquidity, and conserve capital in times of prolonged stress.

In December 2017, the FRB and the FDIC provided feedback on our 2017 resolution plan and determined that it satisfactorily addressed the shortcomings identified in our prior submissions. The FRB and the FDIC did not identify deficiencies in our 2017 resolution plan, but the FRB and the FDIC did note one shortcoming that must be addressed in our next resolution plan submission. The FRB and the FDIC have extended the next resolution plan filing deadline by one year to July 1, 2019. See “Business — Available Information” in Part I, Item 1 of this Form 10-K.

As part of our resolution planning efforts, we put in place a Capital and Liquidity Support Agreement (CLSA) among Group Inc., Goldman Sachs Funding LLC (Funding IHC) and our major subsidiaries. See “Risk Factors” in Part I, Item 1A of this Form 10-K for further information about the CLSA. Additionally, as part of our preferred resolution strategy, we have established RCAP, Resolution Liquidity Adequacy and Positioning (RLAP), Resolution Liquidity Execution Need (RLEN), and triggers and alerts frameworks. See “Equity Capital Management and Regulatory Capital — Equity Capital Management” for further information about RCAP, and triggers and alerts frameworks, and see “Liquidity Risk Management — Liquidity Stress Tests” for further information about RLAP, RLEN, and triggers and alerts frameworks.

In addition, GS Bank USA is required to submit periodic resolution plans to the FDIC. GS Bank USA's next resolution plan is due on July 1, 2018.

## **Off-Balance-Sheet Arrangements and Contractual Obligations**

### **Off-Balance-Sheet Arrangements**

We have various types of off-balance-sheet arrangements that we enter into in the ordinary course of business. Our involvement in these arrangements can take many different forms, including:

- Purchasing or retaining residual and other interests in special purpose entities such as mortgage-backed and other asset-backed securitization vehicles;
- Holding senior and subordinated debt, interests in limited and general partnerships, and preferred and common stock in other nonconsolidated vehicles;
- Entering into interest rate, foreign currency, equity, commodity and credit derivatives, including total return swaps;
- Entering into operating leases; and
- Providing guarantees, indemnifications, commitments, letters of credit and representations and warranties.

We enter into these arrangements for a variety of business purposes, including securitizations. The securitization vehicles that purchase mortgages, corporate bonds, and other types of financial assets are critical to the functioning of several significant investor markets, including the mortgage-backed and other asset-backed securities markets, since they offer investors access to specific cash flows and risks created through the securitization process.

We also enter into these arrangements to underwrite client securitization transactions; provide secondary market liquidity; make investments in performing and nonperforming debt, distressed loans, power-related assets, equity securities, real estate and other assets; provide investors with credit-linked and asset-repackaged notes; and receive or provide letters of credit to satisfy margin requirements and to facilitate the clearance and settlement process.

Our financial interests in, and derivative transactions with, such nonconsolidated entities are generally accounted for at fair value, in the same manner as our other financial instruments, except in cases where we apply the equity method of accounting.



The table below presents where information about our various off-balance-sheet arrangements may be found in this Form 10-K. In addition, see Note 3 to the consolidated financial statements for information about our consolidation policies.

Type of Off-Balance-Sheet Arrangement	Disclosure in Form 10-K
Variable interests and other obligations, including contingent obligations, arising from variable interests in nonconsolidated variable interest entities (VIEs)	See Note 12 to the consolidated financial statements.
Leases	See "Contractual Obligations" below and Note 18 to the consolidated financial statements.
Guarantees, letters of credit, and lending and other commitments	See Note 18 to the consolidated financial statements.
Derivatives	See "Risk Management — Credit Risk Management — Credit Exposures — OTC Derivatives" below and Notes 4, 5, 7 and 18 to the consolidated financial statements.

### Contractual Obligations

We have certain contractual obligations which require us to make future cash payments. These contractual obligations include our time deposits, secured long-term financings, unsecured long-term borrowings, contractual interest payments, subordinated liabilities of consolidated VIEs and minimum rental payments under noncancelable leases.

Our obligations to make future cash payments also include our commitments and guarantees related to off-balance-sheet arrangements, which are excluded from the table below. See Note 18 to the consolidated financial statements for further information about such commitments and guarantees.

Due to the uncertainty of the timing and amounts that will ultimately be paid, our liability for unrecognized tax benefits has been excluded from the table below. See Note 24 to the consolidated financial statements for further information about our unrecognized tax benefits.

The table below presents our contractual obligations by type.

\$ in millions	As of December	
	2017	2016
Time deposits	\$ 30,075	\$ 27,394
Secured long-term financings	\$ 9,892	\$ 8,405
Unsecured long-term borrowings	\$217,687	\$189,086
Contractual interest payments	\$ 54,489	\$ 54,552
Subordinated liabilities of consolidated VIEs	\$ 19	\$ 584
Minimum rental payments	\$ 1,964	\$ 1,941

The table below presents our contractual obligations by period of expiration.

\$ in millions	As of December 2017			
	2018	2019 - 2020	2021 - 2022	2023 - Thereafter
Time deposits	\$ -	\$15,630	\$ 8,610	\$ 5,835
Secured long-term financings	\$ -	\$ 4,994	\$ 3,019	\$ 1,879
Unsecured long-term borrowings	\$ -	\$53,625	\$44,383	\$119,679
Contractual interest payments	\$6,497	\$11,562	\$ 8,515	\$ 27,915
Subordinated liabilities of consolidated VIEs	\$ -	\$ -	\$ -	\$ 19
Minimum rental payments	\$ 299	\$ 544	\$ 350	\$ 771

In the table above:

- Obligations maturing within one year of our financial statement date or redeemable within one year of our financial statement date at the option of the holders are excluded as they are treated as short-term obligations. See Note 15 to the consolidated financial statements for further information about our short-term borrowings.
- Obligations that are repayable prior to maturity at our option are reflected at their contractual maturity dates and obligations that are redeemable prior to maturity at the option of the holders are reflected at the earliest dates such options become exercisable.
- As of December 2017, unsecured long-term borrowings had maturities extending to 2057, consisted principally of senior borrowings, and included \$5.61 billion of adjustments to the carrying value of certain unsecured long-term borrowings resulting from the application of hedge accounting. See Note 16 to the consolidated financial statements for further information about our unsecured long-term borrowings.
- As of December 2017, the difference between the aggregate contractual principal amount and the related fair value of long-term other secured financings for which the fair value option was elected was not material.
- As of December 2017, the aggregate contractual principal amount of unsecured long-term borrowings for which the fair value option was elected exceeded the related fair value by \$1.69 billion.
- Contractual interest payments represents estimated future interest payments related to unsecured long-term borrowings, secured long-term financings and time deposits based on applicable interest rates as of December 2017, and includes stated coupons, if any, on structured notes.
- Future minimum rental payments are net of minimum sublease rentals under noncancelable leases. These lease commitments for office space expire on various dates through 2069. Certain agreements are subject to periodic escalation provisions for increases in real estate taxes and other charges. See Note 18 to the consolidated financial statements for further information about our leases.

## Management's Discussion and Analysis

### Risk Management

Risks are inherent in our businesses and include liquidity, market, credit, operational, model, legal, compliance, conduct, regulatory and reputational risks. For further information about our risk management processes, see "Overview and Structure of Risk Management" below. Our risks include the risks across our risk categories, regions or global businesses, as well as those which have uncertain outcomes and have the potential to materially impact our financial results, our liquidity and our reputation. For further information about our areas of risk, see "Liquidity Risk Management," "Market Risk Management," "Credit Risk Management," "Operational Risk Management" and "Model Risk Management" below and "Risk Factors" in Part I, Item 1A of this Form 10-K.

### Overview and Structure of Risk Management

#### Overview

We believe that effective risk management is of primary importance to our success. Accordingly, we have established an Enterprise Risk Management (ERM) framework that employs a comprehensive, integrated approach to risk management, and is designed to enable comprehensive risk management processes through which we identify, assess, monitor and manage the risks we assume in conducting our activities. These risks include liquidity, market, credit, operational, model, legal, compliance, conduct, regulatory and reputational risk exposures. Our risk management structure is built around three core components: governance, processes and people.

**Governance.** Risk management governance starts with the Board, which both directly and through its committees, including its Risk Committee, oversees our risk management policies and practices implemented through the ERM framework. The Board is also responsible for the annual review and approval of our risk appetite statement. The risk appetite statement describes the levels and types of risk we are willing to accept or to avoid, in order to achieve our strategic business objectives, while remaining in compliance with regulatory requirements.

The Board receives regular briefings on firmwide risks, including liquidity risk, market risk, credit risk, operational risk and model risk from our independent control and support functions, including the chief risk officer, and on compliance risk and conduct risk from the head of Compliance, on legal and regulatory matters from the general counsel, and on other matters impacting our reputation from the chair of our Firmwide Client and Business Standards Committee. The chief risk officer, as part of the review of the firmwide risk portfolio, regularly advises the Risk Committee of the Board of relevant risk metrics and material exposures, including risk limits and thresholds established in our risk appetite statement.

Next, at our most senior levels, our leaders are experienced risk managers, with a sophisticated and detailed understanding of the risks we take. Our senior management, and senior managers in our revenue-producing units and independent control and support functions, lead and participate in risk-oriented committees. Independent control and support functions include Compliance, the Conflicts Resolution Group (Conflicts), Controllers, Credit Risk Management, Human Capital Management, Legal, Liquidity Risk Management and Analysis (Liquidity Risk Management), Market Risk Management and Analysis (Market Risk Management), Model Risk Management, Operations, Operational Risk Management and Analysis (Operational Risk Management), Tax, Technology and Treasury.

Our governance structure provides the protocol and responsibility for decision-making on risk management issues and ensures implementation of those decisions. We make extensive use of risk-related committees that meet regularly and serve as an important means to facilitate and foster ongoing discussions to identify, manage and mitigate risks.

We maintain strong communication about risk and we have a culture of collaboration in decision-making among the revenue-producing units, independent control and support functions, committees and senior management. While our revenue-producing units are responsible for management of their risk, we dedicate extensive resources to independent control and support functions in order to ensure a strong oversight structure and an appropriate segregation of duties. We regularly reinforce our strong culture of escalation and accountability across all functions.

## Management's Discussion and Analysis

**Processes.** We maintain various processes and procedures that are critical components of our risk management framework, including identifying, assessing, monitoring and limiting our risks.

To effectively assess and monitor our risks, we maintain a daily discipline of marking substantially all of our inventory to current market levels. We carry our inventory at fair value, with changes in valuation reflected immediately in our risk management systems and in net revenues. We do so because we believe this discipline is one of the most effective tools for assessing and managing risk and that it provides transparent and realistic insight into our inventory exposures.

We also apply a rigorous framework of limits and thresholds to control and monitor risk across transactions, products, businesses and markets. The Board, directly or indirectly through its Risk Committee, approves limits and thresholds included in our risk appetite statement, at firmwide, business and product levels. In addition, the Firmwide Risk Committee is responsible for approving our risk limits framework, subject to the overall limits approved by the Risk Committee of the Board, at a variety of levels and monitoring these limits on a daily basis. The Risk Governance Committee (through delegated authority from the Firmwide Risk Committee) is responsible for approving limits at firmwide, business and product levels. Certain limits may be set at levels that will require periodic adjustment, rather than at levels which reflect our maximum risk appetite. This fosters an ongoing dialogue on risk among revenue-producing units, independent control and support functions, committees and senior management, as well as rapid escalation of risk-related matters. See "Liquidity Risk Management," "Market Risk Management" and "Credit Risk Management" for further information about our risk limits.

Active management of our positions is another important process. Proactive mitigation of our market and credit exposures minimizes the risk that we will be required to take outsized actions during periods of stress.

Effective risk reporting and risk decision-making depends on our ability to get the right information to the right people at the right time. As such, we focus on the rigor and effectiveness of our risk systems, with the objective of ensuring that our risk management technology systems are comprehensive, reliable and timely. We devote significant time and resources to our risk management technology to ensure that it consistently provides us with complete, accurate and timely information.

**People.** Even the best technology serves only as a tool for helping to make informed decisions in real time about the risks we are taking. Ultimately, effective risk management requires our people to interpret our risk data on an ongoing and timely basis and adjust risk positions accordingly. In both our revenue-producing units and our independent control and support functions, the experience of our professionals, and their understanding of the nuances and limitations of each risk measure, guide us in assessing exposures and maintaining them within prudent levels.

We reinforce a culture of effective risk management, consistent with our risk appetite statement, in our training and development programs, as well as the way we evaluate performance, and recognize and reward our people. Our training and development programs, including certain sessions led by our most senior leaders, are focused on the importance of risk management, client relationships and reputational excellence. As part of our annual performance review process, we assess reputational excellence including how an employee exercises good risk management and reputational judgment, and adheres to our code of conduct and compliance policies. Our review and reward processes are designed to communicate and reinforce to our professionals the link between behavior and how people are recognized, the need to focus on our clients and our reputation, and the need to always act in accordance with our highest standards.

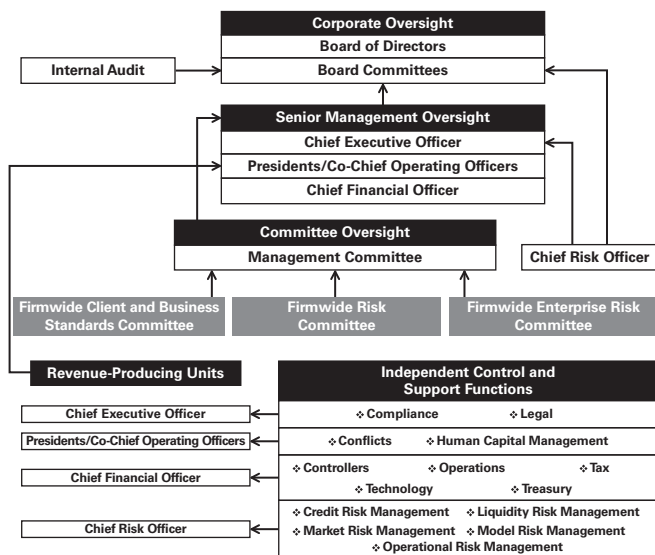
### Structure

Ultimate oversight of risk is the responsibility of our Board. The Board oversees risk both directly and through its committees, including its Risk Committee. We have a series of committees with specific risk management mandates that have oversight or decision-making responsibilities for risk management activities. Committee membership generally consists of senior managers from both our revenue-producing units and our independent control and support functions. We have established procedures for these committees to ensure that appropriate information barriers are in place. Our primary risk committees, most of which also have additional sub-committees or working groups, are described below. In addition to these committees, we have other risk-oriented committees which provide oversight for different businesses, activities, products, regions and entities. All of our committees have responsibility for considering the impact of transactions and activities, which they oversee, on our reputation.

Membership of our risk committees is reviewed regularly and updated to reflect changes in the responsibilities of the committee members. Accordingly, the length of time that members serve on the respective committees varies as determined by the committee chairs and based on the responsibilities of the members.

In addition, independent control and support functions, which report to the chief executive officer, the presidents and co-chief operating officers, the chief financial officer or the chief risk officer, are responsible for day-to-day oversight or monitoring of risk, as illustrated in the chart below and as described in greater detail in the following sections. Internal Audit, which reports to the Audit Committee of the Board and includes professionals with a broad range of audit and industry experience, including risk management expertise, is responsible for independently assessing and validating key controls within the risk management framework.

The chart below presents an overview of our risk management governance structure, including the reporting relationships of our independent control and support functions.



**Management Committee.** The Management Committee oversees our global activities, including all of our independent control and support functions. It provides this oversight directly and through authority delegated to committees it has established. This committee consists of our most senior leaders, and is chaired by our chief executive officer. Most members of the Management Committee are also members of other committees. The following are the committees that are principally involved in firmwide risk management.

**Firmwide Client and Business Standards Committee.**

The Firmwide Client and Business Standards Committee assesses and makes determinations regarding business standards and practices, reputational risk management, client relationships and client service, is chaired by one of our presidents and co-chief operating officers, who is appointed as chair by the chief executive officer, and reports to the Management Committee. This committee periodically updates and receives guidance from the Public Responsibilities Committee of the Board. This committee has also established certain committees that report to it, including divisional Client and Business Standards Committees and risk-related committees. The following are the risk-related committees that report to the Firmwide Client and Business Standards Committee:

- **Firmwide Reputational Risk Committee.** The Firmwide Reputational Risk Committee is responsible for assessing reputational risks arising from transactions that have been identified as requiring mandatory escalation to the Firmwide Reputational Risk Committee or that otherwise have potential heightened reputational risk. This committee is chaired by one of our presidents and co-chief operating officers, who is appointed as chair by the chief executive officer, and the vice-chairs are the head of Compliance and the head of the Conflicts Resolution Group, who are appointed as vice-chairs by the chair of the Firmwide Client and Business Standards Committee.
- **Firmwide Suitability Committee.** The Firmwide Suitability Committee is responsible for setting standards and policies for product, transaction and client suitability and providing a forum for consistency across functions, regions and products on suitability assessments. This committee also reviews suitability matters escalated from other committees. This committee is co-chaired by the deputy head of Compliance, and the co-chief operating officer of Fixed Income, Currency and Commodities, who are appointed as co-chairs by the chair of the Firmwide Client and Business Standards Committee.

## Management's Discussion and Analysis

**Firmwide Risk Committee.** The Firmwide Risk Committee is globally responsible for the ongoing monitoring and management of our financial risks. The Firmwide Risk Committee approves our financial risk limits framework, metrics and methodologies, and reviews results of stress tests and scenario analyses. This committee is co-chaired by our chief financial officer and our chief risk officer, who are appointed as co-chairs by the chief executive officer, and reports to the Management Committee. The following are the primary committees that report to the Firmwide Risk Committee:

- **Firmwide Finance Committee.** The Firmwide Finance Committee has oversight responsibility for liquidity risk, the size and composition of our balance sheet and capital base, and credit ratings. This committee regularly reviews our liquidity, balance sheet, funding position and capitalization, approves related policies, and makes recommendations as to any adjustments to be made in light of current events, risks, exposures and regulatory requirements. As a part of such oversight, among other things, this committee reviews and approves balance sheet limits and the size of our GCLA. This committee is co-chaired by our chief risk officer and our global treasurer, who are appointed as co-chairs by the Firmwide Risk Committee.
- **Firmwide Investment Policy Committee.** The Firmwide Investment Policy Committee reviews, approves, sets policies, and provides oversight for certain illiquid principal investments, including review of risk management and controls for these types of investments. This committee is co-chaired by the head of our Merchant Banking Division, a co-head of our Securities Division and a deputy general counsel, who are appointed as co-chairs by our presidents and co-chief operating officers and our chief financial officer.
- **Firmwide Volcker Oversight Committee.** The Firmwide Volcker Oversight Committee is responsible for the oversight and periodic review of the implementation of our Volcker Rule compliance program, as approved by the Board, and other Volcker Rule-related matters. This committee is co-chaired by a deputy chief risk officer and the deputy head of Compliance, who are appointed as co-chairs by the co-chairs of the Firmwide Risk Committee.
- **Risk Governance Committee.** The Risk Governance Committee (through delegated authority from the Firmwide Risk Committee) is globally responsible for the ongoing approval and monitoring of risk frameworks, policies, parameters and limits, at firmwide, business and product levels. This committee is chaired by our chief risk officer, who is appointed as chair by the co-chairs of the Firmwide Risk Committee.

The following committees report jointly to the Firmwide Risk Committee and the Firmwide Client and Business Standards Committee:

- **Firmwide Capital Committee.** The Firmwide Capital Committee provides approval and oversight of debt-related transactions, including principal commitments of our capital. This committee aims to ensure that business and reputational standards for underwritings and capital commitments are maintained on a global basis. This committee is co-chaired by the head of Americas Credit Risk Management, and the head of the EMEA Financing Group. The co-chairs of the Firmwide Capital Committee are appointed by the co-chairs of the Firmwide Risk Committee.
- **Firmwide Commitments Committee.** The Firmwide Commitments Committee reviews our underwriting and distribution activities with respect to equity and equity-related product offerings, and sets and maintains policies and procedures designed to ensure that legal, reputational, regulatory and business standards are maintained on a global basis. In addition to reviewing specific transactions, this committee periodically conducts general strategic reviews of sectors and products and establishes policies in connection with transaction practices. This committee is co-chaired by the co-head of the Industrials group in our Investment Banking Division, our chief underwriting officer, and a managing director in Risk Management, who are appointed as co-chairs by the chair of the Firmwide Client and Business Standards Committee.

**Firmwide Enterprise Risk Committee.** The Firmwide Enterprise Risk Committee is responsible for the ongoing review, approval and monitoring of the ERM framework and for providing oversight of our aggregate financial and nonfinancial risks. This committee is co-chaired by one of our presidents and co-chief operating officers and our chief risk officer, who are appointed as co-chairs by our chief executive officer, and reports to the Management Committee. The following are the primary committees that report to the Firmwide Enterprise Risk Committee:

- **Firmwide New Activity Committee.** The Firmwide New Activity Committee is responsible for reviewing new activities and for establishing a process to identify and review previously approved activities that are significant and that have changed in complexity and/or structure or present different reputational and suitability concerns over time to consider whether these activities remain appropriate. This committee is co-chaired by the head of regulatory control and the co-head of EMEA FICC sales, who are appointed as co-chairs by the chairs of the Firmwide Enterprise Risk Committee.

## Management's Discussion and Analysis

- **Firmwide Model Risk Control Committee.** The Firmwide Model Risk Control Committee is responsible for oversight of the development and implementation of model risk controls, which includes governance, policies and procedures related to our reliance on financial models. This committee is chaired by a deputy chief risk officer, who is appointed as chair by the chairs of the Firmwide Enterprise Risk Committee.
- **Firmwide Conduct and Operational Risk Committee.** The Firmwide Conduct and Operational Risk Committee is globally responsible for the ongoing approval and monitoring of the frameworks, policies, parameters and limits which govern our conduct and operational risks. This committee is co-chaired by a managing director in Global Compliance and the head of Operational Risk Management, who are appointed as co-chairs by the chairs of the Firmwide Enterprise Risk Committee.
- **Firmwide Technology Risk Committee.** The Firmwide Technology Risk Committee reviews matters related to the design, development, deployment and use of technology. This committee oversees cyber security matters, as well as technology risk management frameworks and methodologies, and monitors their effectiveness. This committee is co-chaired by our chief information officer and the head of Global Investment Research, who are appointed as co-chairs by the chairs of the Firmwide Enterprise Risk Committee.
- **Global Business Resilience Committee.** The Global Business Resilience Committee is responsible for oversight of business resilience initiatives, promoting increased levels of security and resilience, and reviewing certain operating risks related to business resilience. This committee is chaired by our chief administrative officer, who is appointed as chair by the chairs of the Firmwide Enterprise Risk Committee.

### Conflicts Management

Conflicts of interest and our approach to dealing with them are fundamental to our client relationships, our reputation and our long-term success. The term “conflict of interest” does not have a universally accepted meaning, and conflicts can arise in many forms within a business or between businesses. The responsibility for identifying potential conflicts, as well as complying with our policies and procedures, is shared by the entire firm.

We have a multilayered approach to resolving conflicts and addressing reputational risk. Our senior management oversees policies related to conflicts resolution, and, in conjunction with Conflicts, Legal and Compliance, the Firmwide Client and Business Standards Committee, and other internal committees, formulates policies, standards and principles, and assists in making judgments regarding the appropriate resolution of particular conflicts. Resolving potential conflicts necessarily depends on the facts and circumstances of a particular situation and the application of experienced and informed judgment.

As a general matter, Conflicts reviews financing and advisory assignments in Investment Banking and certain of our investing, lending and other activities. In addition, we have various transaction oversight committees, such as the Firmwide Capital, Commitments and Suitability Committees and other committees that also review new underwritings, loans, investments and structured products. These groups and committees work with internal and external counsel and Compliance to evaluate and address any actual or potential conflicts. Conflicts reports to one of our presidents and co-chief operating officers.

We regularly assess our policies and procedures that address conflicts of interest in an effort to conduct our business in accordance with the highest ethical standards and in compliance with all applicable laws, rules and regulations.

## Liquidity Risk Management

### Overview

Liquidity risk is the risk that we will be unable to fund the firm or meet our liquidity needs in the event of firm-specific, broader industry, or market liquidity stress events. Liquidity is of critical importance to us, as most of the failures of financial institutions have occurred in large part due to insufficient liquidity. Accordingly, we have in place a comprehensive and conservative set of liquidity and funding policies. Our principal objective is to be able to fund the firm and to enable our core businesses to continue to serve clients and generate revenues, even under adverse circumstances.

Treasury has the primary responsibility for assessing, monitoring and managing our liquidity and funding strategy. Treasury is independent of the revenue-producing units and reports to our chief financial officer.

Liquidity Risk Management is an independent risk management function responsible for control and oversight of our liquidity risk management framework, including stress testing and limit governance. Liquidity Risk Management is independent of the revenue-producing units and Treasury, and reports to our chief risk officer.

### Liquidity Risk Management Principles

We manage liquidity risk according to three principles (i) hold sufficient excess liquidity in the form of GCLA to cover outflows during a stressed period, (ii) maintain appropriate Asset-Liability Management and (iii) maintain a viable Contingency Funding Plan.

**Global Core Liquid Assets.** GCLA is liquidity that we maintain to meet a broad range of potential cash outflows and collateral needs in a stressed environment. Our most important liquidity policy is to pre-fund our estimated potential cash and collateral needs during a liquidity crisis and hold this liquidity in the form of unencumbered, highly liquid securities and cash. We believe that the securities held in our GCLA would be readily convertible to cash in a matter of days, through liquidation, by entering into repurchase agreements or from maturities of resale agreements, and that this cash would allow us to meet immediate obligations without needing to sell other assets or depend on additional funding from credit-sensitive markets.

Our GCLA reflects the following principles:

- The first days or weeks of a liquidity crisis are the most critical to a company's survival;

- Focus must be maintained on all potential cash and collateral outflows, not just disruptions to financing flows. Our businesses are diverse, and our liquidity needs are determined by many factors, including market movements, collateral requirements and client commitments, all of which can change dramatically in a difficult funding environment;
- During a liquidity crisis, credit-sensitive funding, including unsecured debt, certain deposits and some types of secured financing agreements, may be unavailable, and the terms (e.g., interest rates, collateral provisions and tenor) or availability of other types of secured financing may change and certain deposits may be withdrawn; and
- As a result of our policy to pre-fund liquidity that we estimate may be needed in a crisis, we hold more unencumbered securities and have larger debt balances than our businesses would otherwise require. We believe that our liquidity is stronger with greater balances of highly liquid unencumbered securities, even though it increases our total assets and our funding costs.

We maintain our GCLA across Group Inc., Funding IHC and Group Inc.'s major broker-dealer and bank subsidiaries, asset types, and clearing agents to provide us with sufficient operating liquidity to ensure timely settlement in all major markets, even in a difficult funding environment. In addition to the GCLA, we maintain cash balances and securities in several of our other entities, primarily for use in specific currencies, entities, or jurisdictions where we do not have immediate access to parent company liquidity.

We believe that our GCLA provides us with a resilient source of funds that would be available in advance of potential cash and collateral outflows and gives us significant flexibility in managing through a difficult funding environment.

**Asset-Liability Management.** Our liquidity risk management policies are designed to ensure we have a sufficient amount of financing, even when funding markets experience persistent stress. We manage the maturities and diversity of our funding across markets, products and counterparties, and seek to maintain a diversified funding profile with an appropriate tenor, taking into consideration the characteristics and liquidity profile of our assets.

Our approach to asset-liability management includes:

- Conservatively managing the overall characteristics of our funding book, with a focus on maintaining long-term, diversified sources of funding in excess of our current requirements. See "Balance Sheet and Funding Sources — Funding Sources" for further details;

## Management's Discussion and Analysis

- Actively managing and monitoring our asset base, with particular focus on the liquidity, holding period and our ability to fund assets on a secured basis. We assess our funding requirements and our ability to liquidate assets in a stressed environment while appropriately managing risk. This enables us to determine the most appropriate funding products and tenors. See “Balance Sheet and Funding Sources — Balance Sheet Management” for further details on our balance sheet management process and “— Funding Sources — Secured Funding” for further details on asset classes that may be harder to fund on a secured basis; and
- Raising secured and unsecured financing that has a long tenor relative to the liquidity profile of our assets. This reduces the risk that our liabilities will come due in advance of our ability to generate liquidity from the sale of our assets. Because we maintain a highly liquid balance sheet, the holding period of certain of our assets may be materially shorter than their contractual maturity dates.

Our goal is to ensure that we maintain sufficient liquidity to fund our assets and meet our contractual and contingent obligations in normal times, as well as during periods of market stress. Through our dynamic balance sheet management process, we use actual and projected asset balances to determine secured and unsecured funding requirements. Funding plans are reviewed and approved by the Firmwide Finance Committee on a quarterly basis. In addition, senior managers in our independent control and support functions regularly analyze, and the Firmwide Finance Committee reviews, our consolidated total capital position (unsecured long-term borrowings plus total shareholders' equity) so that we maintain a level of long-term funding that is sufficient to meet our long-term financing requirements. In a liquidity crisis, we would first use our GCLA in order to avoid reliance on asset sales (other than our GCLA). However, we recognize that orderly asset sales may be prudent or necessary in a severe or persistent liquidity crisis.

### **Subsidiary Funding Policies**

The majority of our unsecured funding is raised by Group Inc., which lends the necessary funds to Funding IHC and other subsidiaries, some of which are regulated, to meet their asset financing, liquidity and capital requirements. In addition, Group Inc. provides its regulated subsidiaries with the necessary capital to meet their regulatory requirements. The benefits of this approach to subsidiary funding are enhanced control and greater flexibility to meet the funding requirements of our subsidiaries. Funding is also raised at the subsidiary level through a variety of products, including deposits, secured funding and unsecured borrowings.

Our intercompany funding policies assume that a subsidiary's funds or securities are not freely available to its parent, Funding IHC or other subsidiaries unless (i) legally provided for and (ii) there are no additional regulatory, tax or other restrictions. In particular, many of our subsidiaries are subject to laws that authorize regulatory bodies to block or reduce the flow of funds from those subsidiaries to Group Inc. or Funding IHC. Regulatory action of that kind could impede access to funds that Group Inc. needs to make payments on its obligations. Accordingly, we assume that the capital provided to our regulated subsidiaries is not available to Group Inc. or other subsidiaries and any other financing provided to our regulated subsidiaries is not available to Group Inc. or Funding IHC until the maturity of such financing.

Group Inc. has provided substantial amounts of equity and subordinated indebtedness, directly or indirectly, to its regulated subsidiaries. For example, as of December 2017, Group Inc. had \$29.60 billion of equity and subordinated indebtedness invested in GS&Co., its principal U.S. registered broker-dealer; \$37.19 billion invested in GSI, a regulated U.K. broker-dealer; \$2.69 billion invested in GSJCL, a regulated Japanese broker-dealer; \$27.56 billion invested in GS Bank USA, a regulated New York State-chartered bank; and \$3.86 billion invested in GSIB, a regulated U.K. bank. Group Inc. also provided, directly or indirectly, \$114.98 billion of unsubordinated loans (including secured loans of \$50.59 billion), and \$13.38 billion of collateral and cash deposits to these entities, substantially all of which was to GS&Co., GSI, GSJCL and GS Bank USA, as of December 2017. In addition, as of December 2017, Group Inc. had significant amounts of capital invested in and loans to its other regulated subsidiaries.

**Contingency Funding Plan.** We maintain a contingency funding plan to provide a framework for analyzing and responding to a liquidity crisis situation or periods of market stress. Our contingency funding plan outlines a list of potential risk factors, key reports and metrics that are reviewed on an ongoing basis to assist in assessing the severity of, and managing through, a liquidity crisis and/or market dislocation. The contingency funding plan also describes in detail our potential responses if our assessments indicate that we have entered a liquidity crisis, which include pre-funding for what we estimate will be our potential cash and collateral needs, as well as utilizing secondary sources of liquidity. Mitigants and action items to address specific risks which may arise are also described and assigned to individuals responsible for execution.



## Management's Discussion and Analysis

The contingency funding plan identifies key groups of individuals to foster effective coordination, control and distribution of information, all of which are critical in the management of a crisis or period of market stress. The contingency funding plan also details the responsibilities of these groups and individuals, which include making and disseminating key decisions, coordinating all contingency activities throughout the duration of the crisis or period of market stress, implementing liquidity maintenance activities and managing internal and external communication.

### Liquidity Stress Tests

In order to determine the appropriate size of our GCLA, we use an internal liquidity model, referred to as the Modeled Liquidity Outflow, which captures and quantifies our liquidity risks. We also consider other factors including, but not limited to, an assessment of our potential intraday liquidity needs through an additional internal liquidity model, referred to as the Intraday Liquidity Model, the results of our long-term stress testing models, our resolution liquidity models and other applicable regulatory requirements and a qualitative assessment of our condition, as well as the financial markets. The results of the Modeled Liquidity Outflow, the Intraday Liquidity Model, the long-term stress testing models and the resolution liquidity models are reported to senior management on a regular basis.

**Modeled Liquidity Outflow.** Our Modeled Liquidity Outflow is based on conducting multiple scenarios that include combinations of market-wide and firm-specific stress. These scenarios are characterized by the following qualitative elements:

- Severely challenged market environments, including low consumer and corporate confidence, financial and political instability, adverse changes in market values, including potential declines in equity markets and widening of credit spreads; and
- A firm-specific crisis potentially triggered by material losses, reputational damage, litigation, executive departure, and/or a ratings downgrade.

The following are the critical modeling parameters of the Modeled Liquidity Outflow:

- Liquidity needs over a 30-day scenario;
- A two-notch downgrade of our long-term senior unsecured credit ratings;
- A combination of contractual outflows, such as upcoming maturities of unsecured debt, and contingent outflows (e.g., actions though not contractually required, we may deem necessary in a crisis). We assume that most contingent outflows will occur within the initial days and weeks of a crisis;

- No issuance of equity or unsecured debt;
- No support from additional government funding facilities. Although we have access to various central bank funding programs, we do not assume reliance on additional sources of funding in a liquidity crisis; and
- No asset liquidation, other than the GCLA.

The potential contractual and contingent cash and collateral outflows covered in our Modeled Liquidity Outflow include:

### Unsecured Funding

- Contractual: All upcoming maturities of unsecured long-term debt, commercial paper, and other unsecured funding products. We assume that we will be unable to issue new unsecured debt or rollover any maturing debt.
- Contingent: Repurchases of our outstanding long-term debt, commercial paper and hybrid financial instruments in the ordinary course of business as a market maker.

### Deposits

- Contractual: All upcoming maturities of term deposits. We assume that we will be unable to raise new term deposits or rollover any maturing term deposits.
- Contingent: Partial withdrawals of deposits that have no contractual maturity. The withdrawal assumptions reflect, among other factors, the type of deposit, whether the deposit is insured or uninsured, and our relationship with the depositor.

### Secured Funding

- Contractual: A portion of upcoming contractual maturities of secured funding due to either the inability to refinance or the ability to refinance only at wider haircuts (i.e., on terms which require us to post additional collateral). Our assumptions reflect, among other factors, the quality of the underlying collateral, counterparty roll probabilities (our assessment of the counterparty's likelihood of continuing to provide funding on a secured basis at the maturity of the trade) and counterparty concentration.
- Contingent: Adverse changes in the value of financial assets pledged as collateral for financing transactions, which would necessitate additional collateral postings under those transactions.

### OTC Derivatives

- Contingent: Collateral postings to counterparties due to adverse changes in the value of our OTC derivatives, excluding those that are cleared and settled through central counterparties (OTC-cleared).

## Management's Discussion and Analysis

- **Contingent:** Other outflows of cash or collateral related to OTC derivatives, excluding OTC-cleared, including the impact of trade terminations, collateral substitutions, collateral disputes, loss of rehypothecation rights, collateral calls or termination payments required by a two-notch downgrade in our credit ratings, and collateral that has not been called by counterparties, but is available to them.

### **Exchange-Traded and OTC-cleared Derivatives**

- **Contingent:** Variation margin postings required due to adverse changes in the value of our outstanding exchange-traded and OTC-cleared derivatives.
- **Contingent:** An increase in initial margin and guaranty fund requirements by derivative clearing houses.

### **Customer Cash and Securities**

- **Contingent:** Liquidity outflows associated with our prime brokerage business, including withdrawals of customer credit balances, and a reduction in customer short positions, which may serve as a funding source for long positions.

### **Securities**

- **Contingent:** Liquidity outflows associated with a reduction or composition change in our short positions, which may serve as a funding source for long positions.

### **Unfunded Commitments**

- **Contingent:** Draws on our unfunded commitments. Draw assumptions reflect, among other things, the type of commitment and counterparty.

### **Other**

- Other upcoming large cash outflows, such as tax payments.

**Intraday Liquidity Model.** Our Intraday Liquidity Model measures our intraday liquidity needs using a scenario analysis characterized by the same qualitative elements as our Modeled Liquidity Outflow. The model assesses the risk of increased intraday liquidity requirements during a scenario where access to sources of intraday liquidity may become constrained.

The following are key modeling elements of the Intraday Liquidity Model:

- Liquidity needs over a one-day settlement period;
- Delays in receipt of counterparty cash payments;
- A reduction in the availability of intraday credit lines at our third-party clearing agents; and
- Higher settlement volumes due to an increase in activity.

**Long-Term Stress Testing.** We utilize longer-term stress tests to take a forward view on our liquidity position through prolonged stress periods in which we experience a severe liquidity stress and recover in an environment that continues to be challenging. We are focused on ensuring conservative asset-liability management to prepare for a prolonged period of potential stress, seeking to maintain a diversified funding profile with an appropriate tenor, taking into consideration the characteristics and liquidity profile of our assets.

We also perform stress tests on a regular basis as part of our routine risk management processes and conduct tailored stress tests on an ad hoc or product-specific basis in response to market developments.

**Resolution Liquidity Models.** In connection with our resolution planning efforts, we have established our RLAP framework, which estimates liquidity needs of our major subsidiaries in a stressed environment. The liquidity needs are measured using our Modeled Liquidity Outflow assumptions and include certain additional inter-affiliate exposures. We have also established our RLEN framework, which measures the liquidity needs of our major subsidiaries to stabilize and wind-down following a Group Inc. bankruptcy filing in accordance with our preferred resolution strategy.

In addition, we have established a triggers and alerts framework which is designed to provide the Board with information needed to make an informed decision on whether and when to commence bankruptcy proceedings for Group Inc.

### **Model Review and Validation**

Treasury regularly refines our Modeled Liquidity Outflow, Intraday Liquidity Model and our other stress testing models to reflect changes in market or economic conditions and our business mix. Any changes, including model assumptions, are assessed and approved by Liquidity Risk Management.

Model Risk Management is responsible for the independent review and validation of our liquidity models. See "Model Risk Management" for further information about the review and validation of these models.

### **Limits**

We use liquidity limits at various levels and across liquidity risk types to manage the size of our liquidity exposures. Limits are measured relative to acceptable levels of risk given our liquidity risk tolerance. The purpose of the firmwide limits is to assist senior management in monitoring and controlling our overall liquidity profile.

The Risk Committee of the Board and the Firmwide Finance Committee approve liquidity risk limits at the firmwide level. Limits are reviewed frequently and amended, with required approvals, on a permanent and temporary basis, as appropriate, to reflect changing market or business conditions.

Our liquidity risk limits are monitored by Treasury and Liquidity Risk Management. Treasury is responsible for identifying and escalating, on a timely basis, instances where limits have been exceeded.

### GCLA and Unencumbered Metrics

**GCLA.** Based on the results of our internal liquidity risk models, described above, as well as our consideration of other factors including, but not limited to, an assessment of our potential intraday liquidity needs and a qualitative assessment of our condition, as well as the financial markets, we believe our liquidity position as of both December 2017 and December 2016 was appropriate. We strictly limit our GCLA to a narrowly defined list of securities and cash because they are highly liquid, even in a difficult funding environment. We do not include other potential sources of excess liquidity in our GCLA, such as less liquid unencumbered securities or committed credit facilities.

The table below presents the average fair value of the securities and certain overnight cash deposits that are included in our GCLA.

<i>\$ in millions</i>	Average for the Year Ended December	
	2017	2016
U.S. dollar-denominated	\$155,020	\$155,123
Non-U.S. dollar-denominated	63,528	55,980
<b>Total</b>	<b>\$218,548</b>	<b>\$211,103</b>

The table below presents the average fair value of our GCLA by asset class.

<i>\$ in millions</i>	Average for the Year Ended December	
	2017	2016
Overnight cash deposits	\$ 93,617	\$ 92,336
U.S. government obligations	75,108	68,708
U.S. agency obligations	11,813	13,645
Non-U.S. government obligations	38,010	36,414
<b>Total</b>	<b>\$218,548</b>	<b>\$211,103</b>

In the tables above:

- The U.S. dollar-denominated GCLA consists of (i) unencumbered U.S. government and agency obligations (including highly liquid U.S. agency mortgage-backed obligations), all of which are eligible as collateral in Federal Reserve open market operations and (ii) certain overnight U.S. dollar cash deposits.
- The non-U.S. dollar-denominated GCLA consists of non-U.S. government obligations (only unencumbered German, French, Japanese and U.K. government obligations) and certain overnight cash deposits in highly liquid currencies.

The table below presents the average GCLA of Group Inc. and Funding IHC, and Group Inc.'s major broker-dealer and bank subsidiaries.

<i>\$ in millions</i>	Average for the Year Ended December	
	2017	2016
Group Inc. and Funding IHC	\$ 37,507	\$ 43,638
Major broker-dealer subsidiaries	98,160	86,519
Major bank subsidiaries	82,881	80,946
<b>Total</b>	<b>\$218,548</b>	<b>\$211,103</b>

We maintain our GCLA to enable us to meet current and potential liquidity requirements of our parent company, Group Inc., and its subsidiaries. Our Modeled Liquidity Outflow and Intraday Liquidity Model incorporate a consolidated requirement for Group Inc., as well as a standalone requirement for each of our major broker-dealer and bank subsidiaries. During the second quarter of 2017, in connection with our resolution plan, Group Inc. transferred substantially all of its GCLA to Funding IHC. Funding IHC is required to provide the necessary liquidity to Group Inc. during the ordinary course of business, and is also obligated to provide capital and liquidity support to major subsidiaries in the event of our material financial distress or failure. Liquidity held directly in each of our major broker-dealer and bank subsidiaries is intended for use only by that subsidiary to meet its liquidity requirements and is assumed not to be available to Group Inc. or Funding IHC unless (i) legally provided for and (ii) there are no additional regulatory, tax or other restrictions. In addition, the Modeled Liquidity Outflow and Intraday Liquidity Model also incorporate a broader assessment of standalone liquidity requirements for other subsidiaries and we hold a portion of our GCLA directly at Group Inc. or Funding IHC to support such requirements.

**Other Unencumbered Assets.** In addition to our GCLA, we have a significant amount of other unencumbered cash and financial instruments, including other government obligations, high-grade money market securities, corporate obligations, marginable equities, loans and cash deposits not included in our GCLA. The fair value of our unencumbered assets averaged \$158.41 billion and \$142.33 billion for 2017 and 2016, respectively. We do not consider these assets liquid enough to be eligible for our GCLA.

### Liquidity Regulatory Framework

As a BHC, we are subject to the U.S. federal bank regulatory agencies' LCR rule. The LCR rule requires organizations to maintain an adequate ratio of eligible high-quality liquid assets (HQLA) to expected net cash outflows under an acute short-term liquidity stress scenario. Eligible HQLA excludes HQLA held by subsidiaries that is in excess of their minimum requirement and is subject to transfer restrictions. We are required to maintain a minimum LCR of 100%.

The table below presents information about our average daily LCR.

<i>\$ in millions</i>	<b>Average for the Three Months Ended December 2017</b>
Total HQLA	<b>\$219,108</b>
Eligible HQLA	<b>\$162,829</b>
Net cash outflows	<b>\$123,518</b>
<b>LCR</b>	<b>132%</b>

We expect that fluctuations in client activity, business mix and the overall market environment will impact our average LCR in the future.

In addition, the U.S. federal bank regulatory agencies have issued a proposed rule that calls for a net stable funding ratio (NSFR) for large U.S. banking organizations. The proposal would require banking organizations to ensure they have access to stable funding over a one-year time horizon. The proposed rule includes quarterly disclosure of the ratio, as well as a description of the banking organization's stable funding sources. The U.S. federal bank regulatory agencies have not released the final rule. We expect that we will be compliant with the NSFR requirement by the effective date of the final rule.

The following is information on our subsidiary liquidity regulatory requirements:

- **GS Bank USA.** GS Bank USA is subject to minimum liquidity standards under the LCR rule approved by the U.S. federal bank regulatory agencies. As of December 2017, GS Bank USA's LCR exceeded the minimum requirement. The U.S. federal bank regulatory agencies' proposed NSFR requirement described above would also apply to GS Bank USA.
- **GSI.** The LCR rule issued by the U.K. regulatory authorities became effective in the U.K. on October 1, 2015, with a phase-in period whereby certain financial institutions, including GSI, were required to have an 80% minimum ratio initially, increasing to 90% on January 1, 2017 and 100% on January 1, 2018. GSI's average monthly LCR for the trailing twelve-month period ended December 2017 exceeded the minimum requirement.

- **Other Subsidiaries.** We monitor the local regulatory liquidity requirements of our subsidiaries to ensure compliance. For many of our subsidiaries, these requirements either have changed or are likely to change in the future due to the implementation of the Basel Committee's framework for liquidity risk measurement, standards and monitoring, as well as other regulatory developments.

The implementation of these rules, and any amendments adopted by the applicable regulatory authorities, could impact our liquidity and funding requirements and practices in the future.

### Credit Ratings

We rely on the short-term and long-term debt capital markets to fund a significant portion of our day-to-day operations and the cost and availability of debt financing is influenced by our credit ratings. Credit ratings are also important when we are competing in certain markets, such as OTC derivatives, and when we seek to engage in longer-term transactions. See "Risk Factors" in Part I, Item 1A of this Form 10-K for information about the risks associated with a reduction in our credit ratings.

The table below presents the unsecured credit ratings and outlook of Group Inc. by DBRS, Inc. (DBRS), Fitch, Inc. (Fitch), Moody's Investors Service (Moody's), Rating and Investment Information, Inc. (R&I), and Standard & Poor's Ratings Services (S&P).

	As of December 2017				
	DBRS	Fitch	Moody's	R&I	S&P
Short-term debt	<b>R-1 (middle)</b>	<b>F1</b>	<b>P-2</b>	<b>a-1</b>	<b>A-2</b>
Long-term debt	<b>A (high)</b>	<b>A</b>	<b>A3</b>	<b>A</b>	<b>BBB+</b>
Subordinated debt	<b>A</b>	<b>A-</b>	<b>Baa2</b>	<b>A-</b>	<b>BBB-</b>
Trust preferred	<b>A</b>	<b>BBB-</b>	<b>Baa3</b>	<b>N/A</b>	<b>BB</b>
Preferred stock	<b>BBB (high)</b>	<b>BB+</b>	<b>Ba1</b>	<b>N/A</b>	<b>BB</b>
Ratings outlook	<b>Stable</b>	<b>Stable</b>	<b>Stable</b>	<b>Stable</b>	<b>Stable</b>

In the table above:

- The ratings for trust preferred relate to the guaranteed preferred beneficial interests issued by Goldman Sachs Capital I.
- The DBRS, Fitch, Moody's and S&P ratings for preferred stock include the APEX issued by Goldman Sachs Capital II and Goldman Sachs Capital III.

**Management's Discussion and Analysis**

The table below presents the unsecured credit ratings and outlook of GS Bank USA, GSIB, GS&Co. and GSI, by Fitch, Moody's and S&P.

	As of December 2017		
	Fitch	Moody's	S&P
<b>GS Bank USA</b>			
Short-term debt	F1	P-1	A-1
Long-term debt	A+	A1	A+
Short-term bank deposits	F1+	P-1	N/A
Long-term bank deposits	AA-	A1	N/A
Ratings outlook	Stable	Stable	Stable
<b>GSIB</b>			
Short-term debt	F1	P-1	A-1
Long-term debt	A	A1	A+
Short-term bank deposits	F1	P-1	N/A
Long-term bank deposits	A	A1	N/A
Ratings outlook	Stable	Stable	Stable
<b>GS&amp;Co.</b>			
Short-term debt	F1	N/A	A-1
Long-term debt	A+	N/A	A+
Ratings outlook	Stable	N/A	Stable
<b>GSI</b>			
Short-term debt	F1	P-1	A-1
Long-term debt	A	A1	A+
Ratings outlook	Stable	Stable	Stable

We believe our credit ratings are primarily based on the credit rating agencies' assessment of:

- Our liquidity, market, credit and operational risk management practices;
- The level and variability of our earnings;
- Our capital base;
- Our franchise, reputation and management;
- Our corporate governance; and
- The external operating and economic environment, including, in some cases, the assumed level of government support or other systemic considerations, such as potential resolution.

Certain of our derivatives have been transacted under bilateral agreements with counterparties who may require us to post collateral or terminate the transactions based on changes in our credit ratings. We manage our GCLA to ensure we would, among other potential requirements, be able to make the additional collateral or termination payments that may be required in the event of a two-notch reduction in our long-term credit ratings, as well as collateral that has not been called by counterparties, but is available to them.

See Note 7 to the consolidated financial statements for further information about derivatives with credit-related contingent features and the additional collateral or termination payments related to our net derivative liabilities under bilateral agreements that could have been called by counterparties in the event of a one-notch and two-notch downgrade in our credit ratings.

**Cash Flows**

As a global financial institution, our cash flows are complex and bear little relation to our net earnings and net assets. Consequently, we believe that traditional cash flow analysis is less meaningful in evaluating our liquidity position than the liquidity and asset-liability management policies described above. Cash flow analysis may, however, be helpful in highlighting certain macro trends and strategic initiatives in our businesses.

**Year Ended December 2017.** Our cash and cash equivalents decreased by \$11.66 billion to \$110.05 billion at the end of 2017. We used \$17.74 billion in net cash for operating activities, reflecting a decrease in the net liability for receivables and payables due to client activity. We used \$29.12 billion in net cash for investing activities, primarily to fund loans receivable to corporate borrowers and loans backed by real estate and investments in U.S. government and agency obligations accounted for as available-for-sale securities. We generated \$35.20 billion in net cash from financing activities, primarily from net issuances of unsecured long-term borrowings and increases in institutional deposits and Marcus deposits, partially offset by repurchases of common stock.

**Year Ended December 2016.** Our cash and cash equivalents increased by \$28.27 billion to \$121.71 billion at the end of 2016. We generated \$9.27 billion in net cash from investing activities, primarily from net cash acquired in business acquisitions. We generated \$19.00 billion in net cash from financing activities and operating activities, primarily from increases in deposits and from net issuances of unsecured long-term borrowings, partially offset by repurchases of common stock.

**Year Ended December 2015.** Our cash and cash equivalents increased by \$18.41 billion to \$93.44 billion at the end of 2015. We used \$18.57 billion in net cash for investing activities, primarily due to funding of loans receivable. We generated \$36.99 billion in net cash from financing activities and operating activities primarily from net issuances of long-term borrowings and bank deposits, partially offset by repurchases of common stock.

## Market Risk Management

### Overview

Market risk is the risk of loss in the value of our inventory, as well as certain other financial assets and financial liabilities, due to changes in market conditions. We employ a variety of risk measures, each described in the respective sections below, to monitor market risk. We hold inventory primarily for market making for our clients and for our investing and lending activities. Our inventory therefore changes based on client demands and our investment opportunities. Our inventory is accounted for at fair value and therefore fluctuates on a daily basis, with the related gains and losses included in market making and other principal transactions. Categories of market risk include the following:

- Interest rate risk: results from exposures to changes in the level, slope and curvature of yield curves, the volatilities of interest rates, prepayment speeds and credit spreads;
- Equity price risk: results from exposures to changes in prices and volatilities of individual equities, baskets of equities and equity indices;
- Currency rate risk: results from exposures to changes in spot prices, forward prices and volatilities of currency rates; and
- Commodity price risk: results from exposures to changes in spot prices, forward prices and volatilities of commodities, such as crude oil, petroleum products, natural gas, electricity, and precious and base metals.

Market Risk Management, which is independent of the revenue-producing units and reports to our chief risk officer, has primary responsibility for assessing, monitoring and managing our market risk. We monitor and control risks through strong firmwide oversight and independent control and support functions across our global businesses.

Managers in revenue-producing units and Market Risk Management discuss market information, positions and estimated risk and loss scenarios on an ongoing basis. Managers in revenue-producing units are accountable for managing risk within prescribed limits. These managers have in-depth knowledge of their positions, markets and the instruments available to hedge their exposures.

### Market Risk Management Process

We manage our market risk by diversifying exposures, controlling position sizes and establishing economic hedges in related securities or derivatives. This process includes:

- Accurate and timely exposure information incorporating multiple risk metrics;
- A dynamic limit setting framework; and
- Constant communication among revenue-producing units, risk managers and senior management.

### Risk Measures

Market Risk Management produces risk measures and monitors them against established market risk limits. These measures reflect an extensive range of scenarios and the results are aggregated at product, business and firmwide levels.

We use a variety of risk measures to estimate the size of potential losses for both moderate and more extreme market moves over both short-term and long-term time horizons. Our primary risk measures are VaR, which is used for shorter-term periods, and stress tests. Our risk reports detail key risks, drivers and changes for each desk and business, and are distributed daily to senior management of both our revenue-producing units and our independent control and support functions.

**Value-at-Risk.** VaR is the potential loss in value due to adverse market movements over a defined time horizon with a specified confidence level. For assets and liabilities included in VaR, see "Financial Statement Linkages to Market Risk Measures." We typically employ a one-day time horizon with a 95% confidence level. We use a single VaR model which captures risks including interest rates, equity prices, currency rates and commodity prices. As such, VaR facilitates comparison across portfolios of different risk characteristics. VaR also captures the diversification of aggregated risk at the firmwide level.

We are aware of the inherent limitations to VaR and therefore use a variety of risk measures in our market risk management process. Inherent limitations to VaR include:

- VaR does not estimate potential losses over longer time horizons where moves may be extreme;
- VaR does not take account of the relative liquidity of different risk positions; and
- Previous moves in market risk factors may not produce accurate predictions of all future market moves.

## Management's Discussion and Analysis

When calculating VaR, we use historical simulations with full valuation of approximately 70,000 market factors. VaR is calculated at a position level based on simultaneously shocking the relevant market risk factors for that position. We sample from five years of historical data to generate the scenarios for our VaR calculation. The historical data is weighted so that the relative importance of the data reduces over time. This gives greater importance to more recent observations and reflects current asset volatilities, which improves the accuracy of our estimates of potential loss. As a result, even if our positions included in VaR were unchanged, our VaR would increase with increasing market volatility and vice versa.

Given its reliance on historical data, VaR is most effective in estimating risk exposures in markets in which there are no sudden fundamental changes or shifts in market conditions.

Our VaR measure does not include:

- Positions that are best measured and monitored using sensitivity measures; and
- The impact of changes in counterparty and our own credit spreads on derivatives, as well as changes in our own credit spreads on financial liabilities for which the fair value option was elected.

We perform daily backtesting of our VaR model (i.e., comparing daily net revenues for positions included in VaR to the VaR measure calculated as of the prior business day) at the firmwide level and for each of our businesses and major regulated subsidiaries.

**Stress Testing.** Stress testing is a method of determining the effect of various hypothetical stress scenarios. We use stress testing to examine risks of specific portfolios, as well as the potential impact of our significant risk exposures. We use a variety of stress testing techniques to calculate the potential loss from a wide range of market moves on our portfolios, including sensitivity analysis, scenario analysis and firmwide stress tests. The results of our various stress tests are analyzed together for risk management purposes.

Sensitivity analysis is used to quantify the impact of a market move in a single risk factor across all positions (e.g., equity prices or credit spreads) using a variety of defined market shocks, ranging from those that could be expected over a one-day time horizon up to those that could take many months to occur. We also use sensitivity analysis to quantify the impact of the default of any single entity, which captures the risk of large or concentrated exposures.

Scenario analysis is used to quantify the impact of a specified event, including how the event impacts multiple risk factors simultaneously. For example, for sovereign stress testing we calculate potential direct exposure associated with our sovereign inventory, as well as the corresponding debt, equity and currency exposures associated with our non-sovereign inventory that may be impacted by the sovereign distress. When conducting scenario analysis, we typically consider a number of possible outcomes for each scenario, ranging from moderate to severely adverse market impacts. In addition, these stress tests are constructed using both historical events and forward-looking hypothetical scenarios.

Firmwide stress testing combines market, credit, operational and liquidity risks into a single combined scenario. Firmwide stress tests are primarily used to assess capital adequacy as part of our capital planning and stress testing process; however, firmwide stress testing is also integrated into our risk governance framework. This includes selecting appropriate scenarios to use for our capital planning and stress testing process. See “Equity Capital Management and Regulatory Capital — Equity Capital Management” above for further information.

Unlike VaR measures, which have an implied probability because they are calculated at a specified confidence level, there is generally no implied probability that our stress test scenarios will occur. Instead, stress tests are used to model both moderate and more extreme moves in underlying market factors. When estimating potential loss, we generally assume that our positions cannot be reduced or hedged (although experience demonstrates that we are generally able to do so).

Stress test scenarios are conducted on a regular basis as part of our routine risk management process and on an ad hoc basis in response to market events or concerns. Stress testing is an important part of our risk management process because it allows us to quantify our exposure to tail risks, highlight potential loss concentrations, undertake risk/reward analysis, and assess and mitigate our risk positions.

**Limits.** We use risk limits at various levels (including firmwide, business and product) to govern our risk appetite by controlling the size of our exposures to market risk. Limits are set based on VaR and on a range of stress tests relevant to our exposures. Limits are reviewed frequently and amended on a permanent or temporary basis to reflect changing market conditions, business conditions or tolerance for risk.

## Management's Discussion and Analysis

The Risk Committee of the Board and the Risk Governance Committee (through delegated authority from the Firmwide Risk Committee) approve market risk limits and sub-limits at firmwide, business and product levels, consistent with our risk appetite statement. In addition, Market Risk Management (through delegated authority from the Risk Governance Committee) sets market risk limits and sub-limits at certain product and desk levels.

The purpose of the firmwide limits is to assist senior management in controlling our overall risk profile. Sub-limits are set below the approved level of risk limits. Sub-limits set the desired maximum amount of exposure that may be managed by any particular business on a day-to-day basis without additional levels of senior management approval, effectively leaving day-to-day decisions to individual desk managers and traders. Accordingly, sub-limits are a management tool designed to ensure appropriate escalation rather than to establish maximum risk tolerance. Sub-limits also distribute risk among various businesses in a manner that is consistent with their level of activity and client demand, taking into account the relative performance of each area.

Our market risk limits are monitored daily by Market Risk Management, which is responsible for identifying and escalating, on a timely basis, instances where limits have been exceeded.

When a risk limit has been exceeded (e.g., due to positional changes or changes in market conditions, such as increased volatilities or changes in correlations), it is escalated to senior managers in Market Risk Management and/or the appropriate risk committee. Such instances are remediated by an inventory reduction and/or a temporary or permanent increase to the risk limit.

### Model Review and Validation

Our VaR and stress testing models are regularly reviewed by Market Risk Management and enhanced in order to incorporate changes in the composition of positions included in our market risk measures, as well as variations in market conditions. Prior to implementing significant changes to our assumptions and/or models, Model Risk Management performs model validations. Significant changes to our VaR and stress testing models are reviewed with our chief risk officer and chief financial officer, and approved by the Firmwide Risk Committee.

See "Model Risk Management" for further information about the review and validation of these models.

### Systems

We have made a significant investment in technology to monitor market risk including:

- An independent calculation of VaR and stress measures;
- Risk measures calculated at individual position levels;
- Attribution of risk measures to individual risk factors of each position;
- The ability to report many different views of the risk measures (e.g., by desk, business, product type or entity); and
- The ability to produce ad hoc analyses in a timely manner.

### Metrics

We analyze VaR at the firmwide level and a variety of more detailed levels, including by risk category, business, and region. The tables below present average daily VaR and period-end VaR, as well as the high and low VaR for the period. Diversification effect in the tables below represents the difference between total VaR and the sum of the VaRs for the four risk categories. This effect arises because the four market risk categories are not perfectly correlated.

The table below presents average daily VaR by risk category.

<i>\$ in millions</i>	Year Ended December		
	2017	2016	2015
Interest rates	\$ 40	\$ 45	\$ 47
Equity prices	24	25	26
Currency rates	12	21	30
Commodity prices	13	17	20
Diversification effect	(35)	(45)	(47)
<b>Total</b>	<b>\$ 54</b>	<b>\$ 63</b>	<b>\$ 76</b>

Our average daily VaR decreased to \$54 million in 2017 from \$63 million in 2016, due to reductions across all risk categories, partially offset by a decrease in the diversification effect. The overall decrease was primarily due to lower levels of volatility.

Our average daily VaR decreased to \$63 million in 2016 from \$76 million in 2015, due to reductions across all risk categories, partially offset by a decrease in the diversification effect. The overall decrease was primarily due to reduced exposures.



The table below presents period-end VaR by risk category.

<i>\$ in millions</i>	As of December		
	2017	2016	2015
Interest rates	\$ 48	\$ 45	\$ 43
Equity prices	31	34	24
Currency rates	7	23	31
Commodity prices	9	19	17
Diversification effect	(30)	(39)	(48)
<b>Total</b>	<b>\$ 65</b>	<b>\$ 82</b>	<b>\$ 67</b>

Our daily VaR decreased to \$65 million as of December 2017 from \$82 million as of December 2016, primarily due to reductions in the currency rates, commodity prices and equity prices categories, partially offset by a decrease in the diversification effect and an increase in the interest rates category. The overall decrease was primarily due to lower levels of volatility.

Our daily VaR increased to \$82 million as of December 2016 from \$67 million as of December 2015, primarily due to an increase in the equity prices category and a decrease in the diversification effect, partially offset by a decrease in the currency rates category. The overall increase was primarily due to increased exposures.

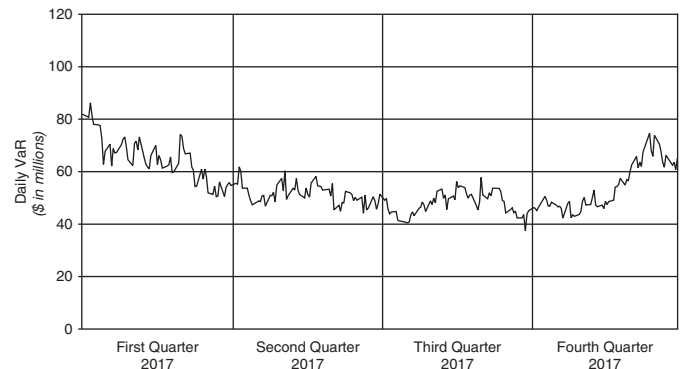
During 2017 and 2016, the firmwide VaR risk limit was not exceeded, raised or reduced. During 2015, the firmwide VaR risk limit was temporarily raised on two occasions in order to facilitate client transactions. Separately, in March 2015, the firmwide VaR risk limit was reduced, reflecting lower risk utilization over the prior year.

The table below presents high and low VaR by risk category.

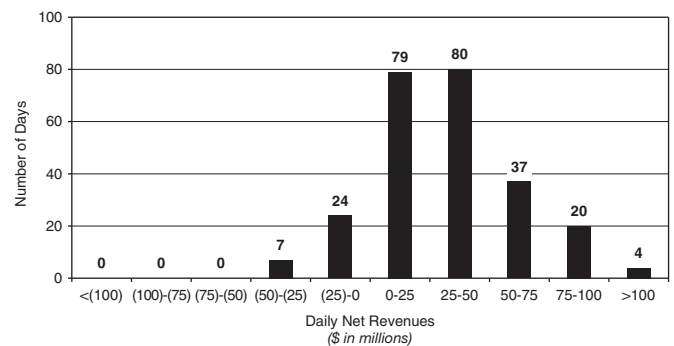
<i>\$ in millions</i>	Year Ended December 2017	
	High	Low
Interest rates	\$57	\$29
Equity prices	\$38	\$17
Currency rates	\$28	\$ 6
Commodity prices	\$27	\$ 7

The high and low total VaR was \$86 million and \$37 million, respectively, for the year ended December 2017.

The chart below reflects our daily VaR over the last four quarters.



The chart below presents the frequency distribution of our daily net revenues for positions included in VaR for 2017.



Daily net revenues for positions included in VaR are compared with VaR calculated as of the end of the prior business day. Net losses incurred on a single day for such positions did not exceed our 95% one-day VaR during 2017, 2016 and 2015 (i.e., a VaR exception).

During periods in which we have significantly more positive net revenue days than net revenue loss days, we expect to have fewer VaR exceptions because, under normal conditions, our business model generally produces positive net revenues. In periods in which our franchise revenues are adversely affected, we generally have more loss days, resulting in more VaR exceptions. The daily net revenues for positions included in VaR used to determine VaR exceptions reflect the impact of any intraday activity, including bid/offer net revenues, which are more likely than not to be positive by their nature.

### Sensitivity Measures

Certain portfolios and individual positions are not included in VaR because VaR is not the most appropriate risk measure. Other sensitivity measures we use to analyze market risk are described below.

**10% Sensitivity Measures.** The table below presents market risk for positions, accounted for at fair value, that are not included in VaR by asset category.

<i>\$ in millions</i>	As of December		
	2017	2016	2015
Equity	<b>\$2,096</b>	\$2,085	\$2,157
Debt	<b>1,606</b>	1,702	1,479
<b>Total</b>	<b>\$3,702</b>	\$3,787	\$3,636

In the table above:

- The market risk of these positions is determined by estimating the potential reduction in net revenues of a 10% decline in the value of these positions.
- Equity positions relate to private and restricted public equity securities, including interests in funds that invest in corporate equities and real estate and interests in hedge funds.
- Debt positions include interests in funds that invest in corporate mezzanine and senior debt instruments, loans backed by commercial and residential real estate, corporate bank loans and other corporate debt, including acquired portfolios of distressed loans.
- Equity and debt funded positions are included in our consolidated statements of financial condition in financial instruments owned. See Note 6 to the consolidated financial statements for further information about cash instruments.
- These measures do not reflect the diversification effect across asset categories or across other market risk measures.

### Credit Spread Sensitivity on Derivatives and Financial Liabilities.

VaR excludes the impact of changes in counterparty and our own credit spreads on derivatives, as well as changes in our own credit spreads (debt valuation adjustment) on financial liabilities for which the fair value option was elected. The estimated sensitivity to a one basis point increase in credit spreads (counterparty and our own) on derivatives was a gain of \$3 million and \$2 million (including hedges) as of December 2017 and December 2016, respectively. In addition, the estimated sensitivity to a one basis point increase in our own credit spreads on financial liabilities for which the fair value option was elected was a gain of \$35 million and \$25 million as of December 2017 and December 2016, respectively. However, the actual net impact of a change in our own credit spreads is also affected by the liquidity, duration and convexity (as the sensitivity is not linear to changes in yields) of those financial liabilities for which the fair value option was elected, as well as the relative performance of any hedges undertaken.

**Interest Rate Sensitivity.** Loans receivable as of December 2017 and December 2016 were \$65.93 billion and \$49.67 billion, respectively, substantially all of which had floating interest rates. As of December 2017 and December 2016, the estimated sensitivity to a 100 basis point increase in interest rates on such loans was \$527 million and \$405 million, respectively, of additional interest income over a twelve-month period, which does not take into account the potential impact of an increase in costs to fund such loans. See Note 9 to the consolidated financial statements for further information about loans receivable.

### Other Market Risk Considerations

As of December 2017 and December 2016, we had commitments and held loans for which we have obtained credit loss protection from Sumitomo Mitsui Financial Group, Inc. See Note 18 to the consolidated financial statements for further information about such lending commitments.

In addition, we make investments in securities that are accounted for as available-for-sale and included in financial instruments owned in the consolidated statements of financial condition. See Note 6 to the consolidated financial statements for further information.

We also make investments accounted for under the equity method and we also make direct investments in real estate, both of which are included in other assets. Direct investments in real estate are accounted for at cost less accumulated depreciation. See Note 13 to the consolidated financial statements for further information about other assets.

## Management's Discussion and Analysis

### Financial Statement Linkages to Market Risk Measures

We employ a variety of risk measures, each described in the respective sections above, to monitor market risk across the consolidated statements of financial condition and consolidated statements of earnings. The related gains and losses on these positions are included in market making, other principal transactions, interest income and interest expense in the consolidated statements of earnings, and debt valuation adjustment in the consolidated statements of comprehensive income.

The table below presents certain categories in our consolidated statements of financial condition and the market risk measures used to assess those assets and liabilities. Certain categories in the consolidated statements of financial condition are incorporated in more than one risk measure.

Categories in the Consolidated Statements of Financial Condition	Market Risk Measures
Collateralized agreements	VaR
Receivables	VaR Interest Rate Sensitivity
Financial instruments owned	VaR 10% Sensitivity Measures Credit Spread Sensitivity — Derivatives
Deposits, at fair value	Credit Spread Sensitivity — Financial Liabilities
Collateralized financings	VaR
Financial instruments sold, but not yet purchased	VaR Credit Spread Sensitivity — Derivatives
Unsecured short-term and long-term borrowings, at fair value	VaR Credit Spread Sensitivity — Financial Liabilities

## Credit Risk Management

### Overview

Credit risk represents the potential for loss due to the default or deterioration in credit quality of a counterparty (e.g., an OTC derivatives counterparty or a borrower) or an issuer of securities or other instruments we hold. Our exposure to credit risk comes mostly from client transactions in OTC derivatives and loans and lending commitments. Credit risk also comes from cash placed with banks, securities financing transactions (i.e., resale and repurchase agreements and securities borrowing and lending activities) and receivables from brokers, dealers, clearing organizations, customers and counterparties.

Credit Risk Management, which is independent of the revenue-producing units and reports to our chief risk officer, has primary responsibility for assessing, monitoring and managing credit risk. The Firmwide Risk Committee and the Risk Governance Committee establish and review credit policies and parameters. In addition, we hold other positions that give rise to credit risk (e.g., bonds held in our inventory and secondary bank loans). These credit risks are captured as a component of market risk measures, which are monitored and managed by Market Risk Management, consistent with other inventory positions. We also enter into derivatives to manage market risk exposures. Such derivatives also give rise to credit risk, which is monitored and managed by Credit Risk Management.

### Credit Risk Management Process

Effective management of credit risk requires accurate and timely information, a high level of communication and knowledge of customers, countries, industries and products. Our process for managing credit risk includes:

- Approving transactions and setting and communicating credit exposure limits;
- Establishing or approving underwriting standards;
- Monitoring compliance with established credit exposure limits;
- Assessing the likelihood that a counterparty will default on its payment obligations;
- Measuring our current and potential credit exposure and losses resulting from counterparty default;
- Reporting of credit exposures to senior management, the Board and regulators;
- Using credit risk mitigants, including collateral and hedging; and
- Communicating and collaborating with other independent control and support functions such as operations, legal and compliance.

As part of the risk assessment process, Credit Risk Management performs credit reviews, which include initial and ongoing analyses of our counterparties. For substantially all of our credit exposures, the core of our process is an annual counterparty credit review. A credit review is an independent analysis of the capacity and willingness of a counterparty to meet its financial obligations, resulting in an internal credit rating. The determination of internal credit ratings also incorporates assumptions with respect to the nature of and outlook for the counterparty's industry, and the economic environment. Senior personnel within Credit Risk Management, with expertise in specific industries, inspect and approve credit reviews and internal credit ratings.

## Management's Discussion and Analysis

Our risk assessment process may also include, where applicable, reviewing certain key metrics, such as delinquency status, collateral values, FICO credit scores and other risk factors.

Our global credit risk management systems capture credit exposure to individual counterparties and on an aggregate basis to counterparties and their subsidiaries (economic groups). These systems also provide management with comprehensive information on our aggregate credit risk by product, internal credit rating, industry, country and region.

### Risk Measures and Limits

We measure our credit risk based on the potential loss in the event of non-payment by a counterparty using current and potential exposure. For derivatives and securities financing transactions, current exposure represents the amount presently owed to us after taking into account applicable netting and collateral arrangements, while potential exposure represents our estimate of the future exposure that could arise over the life of a transaction based on market movements within a specified confidence level. Potential exposure also takes into account netting and collateral arrangements. For loans and lending commitments, the primary measure is a function of the notional amount of the position.

We use credit limits at various levels (e.g., counterparty, economic group, industry and country), as well as underwriting standards to control the size and nature of our credit exposures. Limits for counterparties and economic groups are reviewed regularly and revised to reflect changing risk appetites for a given counterparty or group of counterparties. Limits for industries and countries are based on our risk tolerance and are designed to allow for regular monitoring, review, escalation and management of credit risk concentrations.

The Risk Committee of the Board and the Risk Governance Committee (through delegated authority from the Firmwide Risk Committee) approve credit risk limits at firmwide, business and product levels, consistent with our risk appetite statement. Credit Risk Management (through delegated authority from the Risk Governance Committee) sets credit limits for individual counterparties, economic groups, industries and countries. Policies authorized by the Firmwide Risk Committee and the Risk Governance Committee prescribe the level of formal approval required for us to assume credit exposure to a counterparty across all product areas, taking into account any applicable netting provisions, collateral or other credit risk mitigants.

### Stress Tests

We use regular stress tests to calculate the credit exposures, including potential concentrations that would result from applying shocks to counterparty credit ratings or credit risk factors (e.g., currency rates, interest rates, equity prices). These shocks include a wide range of moderate and more extreme market movements. Some of our stress tests include shocks to multiple risk factors, consistent with the occurrence of a severe market or economic event. In the case of sovereign default, we estimate the direct impact of the default on our sovereign credit exposures, changes to our credit exposures arising from potential market moves in response to the default, and the impact of credit market deterioration on corporate borrowers and counterparties that may result from the sovereign default. Unlike potential exposure, which is calculated within a specified confidence level, with a stress test there is generally no assumed probability of these events occurring.

We perform stress tests on a regular basis as part of our routine risk management processes and conduct tailored stress tests on an ad hoc basis in response to market developments. Stress tests are conducted jointly with our market and liquidity risk functions.

### Model Review and Validation

Our potential credit exposure and stress testing models, and any changes to such models or assumptions, are reviewed by Model Risk Management. See "Model Risk Management" for further information about the review and validation of these models.

### Risk Mitigants

To reduce our credit exposures on derivatives and securities financing transactions, we may enter into netting agreements with counterparties that permit us to offset receivables and payables with such counterparties. We may also reduce credit risk with counterparties by entering into agreements that enable us to obtain collateral from them on an upfront or contingent basis and/or to terminate transactions if the counterparty's credit rating falls below a specified level. We monitor the fair value of the collateral on a daily basis to ensure that our credit exposures are appropriately collateralized. We seek to minimize exposures where there is a significant positive correlation between the creditworthiness of our counterparties and the market value of collateral we receive.

For loans and lending commitments, depending on the credit quality of the borrower and other characteristics of the transaction, we employ a variety of potential risk mitigants. Risk mitigants include collateral provisions, guarantees, covenants, structural seniority of the bank loan claims and, for certain lending commitments, provisions in the legal documentation that allow us to adjust loan amounts, pricing, structure and other terms as market conditions change. The type and structure of risk mitigants employed can significantly influence the degree of credit risk involved in a loan or lending commitment.

When we do not have sufficient visibility into a counterparty's financial strength or when we believe a counterparty requires support from its parent, we may obtain third-party guarantees of the counterparty's obligations. We may also mitigate our credit risk using credit derivatives or participation agreements.

### Credit Exposures

As of December 2017, our aggregate credit exposure increased as compared with December 2016, primarily reflecting an increase in loans and lending commitments. The percentage of our credit exposures arising from non-investment-grade counterparties (based on our internally determined public rating agency equivalents) increased as compared with December 2016, primarily reflecting an increase in non-investment-grade loans and lending commitments. Our credit exposure to counterparties that defaulted during 2017 was higher as compared with our credit exposure to counterparties that defaulted during the prior year, and substantially all of such exposure related to loans and lending commitments. Our credit exposure to counterparties that defaulted during 2017 remained low, representing less than 0.5% of our total credit exposure, and estimated losses, while higher compared with the prior year, were still not material. Our credit exposures are described further below.

**Cash and Cash Equivalents.** Our credit exposure on cash and cash equivalents arises from our unrestricted cash, and includes both interest-bearing and non-interest-bearing deposits. To mitigate the risk of credit loss, we place substantially all of our deposits with highly-rated banks and central banks.

The table below presents our credit exposure related to unrestricted cash and cash equivalents by industry, region and credit quality.

<i>\$ in millions</i>	Cash as of December	
	2017	2016
<b>Credit Exposure by Industry</b>		
Funds	\$ –	\$ 138
Financial Institutions	15,609	11,836
Sovereign	76,000	95,092
<b>Total</b>	<b>\$91,609</b>	<b>\$107,066</b>
<b>Credit Exposure by Region</b>		
Americas	\$58,300	\$ 80,381
EMEA	20,625	16,099
Asia	12,684	10,586
<b>Total</b>	<b>\$91,609</b>	<b>\$107,066</b>
<b>Credit Exposure by Credit Quality (Credit Rating Equivalent)</b>		
AAA	\$65,972	\$ 83,899
AA	7,939	8,784
A	16,422	13,344
BBB	1,060	971
BB or lower	216	68
<b>Total</b>	<b>\$91,609</b>	<b>\$107,066</b>

The table above excludes cash segregated for regulatory and other purposes of \$18.44 billion and \$14.65 billion as of December 2017 and December 2016, respectively.

**OTC Derivatives.** Our credit exposure on OTC derivatives arises primarily from our market-making activities. As a market maker, we enter into derivative transactions to provide liquidity to clients and to facilitate the transfer and hedging of their risks. We also enter into derivatives to manage market risk exposures. We manage our credit exposure on OTC derivatives using the credit risk process, measures, limits and risk mitigants described above.

Derivatives are reported on a net-by-counterparty basis (i.e., the net payable or receivable for derivative assets and liabilities for a given counterparty) when a legal right of setoff exists under an enforceable netting agreement (counterparty netting). Derivatives are accounted for at fair value, net of cash collateral received or posted under enforceable credit support agreements (cash collateral netting). We generally enter into OTC derivatives transactions under bilateral collateral arrangements that require the daily exchange of collateral. As credit risk is an essential component of fair value, we include a credit valuation adjustment (CVA) in the fair value of derivatives to reflect counterparty credit risk, as described in Note 7 to the consolidated financial statements. CVA is a function of the present value of expected exposure, the probability of counterparty default and the assumed recovery upon default.

The table below presents our credit exposure related to OTC derivatives by industry and region.

\$ in millions	OTC Derivatives as of December	
	2017	2016
<b>Credit Exposure by Industry</b>		
Funds	\$11,288	\$ 13,294
Financial Institutions	10,997	14,116
Consumer, Retail & Healthcare	823	773
Sovereign	7,668	7,019
Municipalities & Nonprofit	2,696	2,959
Natural Resources & Utilities	4,344	3,707
Real Estate	293	85
Technology, Media & Telecommunications	2,074	4,188
Diversified Industrials	2,225	2,529
Other (including Special Purpose Vehicles)	2,628	2,455
<b>Total</b>	<b>\$45,036</b>	<b>\$ 51,125</b>
<b>Credit Exposure by Region</b>		
Americas	\$15,101	\$ 19,629
EMEA	26,447	26,536
Asia	3,488	4,960
<b>Total</b>	<b>\$45,036</b>	<b>\$ 51,125</b>

The table below presents the distribution of our credit exposure to OTC derivatives by tenor, both before and after the effect of collateral and netting agreements.

\$ in millions	Investment-Grade	Non-Investment-Grade / Unrated	Total
Less than 1 year	\$ 16,232	\$ 4,854	\$ 21,086
1 - 5 years	23,817	5,465	29,282
Greater than 5 years	62,103	4,441	66,544
Total	102,152	14,760	116,912
Netting	(65,039)	(6,837)	(71,876)
<b>OTC derivative assets</b>	<b>\$ 37,113</b>	<b>\$ 7,923</b>	<b>\$ 45,036</b>
<b>Net credit exposure</b>	<b>\$ 22,366</b>	<b>\$ 7,248</b>	<b>\$ 29,614</b>
<b>As of December 2016</b>			
Less than 1 year	\$ 24,840	\$ 3,983	\$ 28,823
1 - 5 years	30,801	3,676	34,477
Greater than 5 years	85,951	4,599	90,550
Total	141,592	12,258	153,850
Netting	(96,493)	(6,232)	(102,725)
<b>OTC derivative assets</b>	<b>\$ 45,099</b>	<b>\$ 6,026</b>	<b>\$ 51,125</b>
<b>Net credit exposure</b>	<b>\$ 28,879</b>	<b>\$ 4,922</b>	<b>\$ 33,801</b>

In the table above:

- Tenor is based on expected duration for mortgage-related credit derivatives and generally on remaining contractual maturity for other derivatives.
- Counterparty netting within the same tenor category is included within such tenor category. Counterparty netting across tenor categories, as well as cash collateral received under enforceable credit support agreements, is included in netting.

- Net credit exposure represents OTC derivative assets, included in financial instruments owned, less cash collateral and the fair value of securities collateral, primarily U.S. government and agency obligations and non-U.S. government and agency obligations, received under credit support agreements, which management considers when determining credit risk, but such collateral is not eligible for netting under U.S. GAAP.

The tables below present the distribution of our credit exposure to OTC derivatives by tenor and our internally determined public rating agency equivalents.

\$ in millions	Investment-Grade				Total
	AAA	AA	A	BBB	
<b>As of December 2017</b>					
Less than 1 year	\$ 663	\$ 3,028	\$ 7,806	\$ 4,735	\$ 16,232
1 - 5 years	1,231	4,770	11,975	5,841	23,817
Greater than 5 years	3,263	16,990	21,857	19,993	62,103
Total	5,157	24,788	41,638	30,569	102,152
Netting	(2,678)	(11,131)	(32,143)	(19,087)	(65,039)
<b>OTC derivative assets</b>	<b>\$ 2,479</b>	<b>\$ 13,657</b>	<b>\$ 9,495</b>	<b>\$ 11,482</b>	<b>\$ 37,113</b>
<b>Net credit exposure</b>	<b>\$ 2,245</b>	<b>\$ 8,140</b>	<b>\$ 5,077</b>	<b>\$ 6,904</b>	<b>\$ 22,366</b>

<b>As of December 2016</b>					
Less than 1 year	\$ 332	\$ 4,907	\$ 12,595	\$ 7,006	\$ 24,840
1 - 5 years	862	6,898	12,814	10,227	30,801
Greater than 5 years	3,182	42,400	19,682	20,687	85,951
Total	4,376	54,205	45,091	37,920	141,592
Netting	(1,860)	(40,095)	(31,644)	(22,894)	(96,493)
<b>OTC derivative assets</b>	<b>\$ 2,516</b>	<b>\$ 14,110</b>	<b>\$ 13,447</b>	<b>\$ 15,026</b>	<b>\$ 45,099</b>
<b>Net credit exposure</b>	<b>\$ 2,283</b>	<b>\$ 8,366</b>	<b>\$ 8,401</b>	<b>\$ 9,829</b>	<b>\$ 28,879</b>

\$ in millions	Non-Investment-Grade / Unrated		
	BB or lower	Unrated	Total
<b>As of December 2017</b>			
Less than 1 year	\$ 4,603	\$ 251	\$ 4,854
1 - 5 years	5,458	7	5,465
Greater than 5 years	4,401	40	4,441
Total	14,462	298	14,760
Netting	(6,814)	(23)	(6,837)
<b>OTC derivative assets</b>	<b>\$ 7,648</b>	<b>\$ 275</b>	<b>\$ 7,923</b>
<b>Net credit exposure</b>	<b>\$ 7,044</b>	<b>\$ 204</b>	<b>\$ 7,248</b>

<b>As of December 2016</b>			
Less than 1 year	\$ 3,661	\$ 322	\$ 3,983
1 - 5 years	3,653	23	3,676
Greater than 5 years	4,437	162	4,599
Total	11,751	507	12,258
Netting	(6,207)	(25)	(6,232)
<b>OTC derivative assets</b>	<b>\$ 5,544</b>	<b>\$ 482</b>	<b>\$ 6,026</b>
<b>Net credit exposure</b>	<b>\$ 4,569</b>	<b>\$ 353</b>	<b>\$ 4,922</b>

**Lending Activities.** We manage our lending activities using the credit risk process, measures, limits and risk mitigants described above. Other lending positions, including secondary trading positions, are risk-managed as a component of market risk.

**Management's Discussion and Analysis**

- **Commercial Lending.** Our commercial lending activities include lending to investment-grade and non-investment-grade corporate borrowers. Loans and lending commitments associated with these activities are principally used for operating liquidity and general corporate purposes or in connection with contingent acquisitions. Corporate loans may be secured or unsecured, depending on the loan purpose, the risk profile of the borrower and other factors. Our commercial lending activities also include extending loans to borrowers that are secured by commercial and other real estate.

The table below presents our credit exposure related to commercial loans and lending commitments by industry, region and credit quality.

<i>\$ in millions</i>	Loans and Lending Commitments as of December	
	2017	2016
<b>Credit Exposure by Industry</b>		
Funds	\$ 5,823	\$ 3,854
Financial Institutions	14,255	13,630
Consumer, Retail & Healthcare	44,558	30,007
Sovereign	1,020	902
Municipalities & Nonprofit	804	709
Natural Resources & Utilities	27,196	25,694
Real Estate	23,540	13,034
Technology, Media & Telecommunications	37,282	33,232
Diversified Industrials	25,686	20,847
Other (including Special Purpose Vehicles)	17,848	12,301
<b>Total</b>	<b>\$198,012</b>	<b>\$154,210</b>
<b>Credit Exposure by Region</b>		
Americas	\$143,668	\$115,145
EMEA	48,239	35,044
Asia	6,105	4,021
<b>Total</b>	<b>\$198,012</b>	<b>\$154,210</b>
<b>Credit Exposure by Credit Quality (Credit Rating Equivalent)</b>		
AAA	\$ 3,193	\$ 3,135
AA	8,799	8,375
A	33,055	29,227
BBB	63,225	43,151
BB or lower	89,243	69,745
Unrated	497	577
<b>Total</b>	<b>\$198,012</b>	<b>\$154,210</b>

- **Private Wealth Management and Retail Lending.** We extend loans and lending commitments to our Private Wealth Management clients that are primarily secured by residential real estate, securities or other assets. The fair value of the collateral received against such loans and lending commitments generally exceeds their carrying value. The gross exposure related to such loans and lending commitments was \$24.86 billion and \$22.51 billion as of December 2017 and December 2016, respectively. Our regional net credit exposure related to these activities was approximately 90% and 92% in the Americas, approximately 5% and 5% in EMEA, and approximately 5% and 3% in Asia as of December 2017 and December 2016, respectively.

In addition, we extend unsecured loans to retail clients through Marcus. The gross exposure related to such loans was \$1.91 billion and \$208 million as of December 2017 and December 2016, respectively. See Note 9 to the consolidated financial statements for further information about the credit quality indicators of such loans.

We also purchase and have commitments to purchase loans (including distressed loans) and securities. Such loans and securities are primarily backed by residential real estate. The gross exposure related to such loans and lending commitments was \$10.24 billion and \$5.38 billion as of December 2017 and December 2016, respectively. Our regional net credit exposure related to these activities was approximately 74% and 79% in the Americas and approximately 26% and 21% in EMEA as of December 2017 and December 2016, respectively.

**Securities Financing Transactions.** We enter into securities financing transactions in order to, among other things, facilitate client activities, invest excess cash, acquire securities to cover short positions and finance certain activities. We bear credit risk related to resale agreements and securities borrowed only to the extent that cash advanced or the value of securities pledged or delivered to the counterparty exceeds the value of the collateral received. We also have credit exposure on repurchase agreements and securities loaned to the extent that the value of securities pledged or delivered to the counterparty for these transactions exceeds the amount of cash or collateral received. Securities collateral obtained for securities financing transactions primarily includes U.S. government and agency obligations and non-U.S. government and agency obligations. We had \$29.07 billion and \$28.64 billion as of December 2017 and December 2016, respectively, of credit exposure related to securities financing transactions reflecting both netting agreements and collateral that management considers when determining credit risk. As of both December 2017 and December 2016, substantially all of our credit exposure related to securities financing transactions was with investment-grade financial institutions, funds, governments and municipalities and nonprofits, primarily located in the Americas and EMEA.

## Management's Discussion and Analysis

**Other Credit Exposures.** We are exposed to credit risk from our receivables from brokers, dealers and clearing organizations and customers and counterparties. Receivables from brokers, dealers and clearing organizations primarily consist of initial margin placed with clearing organizations and receivables related to sales of securities which have traded, but not yet settled. These receivables generally have minimal credit risk due to the low probability of clearing organization default and the short-term nature of receivables related to securities settlements. Receivables from customers and counterparties generally consist of collateralized receivables related to customer securities transactions and generally have minimal credit risk due to both the value of the collateral received and the short-term nature of these receivables. Our net credit exposure related to these activities was \$34.32 billion and \$31.39 billion as of December 2017 and December 2016, respectively, and primarily consisted of initial margin (both cash and securities) placed with investment-grade clearing organizations. Our regional net credit exposure related to these activities was approximately 41% and 44% in the Americas, approximately 49% and 42% in EMEA, and approximately 10% and 14% in Asia as of December 2017 and December 2016, respectively.

### Selected Exposures

We have credit and market exposures, as described below, that have had heightened focus due to recent events and broad market concerns. Credit exposure represents the potential for loss due to the default or deterioration in credit quality of a counterparty or borrower. Market exposure represents the potential for loss in value of our long and short inventory due to changes in market prices.

The debt crisis in Mozambique has resulted in credit rating downgrades and Venezuela has delayed payments on its sovereign debt. Our total credit and market exposure to each of Mozambique and Venezuela as of December 2017 was not material.

We have a comprehensive framework to monitor, measure and assess our country exposures and to determine our risk appetite. We determine the country of risk by the location of the counterparty, issuer or underlier's assets, where they generate revenue, the country in which they are headquartered, the jurisdiction where a claim against them could be enforced, and/or the government whose policies affect their ability to repay their obligations. We monitor our credit exposure to a specific country both at the individual counterparty level, as well as at the aggregate country level.

We use regular stress tests, described above, to calculate the credit exposures, including potential concentrations that would result from applying shocks to counterparty credit ratings or credit risk factors. To supplement these regular stress tests, we also conduct tailored stress tests on an ad hoc basis in response to specific market events that we deem significant. These stress tests are designed to estimate the direct impact of the event on our credit and market exposures resulting from shocks to risk factors including, but not limited to, currency rates, interest rates, and equity prices. We also utilize these stress tests to estimate the indirect impact of certain hypothetical events on our country exposures, such as the impact of credit market deterioration on corporate borrowers and counterparties along with the shocks to the risk factors described above. The parameters of these shocks vary based on the scenario reflected in each stress test. We review estimated losses produced by the stress tests in order to understand their magnitude, highlight potential loss concentrations, and assess and mitigate our exposures where necessary.

See "Stress Tests" above, "Liquidity Risk Management — Liquidity Stress Tests" and "Market Risk Management — Market Risk Management Process — Stress Testing" for further information about stress tests.

## Operational Risk Management

### Overview

Operational risk is the risk of an adverse outcome resulting from inadequate or failed internal processes, people, systems or from external events. Our exposure to operational risk arises from routine processing errors, as well as extraordinary incidents, such as major systems failures or legal and regulatory matters.

Potential types of loss events related to internal and external operational risk include:

- Clients, products and business practices;
- Execution, delivery and process management;
- Business disruption and system failures;
- Employment practices and workplace safety;
- Damage to physical assets;
- Internal fraud; and
- External fraud.



## Management's Discussion and Analysis

We maintain a comprehensive control framework designed to provide a well-controlled environment to minimize operational risks. The Firmwide Conduct and Operational Risk Committee is globally responsible for the ongoing approval and monitoring of the frameworks, policies, parameters and limits which govern our operational risks. Operational Risk Management is a risk management function independent of our revenue-producing units, reports to our chief risk officer, and is responsible for developing and implementing policies, methodologies and a formalized framework for operational risk management with the goal of maintaining our exposure to operational risk at levels that are within our risk appetite.

### Operational Risk Management Process

Managing operational risk requires timely and accurate information, as well as a strong control culture. We seek to manage our operational risk through:

- Training, supervision and development of our people;
- Active participation of senior management in identifying and mitigating our key operational risks;
- Independent control and support functions that monitor operational risk on a daily basis, and implementation of extensive policies and procedures, and controls designed to prevent the occurrence of operational risk events;
- Proactive communication between our revenue-producing units and our independent control and support functions; and
- A network of systems to facilitate the collection of data used to analyze and assess our operational risk exposure.

We combine top-down and bottom-up approaches to manage and measure operational risk. From a top-down perspective, our senior management assesses firmwide and business-level operational risk profiles. From a bottom-up perspective, revenue-producing units and independent control and support functions are responsible for risk identification and risk management on a day-to-day basis, including escalating operational risks to senior management.

Our operational risk management framework is in part designed to comply with the operational risk measurement rules under the Capital Framework and has evolved based on the changing needs of our businesses and regulatory guidance.

Our operational risk management framework consists of the following practices:

- Risk identification and assessment;
- Risk measurement; and
- Risk monitoring and reporting.

### Risk Identification and Assessment

The core of our operational risk management framework is risk identification and assessment. We have a comprehensive data collection process, including firmwide policies and procedures, for operational risk events.

We have established policies that require our revenue-producing units and our independent control and support functions to report and escalate operational risk events. When operational risk events are identified, our policies require that the events be documented and analyzed to determine whether changes are required in our systems and/or processes to further mitigate the risk of future events.

In addition, our systems capture internal operational risk event data, key metrics such as transaction volumes, and statistical information such as performance trends. We use an internally developed operational risk management application to aggregate and organize this information. One of our key risk identification and assessment tools is an operational risk and control self-assessment process, which is performed by managers from both revenue-producing units and independent control and support functions. This process consists of the identification and rating of operational risks, on a forward-looking basis, and the related controls. The results from this process are analyzed to evaluate operational risk exposures and identify businesses, activities or products with heightened levels of operational risk.

### Risk Measurement

We measure our operational risk exposure over a twelve-month time horizon using both statistical modeling and scenario analyses, which involve qualitative and quantitative assessments of internal and external operational risk event data and internal control factors for each of our businesses. Operational risk measurement also incorporates an assessment of business environment factors including but not limited to:

- Evaluations of the complexity of our business activities;
- The degree of automation in our processes;
- New activity information;
- The legal and regulatory environment; and
- Changes in the markets for our products and services, including the diversity and sophistication of our customers and counterparties.

## Management's Discussion and Analysis

The results from these scenario analyses are used to monitor changes in operational risk and to determine business lines that may have heightened exposure to operational risk. These analyses ultimately are used in the determination of the appropriate level of operational risk capital to hold.

### Risk Monitoring and Reporting

We evaluate changes in our operational risk profile and our businesses, including changes in business mix or jurisdictions in which we operate, by monitoring the factors noted above at a firmwide level. We have both preventive and detective internal controls, which are designed to reduce the frequency and severity of operational risk losses and the probability of operational risk events. We monitor the results of assessments and independent internal audits of these internal controls.

We have established limits and thresholds consistent with our risk appetite statement, as well as escalation protocols. We provide periodic operational risk reports, which include instances that breach escalation thresholds, to senior management, risk committees and the Risk Committee of the Board.

### Model Review and Validation

The statistical models utilized by Operational Risk Management are subject to independent review and validation by Model Risk Management. See "Model Risk Management" for further information about the review and validation of these models.

## Model Risk Management

### Overview

Model risk is the potential for adverse consequences from decisions made based on model outputs that may be incorrect or used inappropriately. We rely on quantitative models across our business activities primarily to value certain financial assets and financial liabilities, to monitor and manage our risk, and to measure and monitor our regulatory capital.

Our model risk management framework is managed through a governance structure and risk management controls, which encompass standards designed to ensure we maintain a comprehensive model inventory, including risk assessment and classification, sound model development practices, independent review and model-specific usage controls. The Firmwide Model Risk Control Committee oversees our model risk management framework. Model Risk Management, which is independent of model developers, model owners and model users, reports to our chief risk officer, is responsible for identifying and reporting significant risks associated with models, and provides periodic updates to senior management, risk committees and the Risk Committee of the Board.

### Model Review and Validation

Model Risk Management consists of quantitative professionals who perform an independent review, validation and approval of our models. This review includes an analysis of the model documentation, independent testing, an assessment of the appropriateness of the methodology used, and verification of compliance with model development and implementation standards. Model Risk Management reviews all existing models on an annual basis, and approves new models or significant changes to models prior to implementation.

The model validation process incorporates a review of models and trade and risk parameters across a broad range of scenarios (including extreme conditions) in order to critically evaluate and verify:

- The model's conceptual soundness, including the reasonableness of model assumptions, and suitability for intended use;
- The testing strategy utilized by the model developers to ensure that the models function as intended;
- The suitability of the calculation techniques incorporated in the model;
- The model's accuracy in reflecting the characteristics of the related product and its significant risks;
- The model's consistency with models for similar products; and
- The model's sensitivity to input parameters and assumptions.

See "Critical Accounting Policies — Fair Value — Review of Valuation Models," "Liquidity Risk Management," "Market Risk Management," "Credit Risk Management" and "Operational Risk Management" for further information about our use of models within these areas.

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Quantitative and qualitative disclosures about market risk are set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management" in Part II, Item 7 of this Form 10-K.

## **Item 8. Financial Statements and Supplementary Data**

### **Management's Report on Internal Control over Financial Reporting**

Management of The Goldman Sachs Group, Inc., together with its consolidated subsidiaries (the firm), is responsible for establishing and maintaining adequate internal control over financial reporting. The firm's internal control over financial reporting is a process designed under the supervision of the firm's principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the firm's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

As of December 31, 2017, management conducted an assessment of the firm's internal control over financial reporting based on the framework established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined that the firm's internal control over financial reporting as of December 31, 2017 was effective.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the firm; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the firm's assets that could have a material effect on our financial statements.

The firm's internal control over financial reporting as of December 31, 2017 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing on page 103, which expresses an unqualified opinion on the effectiveness of the firm's internal control over financial reporting as of December 31, 2017.

# Report of Independent Registered Public Accounting Firm

To the Board of Directors and the Shareholders of The Goldman Sachs Group, Inc.:

## ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated statements of financial condition of The Goldman Sachs Group, Inc. and its subsidiaries (the Company) as of December 31, 2017 and 2016, and the related consolidated statements of earnings, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2017, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the COSO.

## ***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing on page 102. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

## ***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PRICEWATERHOUSECOOPERS LLP

New York, New York

February 23, 2018

We have served as the Company's auditor since 1922.

THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES  
**Consolidated Statements of Earnings**

	Year Ended December		
	2017	2016	2015
<i>in millions, except per share amounts</i>			
<b>Revenues</b>			
Investment banking	\$ 7,371	\$ 6,273	\$ 7,027
Investment management	5,803	5,407	5,868
Commissions and fees	3,051	3,208	3,320
Market making	7,660	9,933	9,523
Other principal transactions	5,256	3,200	5,018
Total non-interest revenues	29,141	28,021	30,756
Interest income	13,113	9,691	8,452
Interest expense	10,181	7,104	5,388
Net interest income	2,932	2,587	3,064
Net revenues, including net interest income	32,073	30,608	33,820
<b>Operating expenses</b>			
Compensation and benefits	11,853	11,647	12,678
Brokerage, clearing, exchange and distribution fees	2,540	2,555	2,576
Market development	588	457	557
Communications and technology	897	809	806
Depreciation and amortization	1,152	998	991
Occupancy	733	788	772
Professional fees	965	882	963
Other expenses	2,213	2,168	5,699
Total non-compensation expenses	9,088	8,657	12,364
Total operating expenses	20,941	20,304	25,042
Pre-tax earnings	11,132	10,304	8,778
Provision for taxes	6,846	2,906	2,695
Net earnings	4,286	7,398	6,083
Preferred stock dividends	601	311	515
<b>Net earnings applicable to common shareholders</b>	<b>\$ 3,685</b>	<b>\$ 7,087</b>	<b>\$ 5,568</b>
<b>Earnings per common share</b>			
Basic	\$ 9.12	\$ 16.53	\$ 12.35
Diluted	\$ 9.01	\$ 16.29	\$ 12.14
<b>Average common shares</b>			
Basic	401.6	427.4	448.9
Diluted	409.1	435.1	458.6

The accompanying notes are an integral part of these consolidated financial statements.

THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES  
**Consolidated Statements of Comprehensive Income**

<i>\$ in millions</i>	Year Ended December		
	2017	2016	2015
Net earnings	<b>\$4,286</b>	\$7,398	\$6,083
Other comprehensive income/(loss) adjustments, net of tax:			
Currency translation	<b>22</b>	(60)	(114)
Debt valuation adjustment	<b>(807)</b>	(544)	–
Pension and postretirement liabilities	<b>130</b>	(199)	139
Available-for-sale securities	<b>(9)</b>	–	–
Other comprehensive income/(loss)	<b>(664)</b>	(803)	25
<b>Comprehensive income</b>	<b>\$3,622</b>	\$6,595	\$6,108

The accompanying notes are an integral part of these consolidated financial statements.

THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES  
**Consolidated Statements of Financial Condition**

<i>\$ in millions</i>	As of December	
	2017	2016
<b>Assets</b>		
Cash and cash equivalents	<b>\$110,051</b>	\$121,711
Collateralized agreements:		
Securities purchased under agreements to resell (includes <b>\$120,420</b> and \$116,077 at fair value)	<b>120,822</b>	116,925
Securities borrowed (includes <b>\$78,189</b> and \$82,398 at fair value)	<b>190,848</b>	184,600
Receivables:		
Brokers, dealers and clearing organizations	<b>24,676</b>	18,044
Customers and counterparties (includes <b>\$3,526</b> and \$3,266 at fair value)	<b>60,112</b>	47,780
Loans receivable	<b>65,933</b>	49,672
Financial instruments owned (at fair value and includes <b>\$50,335</b> and \$51,278 pledged as collateral)	<b>315,988</b>	295,952
Other assets	<b>28,346</b>	25,481
<b>Total assets</b>	<b>\$916,776</b>	\$860,165
<b>Liabilities and shareholders' equity</b>		
Deposits (includes <b>\$22,902</b> and \$13,782 at fair value)	<b>\$138,604</b>	\$124,098
Collateralized financings:		
Securities sold under agreements to repurchase (at fair value)	<b>84,718</b>	71,816
Securities loaned (includes <b>\$5,357</b> and \$2,647 at fair value)	<b>14,793</b>	7,524
Other secured financings (includes <b>\$24,345</b> and \$21,073 at fair value)	<b>24,788</b>	21,523
Payables:		
Brokers, dealers and clearing organizations	<b>6,672</b>	4,386
Customers and counterparties	<b>171,497</b>	184,069
Financial instruments sold, but not yet purchased (at fair value)	<b>111,930</b>	117,143
Unsecured short-term borrowings (includes <b>\$16,904</b> and \$14,792 at fair value)	<b>46,922</b>	39,265
Unsecured long-term borrowings (includes <b>\$38,638</b> and \$29,410 at fair value)	<b>217,687</b>	189,086
Other liabilities and accrued expenses (includes <b>\$268</b> and \$621 at fair value)	<b>16,922</b>	14,362
Total liabilities	<b>834,533</b>	773,272
<b>Commitments, contingencies and guarantees</b>		
<b>Shareholders' equity</b>		
Preferred stock; aggregate liquidation preference of <b>\$11,853</b> and \$11,203	<b>11,853</b>	11,203
Common stock; <b>884,592,863</b> and 873,608,100 shares issued, and <b>374,808,805</b> and 392,632,230 shares outstanding	<b>9</b>	9
Share-based awards	<b>2,777</b>	3,914
Nonvoting common stock; no shares issued and outstanding	-	-
Additional paid-in capital	<b>53,357</b>	52,638
Retained earnings	<b>91,519</b>	89,039
Accumulated other comprehensive loss	<b>(1,880)</b>	(1,216)
Stock held in treasury, at cost; <b>509,784,060</b> and 480,975,872 shares	<b>(75,392)</b>	(68,694)
Total shareholders' equity	<b>82,243</b>	86,893
<b>Total liabilities and shareholders' equity</b>	<b>\$916,776</b>	\$860,165

The accompanying notes are an integral part of these consolidated financial statements.

**Consolidated Statements of Changes in Shareholders' Equity**

<i>\$ in millions</i>	Year Ended December		
	2017	2016	2015
<b>Preferred stock</b>			
Beginning balance	\$ 11,203	\$ 11,200	\$ 9,200
Issued	1,500	1,325	2,000
Redeemed	(850)	(1,322)	–
Ending balance	11,853	11,203	11,200
<b>Common stock</b>			
Beginning balance	9	9	9
Issued	–	–	–
Ending balance	9	9	9
<b>Share-based awards</b>			
Beginning balance, as previously reported	3,914	4,151	3,766
Cumulative effect of the change in accounting principle related to forfeiture of share-based awards	35	–	–
Beginning balance, adjusted	3,949	4,151	3,766
Issuance and amortization of share-based awards	1,810	2,143	2,308
Delivery of common stock underlying share-based awards	(2,704)	(2,068)	(1,742)
Forfeiture of share-based awards	(89)	(102)	(72)
Exercise of share-based awards	(189)	(210)	(109)
Ending balance	2,777	3,914	4,151
<b>Additional paid-in capital</b>			
Beginning balance	52,638	51,340	50,049
Delivery of common stock underlying share-based awards	2,934	2,282	2,092
Cancellation of share-based awards in satisfaction of withholding tax requirements	(2,220)	(1,121)	(1,198)
Preferred stock issuance costs, net of reversals upon redemption	8	(10)	(7)
Excess net tax benefit related to share-based awards	–	147	406
Cash settlement of share-based awards	(3)	–	(2)
Ending balance	53,357	52,638	51,340
<b>Retained earnings</b>			
Beginning balance, as previously reported	89,039	83,386	78,984
Cumulative effect of the change in accounting principle related to:			
Debt valuation adjustment, net of tax	–	(305)	–
Forfeiture of share-based awards, net of tax	(24)	–	–
Beginning balance, adjusted	89,015	83,081	78,984
Net earnings	4,286	7,398	6,083
Dividends and dividend equivalents declared on common stock and share-based awards	(1,181)	(1,129)	(1,166)
Dividends declared on preferred stock	(587)	(577)	(515)
Preferred stock redemption discount/(premium)	(14)	266	–
Ending balance	91,519	89,039	83,386
<b>Accumulated other comprehensive loss</b>			
Beginning balance, as previously reported	(1,216)	(718)	(743)
Cumulative effect of the change in accounting principle related to debt valuation adjustment, net of tax	–	305	–
Beginning balance, adjusted	(1,216)	(413)	(743)
Other comprehensive income/(loss)	(664)	(803)	25
Ending balance	(1,880)	(1,216)	(718)
<b>Stock held in treasury, at cost</b>			
Beginning balance	(68,694)	(62,640)	(58,468)
Repurchased	(6,721)	(6,069)	(4,195)
Reissued	34	22	32
Other	(11)	(7)	(9)
Ending balance	(75,392)	(68,694)	(62,640)
<b>Total shareholders' equity</b>	<b>\$ 82,243</b>	<b>\$ 86,893</b>	<b>\$ 86,728</b>

The accompanying notes are an integral part of these consolidated financial statements.



THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES  
**Consolidated Statements of Cash Flows**

<i>\$ in millions</i>	Year Ended December		
	2017	2016	2015
<b>Cash flows from operating activities</b>			
Net earnings	\$ 4,286	\$ 7,398	\$ 6,083
Adjustments to reconcile net earnings to net cash provided by/(used for) operating activities:			
Depreciation and amortization	1,152	998	991
Deferred income taxes	5,458	551	425
Share-based compensation	1,769	2,111	2,272
Loss/(gain) related to extinguishment of subordinated borrowings	(114)	3	(34)
Changes in operating assets and liabilities:			
Receivables and payables (excluding loans receivable), net	(30,082)	(15,813)	19,132
Collateralized transactions (excluding other secured financings), net	10,025	78	(14,825)
Financial instruments owned (excluding available-for-sale securities)	(11,327)	15,253	16,078
Financial instruments sold, but not yet purchased	(5,296)	1,960	(16,835)
Other, net	6,387	(5,639)	(3,806)
Net cash provided by/(used for) operating activities	(17,742)	6,900	9,481
<b>Cash flows from investing activities</b>			
Purchase of property, leasehold improvements and equipment	(3,185)	(2,876)	(1,833)
Proceeds from sales of property, leasehold improvements and equipment	574	381	228
Net cash acquired in/(used for) business acquisitions	(2,383)	14,922	(1,808)
Purchase of investments	(9,853)	-	-
Proceeds from sales and paydowns of investments	2,887	1,512	1,019
Loans receivable, net	(17,156)	(4,669)	(16,180)
Net cash provided by/(used for) investing activities	(29,116)	9,270	(18,574)
<b>Cash flows from financing activities</b>			
Unsecured short-term borrowings, net	(501)	(1,506)	(369)
Other secured financings (short-term), net	(405)	(808)	(867)
Proceeds from issuance of other secured financings (long-term)	7,401	4,186	10,349
Repayment of other secured financings (long-term), including the current portion	(4,726)	(7,375)	(6,502)
Purchase of APEX, senior guaranteed securities and trust preferred securities	(237)	(1,171)	(1)
Proceeds from issuance of unsecured long-term borrowings	58,347	50,763	44,595
Repayment of unsecured long-term borrowings, including the current portion	(30,756)	(36,557)	(29,520)
Derivative contracts with a financing element, net	1,684	2,115	(47)
Deposits, net	14,506	10,058	14,639
Preferred stock redemption	(850)	-	-
Common stock repurchased	(6,772)	(6,078)	(4,135)
Settlement of share-based awards in satisfaction of withholding tax requirements	(2,223)	(1,128)	(1,204)
Dividends and dividend equivalents paid on common stock, preferred stock and share-based awards	(1,769)	(1,706)	(1,681)
Proceeds from issuance of preferred stock, net of issuance costs	1,495	1,303	1,993
Proceeds from issuance of common stock, including exercise of share-based awards	7	6	259
Cash settlement of share-based awards	(3)	-	(2)
Net cash provided by financing activities	35,198	12,102	27,507
Net increase/(decrease) in cash and cash equivalents	(11,660)	28,272	18,414
Cash and cash equivalents, beginning balance	121,711	93,439	75,025
<b>Cash and cash equivalents, ending balance</b>	<b>\$110,051</b>	<b>\$121,711</b>	<b>\$ 93,439</b>

**SUPPLEMENTAL DISCLOSURES:**

Cash payments for interest, net of capitalized interest, were \$11.17 billion, \$7.14 billion and \$4.82 billion, and cash payments for income taxes, net of refunds, were \$1.42 billion, \$1.06 billion and \$2.65 billion for 2017, 2016 and 2015, respectively. Cash flows related to common stock repurchased includes common stock repurchased in the prior period for which settlement occurred during the current period and excludes common stock repurchased during the current period for which settlement occurred in the following period.

*Non-cash activities during 2017:*

- The firm exchanged \$237 million of Trust Preferred Securities and common beneficial interests for \$248 million of the firm's junior subordinated debt.

*Non-cash activities during 2016:*

- The impact of adoption of ASU No. 2015-02 was a net reduction to both total assets and total liabilities of approximately \$200 million. See Note 3 for further information.
- The firm sold assets and liabilities of \$1.81 billion and \$697 million, respectively, that were previously classified as held for sale, in exchange for \$1.11 billion of financial instruments.
- The firm exchanged \$1.04 billion of APEX for \$1.31 billion of Series E and Series F Preferred Stock. See Note 19 for further information.
- The firm exchanged \$127 million of senior guaranteed trust securities for \$124 million of the firm's junior subordinated debt.

*Non-cash activities during 2015:*

- The firm exchanged \$262 million of Trust Preferred Securities and common beneficial interests for \$296 million of the firm's junior subordinated debt.

The accompanying notes are an integral part of these consolidated financial statements.

**Note 1.**

**Description of Business**

The Goldman Sachs Group, Inc. (Group Inc. or parent company), a Delaware corporation, together with its consolidated subsidiaries (collectively, the firm), is a leading global investment banking, securities and investment management firm that provides a wide range of financial services to a substantial and diversified client base that includes corporations, financial institutions, governments and individuals. Founded in 1869, the firm is headquartered in New York and maintains offices in all major financial centers around the world.

The firm reports its activities in the following four business segments:

**Investment Banking**

The firm provides a broad range of investment banking services to a diverse group of corporations, financial institutions, investment funds and governments. Services include strategic advisory assignments with respect to mergers and acquisitions, divestitures, corporate defense activities, restructurings, spin-offs and risk management, and debt and equity underwriting of public offerings and private placements, including local and cross-border transactions and acquisition financing, as well as derivative transactions directly related to these activities.

**Institutional Client Services**

The firm facilitates client transactions and makes markets in fixed income, equity, currency and commodity products, primarily with institutional clients such as corporations, financial institutions, investment funds and governments. The firm also makes markets in and clears client transactions on major stock, options and futures exchanges worldwide and provides financing, securities lending and other prime brokerage services to institutional clients.

**Investing & Lending**

The firm invests in and originates loans to provide financing to clients. These investments and loans are typically longer-term in nature. The firm makes investments, some of which are consolidated, including through its merchant banking business and its special situations group, in debt securities and loans, public and private equity securities, infrastructure and real estate entities. Some of these investments are made indirectly through funds that the firm manages. The firm also makes unsecured and secured loans to retail clients through its digital platforms, *Marcus: by Goldman Sachs* (Marcus) and *Goldman Sachs Private Bank Select* (GS Select), respectively.

**Investment Management**

The firm provides investment management services and offers investment products (primarily through separately managed accounts and commingled vehicles, such as mutual funds and private investment funds) across all major asset classes to a diverse set of institutional and individual clients. The firm also offers wealth advisory services provided by the firm's subsidiary, The Ayco Company, L.P., including portfolio management and financial planning and counseling, and brokerage and other transaction services to high-net-worth individuals and families.

**Note 2.**

**Basis of Presentation**

These consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) and include the accounts of Group Inc. and all other entities in which the firm has a controlling financial interest. Intercompany transactions and balances have been eliminated.

All references to 2017, 2016 and 2015 refer to the firm's years ended, or the dates, as the context requires, December 31, 2017, December 31, 2016 and December 31, 2015, respectively. Any reference to a future year refers to a year ending on December 31 of that year. Certain reclassifications have been made to previously reported amounts to conform to the current presentation.

**Note 3.**

**Significant Accounting Policies**

The firm’s significant accounting policies include when and how to measure the fair value of assets and liabilities, accounting for goodwill and identifiable intangible assets, and when to consolidate an entity. See Notes 5 through 8 for policies on fair value measurements, Note 13 for policies on goodwill and identifiable intangible assets, and below and Note 12 for policies on consolidation accounting. All other significant accounting policies are either described below or included in the following footnotes:

Financial Instruments Owned and Financial Instruments Sold, But Not Yet Purchased	Note 4
Fair Value Measurements	Note 5
Cash Instruments	Note 6
Derivatives and Hedging Activities	Note 7
Fair Value Option	Note 8
Loans Receivable	Note 9
Collateralized Agreements and Financings	Note 10
Securitization Activities	Note 11
Variable Interest Entities	Note 12
Other Assets	Note 13
Deposits	Note 14
Short-Term Borrowings	Note 15
Long-Term Borrowings	Note 16
Other Liabilities and Accrued Expenses	Note 17
Commitments, Contingencies and Guarantees	Note 18
Shareholders’ Equity	Note 19
Regulation and Capital Adequacy	Note 20
Earnings Per Common Share	Note 21
Transactions with Affiliated Funds	Note 22
Interest Income and Interest Expense	Note 23
Income Taxes	Note 24
Business Segments	Note 25
Credit Concentrations	Note 26
Legal Proceedings	Note 27
Employee Benefit Plans	Note 28
Employee Incentive Plans	Note 29
Parent Company	Note 30

**Consolidation**

The firm consolidates entities in which the firm has a controlling financial interest. The firm determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity (VIE).

**Voting Interest Entities.** Voting interest entities are entities in which (i) the total equity investment at risk is sufficient to enable the entity to finance its activities independently and (ii) the equity holders have the power to direct the activities of the entity that most significantly impact its economic performance, the obligation to absorb the losses of the entity and the right to receive the residual returns of the entity. The usual condition for a controlling financial interest in a voting interest entity is ownership of a majority voting interest. If the firm has a controlling majority voting interest in a voting interest entity, the entity is consolidated.

**Variable Interest Entities.** A VIE is an entity that lacks one or more of the characteristics of a voting interest entity. The firm has a controlling financial interest in a VIE when the firm has a variable interest or interests that provide it with (i) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. See Note 12 for further information about VIEs.

**Equity-Method Investments.** When the firm does not have a controlling financial interest in an entity but can exert significant influence over the entity’s operating and financial policies, the investment is accounted for either (i) under the equity method of accounting or (ii) at fair value by electing the fair value option available under U.S. GAAP. Significant influence generally exists when the firm owns 20% to 50% of the entity’s common stock or in-substance common stock.

In general, the firm accounts for investments acquired after the fair value option became available, at fair value. In certain cases, the firm applies the equity method of accounting to new investments that are strategic in nature or closely related to the firm’s principal business activities, when the firm has a significant degree of involvement in the cash flows or operations of the investee or when cost-benefit considerations are less significant. See Note 13 for further information about equity-method investments.

**Investment Funds.** The firm has formed numerous investment funds with third-party investors. These funds are typically organized as limited partnerships or limited liability companies for which the firm acts as general partner or manager. Generally, the firm does not hold a majority of the economic interests in these funds. These funds are usually voting interest entities and generally are not consolidated because third-party investors typically have rights to terminate the funds or to remove the firm as general partner or manager. Investments in these funds are generally measured at net asset value (NAV) and are included in financial instruments owned. See Notes 6, 18 and 22 for further information about investments in funds.

#### **Use of Estimates**

Preparation of these consolidated financial statements requires management to make certain estimates and assumptions, the most important of which relate to fair value measurements, accounting for goodwill and identifiable intangible assets, income tax expense related to the Tax Cuts and Jobs Act (Tax Legislation), provisions for losses that may arise from litigation and regulatory proceedings (including governmental investigations), the allowance for losses on loans receivable and lending commitments held for investment, and provisions for losses that may arise from tax audits. These estimates and assumptions are based on the best available information but actual results could be materially different.

#### **Revenue Recognition**

##### **Financial Assets and Financial Liabilities at Fair Value.**

Financial instruments owned and financial instruments sold, but not yet purchased are recorded at fair value either under the fair value option or in accordance with other U.S. GAAP. In addition, the firm has elected to account for certain of its other financial assets and financial liabilities at fair value by electing the fair value option. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. Fair value gains or losses are generally included in market making for positions in Institutional Client Services and other principal transactions for positions in Investing & Lending. See Notes 5 through 8 for further information about fair value measurements.

**Investment Banking.** Fees from financial advisory assignments and underwriting revenues are recognized in earnings when the services related to the underlying transaction are completed under the terms of the assignment. Expenses associated with such transactions are deferred until the related revenue is recognized or the assignment is otherwise concluded. Expenses associated with financial advisory assignments are recorded as non-compensation expenses, net of client reimbursements. Underwriting revenues are presented net of related expenses. As a result of adopting ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," the firm will amend its accounting policy on the recognition and presentation of certain investment banking revenues and related expenses. See "Recent Accounting Developments" for further information.

**Investment Management.** The firm earns management fees and incentive fees for investment management services. Management fees for mutual funds are calculated as a percentage of daily net asset value and are received monthly. Management fees for hedge funds and separately managed accounts are calculated as a percentage of month-end net asset value and are generally received quarterly. Management fees for private equity funds are calculated as a percentage of monthly invested capital or commitments and are received quarterly, semi-annually or annually, depending on the fund. All management fees are recognized over the period that the related service is provided. Incentive fees are calculated as a percentage of a fund's or separately managed account's return, or excess return above a specified benchmark or other performance target. Incentive fees are generally based on investment performance over a 12-month period or over the life of a fund. Fees that are based on performance over a 12-month period are subject to adjustment prior to the end of the measurement period. For fees that are based on investment performance over the life of the fund, future investment underperformance may require fees previously distributed to the firm to be returned to the fund. Incentive fees are recognized only when all material contingencies have been resolved. Management and incentive fee revenues are included in investment management revenues.

The firm makes payments to brokers and advisors related to the placement of the firm's investment funds. These payments are calculated based on either a percentage of the management fee or the investment fund's net asset value. Where the firm is principal to the arrangement, such costs are recorded on a gross basis and included in brokerage, clearing, exchange and distribution fees, and where the firm is agent to the arrangement, such costs are recorded on a net basis in investment management revenues.

As a result of adopting ASU No. 2014-09, the firm will amend its accounting policy on the recognition and presentation of certain investment management revenues and related expenses. See “Recent Accounting Developments” for further information.

**Commissions and Fees.** The firm earns commissions and fees from executing and clearing client transactions on stock, options and futures markets, as well as over-the-counter (OTC) transactions. Commissions and fees are recognized on the day the trade is executed.

#### **Transfers of Financial Assets**

Transfers of financial assets are accounted for as sales when the firm has relinquished control over the assets transferred. For transfers of financial assets accounted for as sales, any gains or losses are recognized in net revenues. Assets or liabilities that arise from the firm’s continuing involvement with transferred financial assets are initially recognized at fair value. For transfers of financial assets that are not accounted for as sales, the assets are generally included in financial instruments owned and the transfer is accounted for as a collateralized financing, with the related interest expense recognized over the life of the transaction. See Note 10 for further information about transfers of financial assets accounted for as collateralized financings and Note 11 for further information about transfers of financial assets accounted for as sales.

#### **Cash and Cash Equivalents**

The firm defines cash equivalents as highly liquid overnight deposits held in the ordinary course of business. As of December 2017 and December 2016, cash and cash equivalents included \$10.79 billion and \$11.15 billion, respectively, of cash and due from banks, and \$99.26 billion and \$110.56 billion, respectively, of interest-bearing deposits with banks. The firm segregates cash for regulatory and other purposes related to client activity. As of December 2017 and December 2016, \$18.44 billion and \$14.65 billion, respectively, of cash and cash equivalents were segregated for regulatory and other purposes. See “Recent Accounting Developments” for further information. In addition, the firm segregates securities for regulatory and other purposes related to client activity. See Note 10 for further information about segregated securities.

#### **Receivables from and Payables to Brokers, Dealers and Clearing Organizations**

Receivables from and payables to brokers, dealers and clearing organizations are accounted for at cost plus accrued interest, which generally approximates fair value. While these receivables and payables are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm’s fair value hierarchy in Notes 6 through 8. Had these receivables and payables been included in the firm’s fair value hierarchy, substantially all would have been classified in level 2 as of both December 2017 and December 2016.

#### **Receivables from Customers and Counterparties**

Receivables from customers and counterparties generally relate to collateralized transactions. Such receivables primarily consist of customer margin loans, certain transfers of assets accounted for as secured loans rather than purchases at fair value and collateral posted in connection with certain derivative transactions. Substantially all of these receivables are accounted for at amortized cost net of estimated uncollectible amounts. Certain of the firm’s receivables from customers and counterparties are accounted for at fair value under the fair value option, with changes in fair value generally included in market making revenues. See Note 8 for further information about receivables from customers and counterparties accounted for at fair value under the fair value option. In addition, as of December 2017 and December 2016, the firm’s receivables from customers and counterparties included \$4.63 billion and \$2.60 billion, respectively, of loans held for sale, accounted for at the lower of cost or fair value. See Note 5 for an overview of the firm’s fair value measurement policies.

As of both December 2017 and December 2016, the carrying value of receivables not accounted for at fair value generally approximated fair value. While these receivables are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm’s fair value hierarchy in Notes 6 through 8. Had these receivables been included in the firm’s fair value hierarchy, substantially all would have been classified in level 2 as of both December 2017 and December 2016. Interest on receivables from customers and counterparties is recognized over the life of the transaction and included in interest income.

### **Payables to Customers and Counterparties**

Payables to customers and counterparties primarily consist of customer credit balances related to the firm's prime brokerage activities. Payables to customers and counterparties are accounted for at cost plus accrued interest, which generally approximates fair value. While these payables are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm's fair value hierarchy in Notes 6 through 8. Had these payables been included in the firm's fair value hierarchy, substantially all would have been classified in level 2 as of both December 2017 and December 2016. Interest on payables to customers and counterparties is recognized over the life of the transaction and included in interest expense.

### **Offsetting Assets and Liabilities**

To reduce credit exposures on derivatives and securities financing transactions, the firm may enter into master netting agreements or similar arrangements (collectively, netting agreements) with counterparties that permit it to offset receivables and payables with such counterparties. A netting agreement is a contract with a counterparty that permits net settlement of multiple transactions with that counterparty, including upon the exercise of termination rights by a non-defaulting party. Upon exercise of such termination rights, all transactions governed by the netting agreement are terminated and a net settlement amount is calculated. In addition, the firm receives and posts cash and securities collateral with respect to its derivatives and securities financing transactions, subject to the terms of the related credit support agreements or similar arrangements (collectively, credit support agreements). An enforceable credit support agreement grants the non-defaulting party exercising termination rights the right to liquidate the collateral and apply the proceeds to any amounts owed. In order to assess enforceability of the firm's right of setoff under netting and credit support agreements, the firm evaluates various factors including applicable bankruptcy laws, local statutes and regulatory provisions in the jurisdiction of the parties to the agreement.

Derivatives are reported on a net-by-counterparty basis (i.e., the net payable or receivable for derivative assets and liabilities for a given counterparty) in the consolidated statements of financial condition when a legal right of setoff exists under an enforceable netting agreement. Resale and repurchase agreements and securities borrowed and loaned transactions with the same term and currency are presented on a net-by-counterparty basis in the consolidated statements of financial condition when such transactions meet certain settlement criteria and are subject to netting agreements.

In the consolidated statements of financial condition, derivatives are reported net of cash collateral received and posted under enforceable credit support agreements, when transacted under an enforceable netting agreement. In the consolidated statements of financial condition, resale and repurchase agreements, and securities borrowed and loaned, are not reported net of the related cash and securities received or posted as collateral. See Note 10 for further information about collateral received and pledged, including rights to deliver or repledge collateral. See Notes 7 and 10 for further information about offsetting.

### **Foreign Currency Translation**

Assets and liabilities denominated in non-U.S. currencies are translated at rates of exchange prevailing on the date of the consolidated statements of financial condition and revenues and expenses are translated at average rates of exchange for the period. Foreign currency remeasurement gains or losses on transactions in nonfunctional currencies are recognized in earnings. Gains or losses on translation of the financial statements of a non-U.S. operation, when the functional currency is other than the U.S. dollar, are included, net of hedges and taxes, in the consolidated statements of comprehensive income.

### **Recent Accounting Developments**

#### **Revenue from Contracts with Customers (ASC 606).**

In May 2014, the FASB issued ASU No. 2014-09. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs and new disclosures.

The firm adopted this ASU in January 2018 under a modified retrospective approach. As a result of adopting this ASU, the firm will, among other things, delay recognition of non-refundable and milestone payments on financial advisory assignments until the assignments are completed, and recognize certain investment management fees earlier than under the firm's existing revenue recognition policies. The cumulative effect of adopting this ASU on January 1, 2018 was a decrease to retained earnings of \$53 million (net of tax).

The firm will also prospectively change the presentation of certain costs from a net presentation within net revenues to a gross basis, and vice versa. Beginning in 2018, certain underwriting expenses, which are currently netted against Investment Banking revenues and certain distribution costs, which are currently netted against Investment Management revenues, will be presented gross as operating expenses. Soft dollar commissions, which are currently reported gross as operating expenses, will be presented net within commissions and fees. The impact of this ASU will depend on the nature of the firm's activities after adoption, although these changes in presentation are not expected to have a material impact on the firm's results of operations.

**Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity (ASC 810).** In August 2014, the FASB issued ASU No. 2014-13, "Consolidation (Topic 810) — Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity (CFE)." This ASU provides an alternative to reflect changes in the fair value of the financial assets and the financial liabilities of the CFE by measuring either the fair value of the assets or liabilities, whichever is more observable, and provides new disclosure requirements for those electing this approach.

The firm adopted the ASU in January 2016. Adoption of the ASU did not materially affect the firm's financial condition, results of operations or cash flows.

**Amendments to the Consolidation Analysis (ASC 810).** In February 2015, the FASB issued ASU No. 2015-02, "Consolidation (Topic 810) — Amendments to the Consolidation Analysis." This ASU eliminates the deferral of the requirements of ASU No. 2009-17, "Consolidations (Topic 810) — Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities" for certain interests in investment funds and provides a scope exception for certain investments in money market funds. It also makes several modifications to the consolidation guidance for VIEs and general partners' investments in limited partnerships, as well as modifications to the evaluation of whether limited partnerships are VIEs or voting interest entities.

The firm adopted the ASU in January 2016, using a modified retrospective approach. The impact of adoption was a net reduction to both total assets and total liabilities of approximately \$200 million, substantially all included in financial instruments owned and in other liabilities and accrued expenses, respectively. Adoption of this ASU did not have an impact on the firm's results of operations. See Note 12 for further information about the adoption.

**Simplifying the Accounting for Measurement-Period Adjustments (ASC 805).** In September 2015, the FASB issued ASU No. 2015-16, "Business Combinations (Topic 805) — Simplifying the Accounting for Measurement-Period Adjustments." This ASU eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively.

The firm adopted the ASU in January 2016. Adoption of the ASU did not materially affect the firm's financial condition, results of operations or cash flows.

**Recognition and Measurement of Financial Assets and Financial Liabilities (ASC 825).** In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments (Topic 825) — Recognition and Measurement of Financial Assets and Financial Liabilities." This ASU amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments. It includes a requirement to present separately in other comprehensive income changes in fair value attributable to a firm's own credit spreads (debt valuation adjustment or DVA), net of tax, on financial liabilities for which the fair value option was elected.

The ASU was effective for the firm in January 2018. Early adoption was permitted under a modified retrospective approach for the requirements related to DVA. In January 2016, the firm early adopted this ASU for the requirements related to DVA and reclassified the cumulative DVA, a gain of \$305 million (net of tax), from retained earnings to accumulated other comprehensive loss. The adoption of the remaining provisions of the ASU in January 2018 did not have a material impact on the firm's financial condition, results of operations or cash flows.

**Leases (ASC 842).** In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." This ASU requires that, for leases longer than one year, a lessee recognize in the statements of financial condition a right-of-use asset, representing the right to use the underlying asset for the lease term, and a lease liability, representing the liability to make lease payments. It also requires that for finance leases, a lessee recognize interest expense on the lease liability, separately from the amortization of the right-of-use asset in the statements of earnings, while for operating leases, such amounts should be recognized as a combined expense. It also requires that for qualifying sale-leaseback transactions the seller recognize the gain or loss at the time control of the asset is transferred instead of amortizing it over the lease period. In addition, this ASU requires expanded disclosures about the nature and terms of lease agreements.

The ASU is effective for the firm in January 2019 under a modified retrospective approach. Early adoption is permitted. The firm's implementation efforts include reviewing the terms of existing leases and service contracts, which may include embedded leases. Based on the implementation efforts to date, the firm expects a gross up on its consolidated statements of financial condition upon recognition of the right-of-use assets and lease liabilities and does not expect the amount of the gross up to have a material impact on its financial condition.

**Improvements to Employee Share-Based Payment Accounting (ASC 718).** In March 2016, the FASB issued ASU No. 2016-09, "Compensation — Stock Compensation (Topic 718) — Improvements to Employee Share-Based Payment Accounting." This ASU includes a requirement that the tax effect related to the settlement of share-based awards be recorded in income tax benefit or expense in the statements of earnings rather than directly to additional paid-in capital. This change has no impact on total shareholders' equity and is required to be adopted prospectively. The ASU also allows for forfeitures to be recorded when they occur rather than estimated over the vesting period. This change is required to be applied on a modified retrospective basis.

The firm adopted the ASU in January 2017 and the impact of the restricted stock unit (RSU) deliveries and option exercises during 2017 was a reduction to the provision for taxes of \$719 million, which was recognized in the consolidated statements of earnings. The impact will vary in future periods depending upon, among other things, the number of RSUs delivered and their change in value since grant. Prior to the adoption of this ASU, this amount would have been recorded directly to additional paid-in capital. The firm also elected to account for forfeitures as they occur, rather than to estimate forfeitures over the vesting period, and the cumulative effect of this election upon adoption was an increase of \$35 million to share-based awards and a decrease of \$24 million (net of tax of \$11 million) to retained earnings.

In addition, the ASU modifies the classification of certain share-based payment activities within the statements of cash flows. As a result, the firm reclassified, on a retrospective basis, a cash outflow of \$1.13 billion and \$1.20 billion related to the settlement of share-based awards in satisfaction of withholding tax requirements from operating activities to financing activities and a cash inflow of \$202 million and \$407 million of excess tax benefits related to share-based awards from financing activities to operating activities for 2016 and 2015, respectively.

**Measurement of Credit Losses on Financial Instruments (ASC 326).** In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments — Credit Losses (Topic 326) — Measurement of Credit Losses on Financial Instruments." This ASU amends several aspects of the measurement of credit losses on financial instruments, including replacing the existing incurred credit loss model and other models with the Current Expected Credit Losses (CECL) model and amending certain aspects of accounting for purchased financial assets with deterioration in credit quality since origination.

Under CECL, the allowance for losses for financial assets that are measured at amortized cost reflects management's estimate of credit losses over the remaining expected life of the financial assets. Expected credit losses for newly recognized financial assets, as well as changes to expected credit losses during the period, would be recognized in earnings. For certain purchased financial assets with deterioration in credit quality since origination, an initial allowance would be recorded for expected credit losses and recognized as an increase to the purchase price rather than as an expense. Expected credit losses, including losses on off-balance-sheet exposures such as lending commitments, will be measured based on historical experience, current conditions and forecasts that affect the collectability of the reported amount.

The ASU is effective for the firm in January 2020 under a modified retrospective approach. Early adoption is permitted in January 2019. Adoption of the ASU will result in earlier recognition of credit losses and an increase in the recorded allowance for certain purchased loans with deterioration in credit quality since origination with a corresponding increase to their gross carrying value. The impact of adoption of this ASU on the firm's financial condition, results of operations and cash flows will depend on, among other things, the economic environment and the type of financial assets held by the firm on the date of adoption.

**Classification of Certain Cash Receipts and Cash Payments (ASC 230).** In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230) — Classification of Certain Cash Receipts and Cash Payments." This ASU provides guidance on the disclosure and classification of certain items within the statements of cash flows.

The firm adopted this ASU in January 2018 under a retrospective approach. The impact of this ASU will depend on the nature of the firm's activities after adoption, although the firm does not expect the change in classification to have a material impact on the consolidated statements of cash flows.



**Restricted Cash (ASC 230).** In November 2016, the FASB issued ASU No. 2016-18, “Statement of Cash Flows (Topic 230) — Restricted Cash.” This ASU requires that cash segregated for regulatory and other purposes be included in cash and cash equivalents disclosed in the statements of cash flows and is required to be applied retrospectively.

The firm early adopted the ASU in December 2016 and reclassified cash segregated for regulatory and other purposes into cash and cash equivalents disclosed in the consolidated statements of cash flows. The impact of adoption was a decrease of \$3.69 billion and an increase of \$909 million for 2016 and 2015, respectively, to net cash provided by operating activities. In addition, in December 2016, to be consistent with the presentation of segregated cash in the consolidated statements of cash flows under the ASU, the firm reclassified amounts previously included in cash and securities segregated for regulatory and other purposes into cash and cash equivalents, securities purchased under agreements to resell, securities borrowed and financial instruments owned in the consolidated statements of financial condition. Previously reported amounts in the consolidated statements of cash flows and notes to the consolidated financial statements have been conformed to the current presentation.

**Clarifying the Definition of a Business (ASC 805).** In January 2017, the FASB issued ASU No. 2017-01, “Business Combinations (Topic 805) — Clarifying the Definition of a Business.” The ASU amends the definition of a business and provides a threshold which must be considered to determine whether a transaction is an acquisition (or disposal) of an asset or a business.

The firm adopted this ASU in January 2018 under a prospective approach. The impact of this ASU will depend on the nature of the firm’s activities after adoption, although the firm expects that fewer transactions will be treated as acquisitions (or disposals) of businesses.

**Simplifying the Test for Goodwill Impairment (ASC 350).** In January 2017, the FASB issued ASU No. 2017-04, “Intangibles — Goodwill and Other (Topic 350) — Simplifying the Test for Goodwill Impairment.” The ASU simplifies the quantitative goodwill impairment test by eliminating the second step of the test. Under this ASU, impairment will be measured by comparing the estimated fair value of the reporting unit with its carrying value.

The ASU is effective for the firm in 2020. The firm early adopted this ASU in the fourth quarter of 2017. Adoption of the ASU did not have a material impact on the results of the firm’s goodwill impairment test.

**Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets (ASC 610-20).** In February 2017, the FASB issued ASU No. 2017-05, “Other Income — Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20) — Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets.” The ASU clarifies the scope of guidance applicable to sales of nonfinancial assets and also provides guidance on accounting for partial sales of such assets.

The firm adopted this ASU in January 2018 under a modified retrospective approach. Adoption of the ASU did not have an impact on the firm’s financial condition, results of operations or cash flows.

**Targeted Improvements to Accounting for Hedging Activities (ASC 815).** In August 2017, the FASB issued ASU No. 2017-12, “Derivatives and Hedging (Topic 815) — Targeted Improvements to Accounting for Hedging Activities.” The ASU amends certain of the rules for hedging relationships and expands the types of strategies that are eligible for hedge accounting treatment to more closely align the results of hedge accounting with risk management activities.

The firm early adopted this ASU in January 2018. Adoption of this ASU did not have a material impact on the firm’s financial condition, results of operations or cash flows.

**Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (ASC 220).** In February 2018, the FASB issued ASU No. 2018-02, “Income Statement — Reporting Comprehensive Income (Topic 220) — Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.” This ASU permits a reporting entity to reclassify the income tax effects of Tax Legislation on items within accumulated other comprehensive income to retained earnings.

The ASU is effective for the firm in January 2019 under a retrospective or a modified retrospective approach. Early adoption is permitted. Since this ASU only permits reclassification within shareholders’ equity, adoption of this ASU will not have a material impact on the firm’s financial condition.

**Note 4.**

**Financial Instruments Owned and Financial Instruments Sold, But Not Yet Purchased**

Financial instruments owned and financial instruments sold, but not yet purchased are accounted for at fair value either under the fair value option or in accordance with other U.S. GAAP. See Note 8 for information about other financial assets and financial liabilities at fair value.

The table below presents the firm's financial instruments owned and financial instruments sold, but not yet purchased.

<i>\$ in millions</i>	Financial Instruments Owned	Financial Instruments Sold, But Not Yet Purchased
<b>As of December 2017</b>		
Money market instruments	\$ 1,608	\$ –
Government and agency obligations:		
U.S.	76,418	17,911
Non-U.S.	33,956	23,311
Loans and securities backed by:		
Commercial real estate	3,436	1
Residential real estate	11,993	–
Corporate loans and debt securities	33,683	7,153
State and municipal obligations	1,471	–
Other debt obligations	2,164	1
Equity securities	96,132	23,882
Commodities	3,194	40
Investments in funds at NAV	4,596	–
Subtotal	268,651	72,299
Derivatives	47,337	39,631
<b>Total</b>	<b>\$315,988</b>	<b>\$111,930</b>
<b>As of December 2016</b>		
Money market instruments	\$ 1,319	\$ –
Government and agency obligations:		
U.S.	57,657	16,627
Non-U.S.	29,381	20,502
Loans and securities backed by:		
Commercial real estate	3,842	–
Residential real estate	12,195	3
Corporate loans and debt securities	28,659	6,570
State and municipal obligations	1,059	–
Other debt obligations	1,358	1
Equity securities	94,692	25,941
Commodities	5,653	–
Investments in funds at NAV	6,465	–
Subtotal	242,280	69,644
Derivatives	53,672	47,499
<b>Total</b>	<b>\$295,952</b>	<b>\$117,143</b>

In the table above:

- Money market instruments includes commercial paper, certificates of deposit and time deposits, substantially all of which have a maturity of less than one year.
- Equity securities includes public and private equities, exchange-traded funds and convertible debentures. Such amounts include investments accounted for at fair value under the fair value option where the firm would otherwise apply the equity method of accounting of \$8.49 billion and \$7.92 billion as of December 2017 and December 2016, respectively.

**Gains and Losses from Market Making and Other Principal Transactions**

The table below presents market making revenues by major product type, as well as other principal transactions revenues.

<i>\$ in millions</i>	Year Ended December		
	2017	2016	2015
Interest rates	\$ 6,406	\$ (1,979)	\$ (1,360)
Credit	701	1,854	920
Currencies	(3,249)	6,158	3,345
Equities	3,162	2,873	5,515
Commodities	640	1,027	1,103
<b>Market making</b>	<b>7,660</b>	<b>9,933</b>	<b>9,523</b>
<b>Other principal transactions</b>	<b>5,256</b>	<b>3,200</b>	<b>5,018</b>
<b>Total</b>	<b>\$12,916</b>	<b>\$13,133</b>	<b>\$14,541</b>

In the table above:

- Gains/(losses) include both realized and unrealized gains and losses, and are primarily related to the firm's financial instruments owned and financial instruments sold, but not yet purchased, including both derivative and non-derivative financial instruments.
- Gains/(losses) exclude related interest income and interest expense. See Note 23 for further information about interest income and interest expense.
- Gains/(losses) on other principal transactions are included in the firm's Investing & Lending segment. See Note 25 for net revenues, including net interest income, by product type for Investing & Lending, as well as the amount of net interest income included in Investing & Lending.
- Gains/(losses) are not representative of the manner in which the firm manages its business activities because many of the firm's market-making and client facilitation strategies utilize financial instruments across various product types. Accordingly, gains or losses in one product type frequently offset gains or losses in other product types. For example, most of the firm's longer-term derivatives across product types are sensitive to changes in interest rates and may be economically hedged with interest rate swaps. Similarly, a significant portion of the firm's cash instruments and derivatives across product types has exposure to foreign currencies and may be economically hedged with foreign currency contracts.

**Note 5.**

**Fair Value Measurements**

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. The firm measures certain financial assets and financial liabilities as a portfolio (i.e., based on its net exposure to market and/or credit risks).

The best evidence of fair value is a quoted price in an active market. If quoted prices in active markets are not available, fair value is determined by reference to prices for similar instruments, quoted prices or recent transactions in less active markets, or internally developed models that primarily use market-based or independently sourced inputs including, but not limited to, interest rates, volatilities, equity or debt prices, foreign exchange rates, commodity prices, credit spreads and funding spreads (i.e., the spread or difference between the interest rate at which a borrower could finance a given financial instrument relative to a benchmark interest rate).

U.S. GAAP has a three-level hierarchy for disclosure of fair value measurements. This hierarchy prioritizes inputs to the valuation techniques used to measure fair value, giving the highest priority to level 1 inputs and the lowest priority to level 3 inputs. A financial instrument's level in this hierarchy is based on the lowest level of input that is significant to its fair value measurement. In evaluating the significance of a valuation input, the firm considers, among other factors, a portfolio's net risk exposure to that input. The fair value hierarchy is as follows:

**Level 1.** Inputs are unadjusted quoted prices in active markets to which the firm had access at the measurement date for identical, unrestricted assets or liabilities.

**Level 2.** Inputs to valuation techniques are observable, either directly or indirectly.

**Level 3.** One or more inputs to valuation techniques are significant and unobservable.

The fair values for substantially all of the firm's financial assets and financial liabilities are based on observable prices and inputs and are classified in levels 1 and 2 of the fair value hierarchy. Certain level 2 and level 3 financial assets and financial liabilities may require appropriate valuation adjustments that a market participant would require to arrive at fair value for factors such as counterparty and the firm's credit quality, funding risk, transfer restrictions, liquidity and bid/offer spreads. Valuation adjustments are generally based on market evidence.

See Notes 6 through 8 for further information about fair value measurements of cash instruments, derivatives and other financial assets and financial liabilities at fair value.

The table below presents financial assets and financial liabilities accounted for at fair value under the fair value option or in accordance with other U.S. GAAP.

<i>\$ in millions</i>	As of December	
	2017	2016
Total level 1 financial assets	<b>\$155,086</b>	\$135,401
Total level 2 financial assets	<b>395,606</b>	419,585
Total level 3 financial assets	<b>19,201</b>	23,280
Investments in funds at NAV	<b>4,596</b>	6,465
Counterparty and cash collateral netting	<b>(56,366)</b>	(87,038)
<b>Total financial assets at fair value</b>	<b>\$518,123</b>	\$497,693
Total assets	<b>\$916,776</b>	\$860,165
Total level 3 financial assets divided by:		
Total assets	<b>2.1%</b>	2.7%
Total financial assets at fair value	<b>3.7%</b>	4.7%
Total level 1 financial liabilities	<b>\$ 63,589</b>	\$ 62,504
Total level 2 financial liabilities	<b>261,719</b>	232,027
Total level 3 financial liabilities	<b>19,620</b>	21,448
Counterparty and cash collateral netting	<b>(39,866)</b>	(44,695)
<b>Total financial liabilities at fair value</b>	<b>\$305,062</b>	\$271,284
Total level 3 financial liabilities divided by:		
total financial liabilities at fair value	<b>6.4%</b>	7.9%

In the table above:

- Counterparty netting among positions classified in the same level is included in that level.
- Counterparty and cash collateral netting represents the impact on derivatives of netting across levels of the fair value hierarchy.

The table below presents a summary of level 3 financial assets.

<i>\$ in millions</i>	As of December	
	2017	2016
Cash instruments	<b>\$15,395</b>	\$18,035
Derivatives	<b>3,802</b>	5,190
Other financial assets	<b>4</b>	55
<b>Total</b>	<b>\$19,201</b>	\$23,280

Level 3 financial assets as of December 2017 decreased compared with December 2016, primarily reflecting a decrease in level 3 cash instruments. See Notes 6 through 8 for further information about level 3 financial assets (including information about unrealized gains and losses related to level 3 financial assets and financial liabilities, and transfers in and out of level 3).

**Note 6.**

**Cash Instruments**

Cash instruments include U.S. government and agency obligations, non-U.S. government and agency obligations, mortgage-backed loans and securities, corporate loans and debt securities, equity securities, investments in funds at NAV, and other non-derivative financial instruments owned and financial instruments sold, but not yet purchased. See below for the types of cash instruments included in each level of the fair value hierarchy and the valuation techniques and significant inputs used to determine their fair values. See Note 5 for an overview of the firm's fair value measurement policies.

**Level 1 Cash Instruments**

Level 1 cash instruments include certain money market instruments, U.S. government obligations, most non-U.S. government obligations, certain government agency obligations, certain corporate debt securities and actively traded listed equities. These instruments are valued using quoted prices for identical unrestricted instruments in active markets.

The firm defines active markets for equity instruments based on the average daily trading volume both in absolute terms and relative to the market capitalization for the instrument. The firm defines active markets for debt instruments based on both the average daily trading volume and the number of days with trading activity.

**Level 2 Cash Instruments**

Level 2 cash instruments include most money market instruments, most government agency obligations, certain non-U.S. government obligations, most mortgage-backed loans and securities, most corporate loans and debt securities, most state and municipal obligations, most other debt obligations, restricted or less liquid listed equities, commodities and certain lending commitments.

Valuations of level 2 cash instruments can be verified to quoted prices, recent trading activity for identical or similar instruments, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. Consideration is given to the nature of the quotations (e.g., indicative or firm) and the relationship of recent market activity to the prices provided from alternative pricing sources.

Valuation adjustments are typically made to level 2 cash instruments (i) if the cash instrument is subject to transfer restrictions and/or (ii) for other premiums and liquidity discounts that a market participant would require to arrive at fair value. Valuation adjustments are generally based on market evidence.

**Level 3 Cash Instruments**

Level 3 cash instruments have one or more significant valuation inputs that are not observable. Absent evidence to the contrary, level 3 cash instruments are initially valued at transaction price, which is considered to be the best initial estimate of fair value. Subsequently, the firm uses other methodologies to determine fair value, which vary based on the type of instrument. Valuation inputs and assumptions are changed when corroborated by substantive observable evidence, including values realized on sales of financial assets.

**Valuation Techniques and Significant Inputs of Level 3 Cash Instruments**

Valuation techniques of level 3 cash instruments vary by instrument, but are generally based on discounted cash flow techniques. The valuation techniques and the nature of significant inputs used to determine the fair values of each type of level 3 cash instrument are described below:

**Loans and Securities Backed by Commercial Real Estate.** Loans and securities backed by commercial real estate are directly or indirectly collateralized by a single commercial real estate property or a portfolio of properties, and may include tranches of varying levels of subordination. Significant inputs are generally determined based on relative value analyses and include:

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- Transaction prices in both the underlying collateral and instruments with the same or similar underlying collateral;
- Market yields implied by transactions of similar or related assets and/or current levels and changes in market indices such as the CMBX (an index that tracks the performance of commercial mortgage bonds);
- A measure of expected future cash flows in a default scenario (recovery rates) implied by the value of the underlying collateral, which is mainly driven by current performance of the underlying collateral, capitalization rates and multiples. Recovery rates are expressed as a percentage of notional or face value of the instrument and reflect the benefit of credit enhancements on certain instruments; and
- Timing of expected future cash flows (duration) which, in certain cases, may incorporate the impact of other unobservable inputs (e.g., prepayment speeds).

**Loans and Securities Backed by Residential Real Estate.** Loans and securities backed by residential real estate are directly or indirectly collateralized by portfolios of residential real estate and may include tranches of varying levels of subordination. Significant inputs are generally determined based on relative value analyses, which incorporate comparisons to instruments with similar collateral and risk profiles. Significant inputs include:

- Transaction prices in both the underlying collateral and instruments with the same or similar underlying collateral;
- Market yields implied by transactions of similar or related assets;
- Cumulative loss expectations, driven by default rates, home price projections, residential property liquidation timelines, related costs and subsequent recoveries; and
- Duration, driven by underlying loan prepayment speeds and residential property liquidation timelines.

**Corporate Loans and Debt Securities.** Corporate loans and debt securities includes bank loans and bridge loans and corporate debt securities. Significant inputs are generally determined based on relative value analyses, which incorporate comparisons both to prices of credit default swaps that reference the same or similar underlying instrument or entity and to other debt instruments for the same issuer for which observable prices or broker quotations are available. Significant inputs include:

- Market yields implied by transactions of similar or related assets and/or current levels and trends of market indices such as CDX and LCDX (indices that track the performance of corporate credit and loans, respectively);

- Current performance and recovery assumptions and, where the firm uses credit default swaps to value the related cash instrument, the cost of borrowing the underlying reference obligation; and
- Duration.

**Equity Securities.** Equity securities includes private equity securities and convertible debentures. Recent third-party completed or pending transactions (e.g., merger proposals, tender offers, debt restructurings) are considered to be the best evidence for any change in fair value. When these are not available, the following valuation methodologies are used, as appropriate:

- Industry multiples (primarily EBITDA multiples) and public comparables;
- Transactions in similar instruments;
- Discounted cash flow techniques; and
- Third-party appraisals.

The firm also considers changes in the outlook for the relevant industry and financial performance of the issuer as compared to projected performance. Significant inputs include:

- Market and transaction multiples;
- Discount rates and capitalization rates; and
- For equity securities with debt-like features, market yields implied by transactions of similar or related assets, current performance and recovery assumptions, and duration.

**Other Cash Instruments.** Other cash instruments consists of non-U.S. government and agency obligations, state and municipal obligations, and other debt obligations. Significant inputs are generally determined based on relative value analyses, which incorporate comparisons both to prices of credit default swaps that reference the same or similar underlying instrument or entity and to other debt instruments for the same issuer for which observable prices or broker quotations are available. Significant inputs include:

- Market yields implied by transactions of similar or related assets and/or current levels and trends of market indices;
- Current performance and recovery assumptions and, where the firm uses credit default swaps to value the related cash instrument, the cost of borrowing the underlying reference obligation; and
- Duration.

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**Fair Value of Cash Instruments by Level**

The tables below present cash instrument assets and liabilities at fair value by level within the fair value hierarchy.

<i>\$ in millions</i>	As of December 2017			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Money market instruments	\$ 398	\$ 1,209	\$ 1	\$ 1,608
Government and agency obligations:				
U.S.	50,796	25,622	–	76,418
Non-U.S.	27,070	6,882	4	33,956
Loans and securities backed by:				
Commercial real estate	–	2,310	1,126	3,436
Residential real estate	–	11,325	668	11,993
Corporate loans and debt securities	752	29,661	3,270	33,683
State and municipal obligations	–	1,401	70	1,471
Other debt obligations	–	1,812	352	2,164
Equity securities	76,044	10,184	9,904	96,132
Commodities	–	3,194	–	3,194
Subtotal	\$155,060	\$93,600	\$15,395	\$264,055
Investments in funds at NAV				4,596
<b>Total cash instrument assets</b>				<b>\$268,651</b>
<b>Liabilities</b>				
Government and agency obligations:				
U.S.	\$ (17,845)	\$ (66)	–	\$ (17,911)
Non-U.S.	(21,820)	(1,491)	–	(23,311)
Loans and securities backed by commercial real estate	–	(1)	–	(1)
Corporate loans and debt securities	(2)	(7,099)	(52)	(7,153)
Other debt obligations	–	(1)	–	(1)
Equity securities	(23,866)	–	(16)	(23,882)
Commodities	–	(40)	–	(40)
<b>Total cash instrument liabilities</b>	<b>\$ (63,533)</b>	<b>\$ (8,698)</b>	<b>\$ (68)</b>	<b>\$ (72,299)</b>

<i>\$ in millions</i>	As of December 2016			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Money market instruments	\$ 188	\$ 1,131	\$ –	\$ 1,319
Government and agency obligations:				
U.S.	35,254	22,403	–	57,657
Non-U.S.	22,433	6,933	15	29,381
Loans and securities backed by:				
Commercial real estate	–	2,197	1,645	3,842
Residential real estate	–	11,350	845	12,195
Corporate loans and debt securities	215	23,804	4,640	28,659
State and municipal obligations	–	960	99	1,059
Other debt obligations	–	830	528	1,358
Equity securities	77,276	7,153	10,263	94,692
Commodities	–	5,653	–	5,653
Subtotal	\$135,366	\$82,414	\$18,035	\$235,815
Investments in funds at NAV				6,465
<b>Total cash instrument assets</b>				<b>\$242,280</b>
<b>Liabilities</b>				
Government and agency obligations:				
U.S.	\$ (16,615)	\$ (12)	–	\$ (16,627)
Non-U.S.	(19,137)	(1,364)	(1)	(20,502)
Loans and securities backed by residential real estate	–	(3)	–	(3)
Corporate loans and debt securities	(2)	(6,524)	(44)	(6,570)
Other debt obligations	–	(1)	–	(1)
Equity securities	(25,768)	(156)	(17)	(25,941)
<b>Total cash instrument liabilities</b>	<b>\$ (61,522)</b>	<b>\$ (8,060)</b>	<b>\$ (62)</b>	<b>\$ (69,644)</b>

In the tables above:

- Cash instrument assets and liabilities are included in financial instruments owned and financial instruments sold, but not yet purchased, respectively.
- Cash instrument assets are shown as positive amounts and cash instrument liabilities are shown as negative amounts.
- Money market instruments includes commercial paper, certificates of deposit and time deposits.
- Equity securities includes public and private equities, exchange-traded funds and convertible debentures.
- As of both December 2017 and December 2016, substantially all of the firm's level 3 equity securities consisted of private equity securities.
- Total cash instrument assets included collateralized debt obligations (CDOs) and collateralized loan obligations (CLOs) backed by real estate and corporate obligations of \$918 million and \$461 million in level 2, and \$250 million and \$624 million in level 3 as of December 2017 and December 2016, respectively.

**Significant Unobservable Inputs**

The table below presents the amount of level 3 assets, and ranges and weighted averages of significant unobservable inputs used to value the firm's level 3 cash instruments.

Level 3 Assets and Range of Significant Unobservable Inputs (Weighted Average) as of December

<i>\$ in millions</i>	2017	2016
<b>Loans and securities backed by commercial real estate</b>		
Level 3 assets	<b>\$1,126</b>	\$1,645
Yield	<b>4.6% to 22.0% (13.4%)</b>	3.7% to 23.0% (13.0%)
Recovery rate	<b>14.3% to 89.0% (43.8%)</b>	8.9% to 99.0% (60.6%)
Duration (years)	<b>0.8 to 6.4 (2.1)</b>	0.8 to 6.2 (2.1)
<b>Loans and securities backed by residential real estate</b>		
Level 3 assets	<b>\$668</b>	\$845
Yield	<b>2.3% to 15.0% (8.3%)</b>	0.8% to 15.6% (8.7%)
Cumulative loss rate	<b>12.5% to 43.0% (21.8%)</b>	8.9% to 47.1% (24.2%)
Duration (years)	<b>0.7 to 14.0 (6.9)</b>	1.1 to 16.1 (7.3)
<b>Corporate loans and debt securities</b>		
Level 3 assets	<b>\$3,270</b>	\$4,640
Yield	<b>3.6% to 24.5% (12.3%)</b>	2.5% to 25.0% (10.3%)
Recovery rate	<b>0.0% to 85.3% (62.8%)</b>	0.0% to 85.0% (56.5%)
Duration (years)	<b>0.5 to 7.6 (3.2)</b>	0.6 to 15.7 (2.9)
<b>Equity securities</b>		
Level 3 assets	<b>\$9,904</b>	\$10,263
Multiples	<b>1.1x to 30.5x (8.9x)</b>	0.8x to 19.7x (6.8x)
Discount rate/yield	<b>3.0% to 20.3% (14.0%)</b>	6.5% to 25.0% (16.0%)
Capitalization rate	<b>4.3% to 12.0% (6.1%)</b>	4.2% to 12.5% (6.8%)
<b>Other cash instruments</b>		
Level 3 assets	<b>\$427</b>	\$642
Yield	<b>4.0% to 11.7% (8.4%)</b>	1.9% to 14.0% (8.8%)
Recovery rate	<b>N/A</b>	0.0% to 93.0% (61.4%)
Duration (years)	<b>3.5 to 11.4 (5.1)</b>	0.9 to 12.0 (4.3)

In the table above:

- Ranges represent the significant unobservable inputs that were used in the valuation of each type of cash instrument.
- Weighted averages are calculated by weighting each input by the relative fair value of the cash instruments.
- The ranges and weighted averages of these inputs are not representative of the appropriate inputs to use when calculating the fair value of any one cash instrument. For example, the highest multiple for private equity securities is appropriate for valuing a specific private equity security but may not be appropriate for valuing any other private equity security. Accordingly, the ranges of inputs do not represent uncertainty in, or possible ranges of, fair value measurements of the firm's level 3 cash instruments.

- Increases in yield, discount rate, capitalization rate, duration or cumulative loss rate used in the valuation of the firm's level 3 cash instruments would result in a lower fair value measurement, while increases in recovery rate or multiples would result in a higher fair value measurement. Due to the distinctive nature of each of the firm's level 3 cash instruments, the interrelationship of inputs is not necessarily uniform within each product type.
- Equity securities includes private equity securities and convertible debentures.
- Loans and securities backed by commercial and residential real estate, corporate loans and debt securities and other cash instruments are valued using discounted cash flows, and equity securities are valued using market comparables and discounted cash flows.
- The fair value of any one instrument may be determined using multiple valuation techniques. For example, market comparables and discounted cash flows may be used together to determine fair value. Therefore, the level 3 balance encompasses both of these techniques.
- Recovery rate was not significant to the valuation of level 3 other cash instrument assets as of December 2017.

**Transfers Between Levels of the Fair Value Hierarchy**

Transfers between levels of the fair value hierarchy are reported at the beginning of the reporting period in which they occur. See "Level 3 Rollforward" below for information about transfers between level 2 and level 3.

During 2017, transfers into level 2 from level 1 of cash instruments were \$63 million, reflecting transfers of public equity securities due to decreased market activity in these instruments. Transfers into level 1 from level 2 of cash instruments during 2017 were \$154 million, reflecting transfers of public equity securities due to increased market activity in these instruments.

During 2016, transfers into level 2 from level 1 of cash instruments were \$135 million, reflecting transfers of public equity securities due to decreased market activity in these instruments. Transfers into level 1 from level 2 of cash instruments during 2016 were \$267 million, reflecting transfers of public equity securities due to increased market activity in these instruments.

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**Level 3 Rollforward**

The table below presents a summary of the changes in fair value for level 3 cash instrument assets and liabilities.

\$ in millions	Year Ended December	
	2017	2016
<b>Total cash instrument assets</b>		
Beginning balance	\$18,035	\$18,131
Net realized gains/(losses)	419	574
Net unrealized gains/(losses)	1,144	397
Purchases	1,635	3,072
Sales	(3,315)	(2,326)
Settlements	(2,265)	(3,503)
Transfers into level 3	2,405	3,405
Transfers out of level 3	(2,663)	(1,715)
<b>Ending balance</b>	<b>\$15,395</b>	<b>\$18,035</b>
<b>Total cash instrument liabilities</b>		
Beginning balance	\$ (62)	\$ (193)
Net realized gains/(losses)	(8)	20
Net unrealized gains/(losses)	(28)	19
Purchases	97	91
Sales	(20)	(49)
Settlements	(32)	(7)
Transfers into level 3	(18)	(12)
Transfers out of level 3	3	69
<b>Ending balance</b>	<b>\$ (68)</b>	<b>\$ (62)</b>

In the table above:

- Changes in fair value are presented for all cash instrument assets and liabilities that are classified in level 3 as of the end of the period.
- Net unrealized gains/(losses) relates to instruments that were still held at period-end.
- Purchases includes originations and secondary purchases.
- If a cash instrument asset or liability was transferred to level 3 during a reporting period, its entire gain or loss for the period is classified in level 3. For level 3 cash instrument assets, increases are shown as positive amounts, while decreases are shown as negative amounts. For level 3 cash instrument liabilities, increases are shown as negative amounts, while decreases are shown as positive amounts.
- Level 3 cash instruments are frequently economically hedged with level 1 and level 2 cash instruments and/or level 1, level 2 or level 3 derivatives. Accordingly, gains or losses that are classified in level 3 can be partially offset by gains or losses attributable to level 1 or level 2 cash instruments and/or level 1, level 2 or level 3 derivatives. As a result, gains or losses included in the level 3 rollforward below do not necessarily represent the overall impact on the firm's results of operations, liquidity or capital resources.

The table below disaggregates, by product type, the information for cash instrument assets included in the summary table above.

\$ in millions	Year Ended December	
	2017	2016
<b>Loans and securities backed by commercial real estate</b>		
Beginning balance	\$ 1,645	\$ 1,924
Net realized gains/(losses)	35	60
Net unrealized gains/(losses)	71	(19)
Purchases	176	331
Sales	(319)	(320)
Settlements	(392)	(617)
Transfers into level 3	141	510
Transfers out of level 3	(231)	(224)
<b>Ending balance</b>	<b>\$ 1,126</b>	<b>\$ 1,645</b>
<b>Loans and securities backed by residential real estate</b>		
Beginning balance	\$ 845	\$ 1,765
Net realized gains/(losses)	37	60
Net unrealized gains/(losses)	96	26
Purchases	98	298
Sales	(246)	(791)
Settlements	(104)	(278)
Transfers into level 3	21	73
Transfers out of level 3	(79)	(308)
<b>Ending balance</b>	<b>\$ 668</b>	<b>\$ 845</b>
<b>Corporate loans and debt securities</b>		
Beginning balance	\$ 4,640	\$ 5,242
Net realized gains/(losses)	145	261
Net unrealized gains/(losses)	(13)	34
Purchases	666	1,078
Sales	(1,003)	(645)
Settlements	(1,062)	(1,823)
Transfers into level 3	1,130	1,023
Transfers out of level 3	(1,233)	(530)
<b>Ending balance</b>	<b>\$ 3,270</b>	<b>\$ 4,640</b>
<b>Equity securities</b>		
Beginning balance	\$10,263	\$ 8,549
Net realized gains/(losses)	185	158
Net unrealized gains/(losses)	982	371
Purchases	624	1,122
Sales	(1,702)	(412)
Settlements	(559)	(634)
Transfers into level 3	1,113	1,732
Transfers out of level 3	(1,002)	(623)
<b>Ending balance</b>	<b>\$ 9,904</b>	<b>\$10,263</b>
<b>Other cash instruments</b>		
Beginning balance	\$ 642	\$ 651
Net realized gains/(losses)	17	35
Net unrealized gains/(losses)	8	(15)
Purchases	71	243
Sales	(45)	(158)
Settlements	(148)	(151)
Transfers into level 3	-	67
Transfers out of level 3	(118)	(30)
<b>Ending balance</b>	<b>\$ 427</b>	<b>\$ 642</b>



**Level 3 Rollforward Commentary**

**Year Ended December 2017.** The net realized and unrealized gains on level 3 cash instrument assets of \$1.56 billion (reflecting \$419 million of net realized gains and \$1.14 billion of net unrealized gains) for 2017 included gains/(losses) of approximately \$(99) million, \$1.13 billion and \$532 million reported in market making, other principal transactions and interest income, respectively.

The net unrealized gains on level 3 cash instrument assets for 2017 primarily reflected gains on private equity securities, principally driven by strong corporate performance and company-specific events.

Transfers into level 3 during 2017 primarily reflected transfers of certain corporate loans and debt securities and private equity securities from level 2, principally due to reduced price transparency as a result of a lack of market evidence, including fewer market transactions in these instruments.

Transfers out of level 3 during 2017 primarily reflected transfers of certain corporate loans and debt securities and private equity securities to level 2, principally due to increased price transparency as a result of market evidence, including market transactions in these instruments, and transfers of certain corporate loans and debt securities to level 2, principally due to certain unobservable yield and duration inputs no longer being significant to the valuation of these instruments.

**Year Ended December 2016.** The net realized and unrealized gains on level 3 cash instrument assets of \$971 million (reflecting \$574 million of net realized gains and \$397 million of net unrealized gains) for 2016 included gains/(losses) of approximately \$(311) million, \$625 million and \$657 million reported in market making, other principal transactions and interest income, respectively.

The net unrealized gains on level 3 cash instrument assets for 2016 primarily reflected gains on private equity securities, principally driven by strong corporate performance and company-specific events.

Transfers into level 3 during 2016 primarily reflected transfers of certain private equity securities, corporate loans and debt securities, and loans and securities backed by commercial real estate from level 2, principally due to reduced price transparency as a result of a lack of market evidence, including fewer market transactions in these instruments.

Transfers out of level 3 during 2016 primarily reflected transfers of certain private equity securities, corporate loans and debt securities, and loans and securities backed by residential real estate to level 2, principally due to increased price transparency as a result of market evidence, including market transactions in these instruments.

**Available-for-Sale Securities**

The table below presents details about cash instruments that are accounted for as available-for-sale.

<i>\$ in millions</i>	Amortized Cost	Fair Value	Weighted Average Yield
<b>As of December 2017</b>			
Less than 5 years	<b>\$3,834</b>	<b>\$3,800</b>	<b>1.95%</b>
Greater than 5 years	<b>5,207</b>	<b>5,222</b>	<b>2.41%</b>
<b>Total U.S. government obligations</b>	<b>9,041</b>	<b>9,022</b>	<b>2.22%</b>
Less than 5 years	<b>19</b>	<b>19</b>	<b>0.43%</b>
Greater than 5 years	<b>233</b>	<b>235</b>	<b>4.62%</b>
<b>Total other available-for-sale securities</b>	<b>252</b>	<b>254</b>	<b>4.30%</b>
<b>Total available-for-sale securities</b>	<b>\$9,293</b>	<b>\$9,276</b>	<b>2.27%</b>
<b>As of December 2016</b>			
Less than 5 years	\$ 24	\$ 24	0.43%
Total U.S. government obligations	24	24	0.43%
Less than 5 years	31	31	2.11%
Greater than 5 years	34	34	3.85%
Total other available-for-sale securities	65	65	3.03%
Total available-for-sale securities	\$ 89	\$ 89	2.32%

In the table above:

- U.S. government obligations were classified in level 1 of the fair value hierarchy as of both December 2017 and December 2016.
- Other available-for-sale securities includes corporate debt securities, other debt obligations, securities backed by commercial real estate and money market instruments. As of December 2017, substantially all of these securities were classified in level 2 of the fair value hierarchy. As of December 2016, these securities were primarily classified in level 2 of the fair value hierarchy.
- The gross unrealized gains/(losses) included in accumulated other comprehensive loss related to available-for-sale securities were not material.

**Investments in Funds at Net Asset Value Per Share**

Cash instruments at fair value include investments in funds that are measured at NAV of the investment fund. The firm uses NAV to measure the fair value of its fund investments when (i) the fund investment does not have a readily determinable fair value and (ii) the NAV of the investment fund is calculated in a manner consistent with the measurement principles of investment company accounting, including measurement of the investments at fair value.

Substantially all of the firm’s investments in funds at NAV consist of investments in firm-sponsored private equity, credit, real estate and hedge funds where the firm co-invests with third-party investors.

Private equity funds primarily invest in a broad range of industries worldwide, including leveraged buyouts, recapitalizations, growth investments and distressed investments. Credit funds generally invest in loans and other fixed income instruments and are focused on providing private high-yield capital for leveraged and management buyout transactions, recapitalizations, financings, refinancings, acquisitions and restructurings for private equity firms, private family companies and corporate issuers. Real estate funds invest globally, primarily in real estate companies, loan portfolios, debt recapitalizations and property. Private equity, credit and real estate funds are closed-end funds in which the firm’s investments are generally not eligible for redemption. Distributions will be received from these funds as the underlying assets are liquidated or distributed.

The firm also invests in hedge funds, primarily multi-disciplinary hedge funds that employ a fundamental bottom-up investment approach across various asset classes and strategies. The firm’s investments in hedge funds primarily include interests where the underlying assets are illiquid in nature, and proceeds from redemptions will not be received until the underlying assets are liquidated or distributed.

Many of the funds described above are “covered funds” as defined in the Volcker Rule of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The Board of Governors of the Federal Reserve System (Federal Reserve Board or FRB) extended the conformance period to July 2022 for the firm’s investments in, and relationships with, certain legacy “illiquid funds” (as defined in the Volcker Rule) that were in place prior to December 2013. This extension is applicable to substantially all of the firm’s remaining investments in, and relationships with, covered funds in the table below.

The table below presents the fair value of the firm’s investments in funds at NAV and related unfunded commitments.

<i>\$ in millions</i>	Fair Value of Investments	Unfunded Commitments
<b>As of December 2017</b>		
Private equity funds	<b>\$3,478</b>	<b>\$ 614</b>
Credit funds	<b>266</b>	<b>985</b>
Hedge funds	<b>223</b>	<b>–</b>
Real estate funds	<b>629</b>	<b>201</b>
<b>Total</b>	<b>\$4,596</b>	<b>\$1,800</b>
<b>As of December 2016</b>		
Private equity funds	\$4,628	\$1,393
Credit funds	421	166
Hedge funds	410	–
Real estate funds	1,006	272
<b>Total</b>	<b>\$6,465</b>	<b>\$1,831</b>

**Note 7.**

**Derivatives and Hedging Activities**

**Derivative Activities**

Derivatives are instruments that derive their value from underlying asset prices, indices, reference rates and other inputs, or a combination of these factors. Derivatives may be traded on an exchange (exchange-traded) or they may be privately negotiated contracts, which are usually referred to as OTC derivatives. Certain of the firm’s OTC derivatives are cleared and settled through central clearing counterparties (OTC-cleared), while others are bilateral contracts between two counterparties (bilateral OTC).

**Market-Making.** As a market maker, the firm enters into derivative transactions to provide liquidity to clients and to facilitate the transfer and hedging of their risks. In this role, the firm typically acts as principal and is required to commit capital to provide execution, and maintains inventory in response to, or in anticipation of, client demand.

**Risk Management.** The firm also enters into derivatives to actively manage risk exposures that arise from its market-making and investing and lending activities in derivative and cash instruments. The firm's holdings and exposures are hedged, in many cases, on either a portfolio or risk-specific basis, as opposed to an instrument-by-instrument basis. The offsetting impact of this economic hedging is reflected in the same business segment as the related revenues. In addition, the firm may enter into derivatives designated as hedges under U.S. GAAP. These derivatives are used to manage interest rate exposure in certain fixed-rate unsecured long-term and short-term borrowings, and deposits, and to manage foreign currency exposure on the net investment in certain non-U.S. operations.

The firm enters into various types of derivatives, including:

- **Futures and Forwards.** Contracts that commit counterparties to purchase or sell financial instruments, commodities or currencies in the future.
- **Swaps.** Contracts that require counterparties to exchange cash flows such as currency or interest payment streams. The amounts exchanged are based on the specific terms of the contract with reference to specified rates, financial instruments, commodities, currencies or indices.
- **Options.** Contracts in which the option purchaser has the right, but not the obligation, to purchase from or sell to the option writer financial instruments, commodities or currencies within a defined time period for a specified price.

Derivatives are reported on a net-by-counterparty basis (i.e., the net payable or receivable for derivative assets and liabilities for a given counterparty) when a legal right of setoff exists under an enforceable netting agreement (counterparty netting). Derivatives are accounted for at fair value, net of cash collateral received or posted under enforceable credit support agreements (cash collateral netting). Derivative assets and liabilities are included in financial instruments owned and financial instruments sold, but not yet purchased, respectively. Realized and unrealized gains and losses on derivatives not designated as hedges under ASC 815 are included in market making and other principal transactions in Note 4.

The tables below present the gross fair value and the notional amounts of derivative contracts by major product type, the amounts of counterparty and cash collateral netting in the consolidated statements of financial condition, as well as cash and securities collateral posted and received under enforceable credit support agreements that do not meet the criteria for netting under U.S. GAAP.

<i>\$ in millions</i>	As of December 2017		As of December 2016	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
<b>Not accounted for as hedges</b>				
Exchange-traded	\$ 554	\$ 644	\$ 443	\$ 382
OTC-cleared	5,392	2,773	189,471	168,946
Bilateral OTC	274,986	249,750	309,037	289,491
<b>Total interest rates</b>	<b>280,932</b>	<b>253,167</b>	498,951	458,819
OTC-cleared	5,727	5,670	4,837	4,811
Bilateral OTC	16,966	15,600	21,530	18,770
<b>Total credit</b>	<b>22,693</b>	<b>21,270</b>	26,367	23,581
Exchange-traded	23	363	36	176
OTC-cleared	988	847	796	798
Bilateral OTC	94,481	95,127	111,032	106,318
<b>Total currencies</b>	<b>95,492</b>	<b>96,337</b>	111,864	107,292
Exchange-traded	4,135	3,854	3,219	3,187
OTC-cleared	197	197	189	197
Bilateral OTC	9,748	12,097	8,945	10,487
<b>Total commodities</b>	<b>14,080</b>	<b>16,148</b>	12,353	13,871
Exchange-traded	10,552	10,335	8,576	8,064
Bilateral OTC	40,735	45,253	39,516	45,826
<b>Total equities</b>	<b>51,287</b>	<b>55,588</b>	48,092	53,890
<b>Subtotal</b>	<b>464,484</b>	<b>442,510</b>	697,627	657,453
<b>Accounted for as hedges</b>				
OTC-cleared	21	–	4,347	156
Bilateral OTC	2,309	3	4,180	10
<b>Total interest rates</b>	<b>2,330</b>	<b>3</b>	8,527	166
OTC-cleared	15	30	30	40
Bilateral OTC	34	114	55	64
<b>Total currencies</b>	<b>49</b>	<b>144</b>	85	104
<b>Subtotal</b>	<b>2,379</b>	<b>147</b>	8,612	270
<b>Total gross fair value</b>	<b>\$ 466,863</b>	<b>\$ 442,657</b>	\$ 706,239	\$ 657,723
<b>Offset in consolidated statements of financial condition</b>				
Exchange-traded	\$ (12,963)	\$ (12,963)	\$ (9,727)	\$ (9,727)
OTC-cleared	(9,267)	(9,267)	(171,864)	(171,864)
Bilateral OTC	(341,824)	(341,824)	(385,647)	(385,647)
<b>Counterparty netting</b>	<b>(364,054)</b>	<b>(364,054)</b>	(567,238)	(567,238)
OTC-cleared	(2,423)	(180)	(27,560)	(2,940)
Bilateral OTC	(53,049)	(38,792)	(57,769)	(40,046)
<b>Cash collateral netting</b>	<b>(55,472)</b>	<b>(38,972)</b>	(85,329)	(42,986)
<b>Total amounts offset</b>	<b>\$(419,526)</b>	<b>\$(403,026)</b>	\$(652,567)	\$(610,224)
<b>Included in consolidated statements of financial condition</b>				
Exchange-traded	\$ 2,301	\$ 2,233	\$ 2,547	\$ 2,082
OTC-cleared	650	70	246	144
Bilateral OTC	44,386	37,328	50,879	45,273
<b>Total</b>	<b>\$ 47,337</b>	<b>\$ 39,631</b>	\$ 53,672	\$ 47,499
<b>Not offset in consolidated statements of financial condition</b>				
Cash collateral	\$ (602)	\$ (2,375)	\$ (535)	\$ (2,085)
Securities collateral	(13,947)	(8,722)	(15,518)	(10,224)
<b>Total</b>	<b>\$ 32,788</b>	<b>\$ 28,534</b>	\$ 37,619	\$ 35,190

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<i>\$ in millions</i>	Notional Amounts as of December	
	2017	2016
<b>Not accounted for as hedges</b>		
Exchange-traded	<b>\$10,212,510</b>	\$ 4,425,532
OTC-cleared	<b>14,739,556</b>	16,646,145
Bilateral OTC	<b>12,862,328</b>	11,131,442
<b>Total interest rates</b>	<b>37,814,394</b>	32,203,119
OTC-cleared	<b>386,163</b>	378,432
Bilateral OTC	<b>868,226</b>	1,045,913
<b>Total credit</b>	<b>1,254,389</b>	1,424,345
Exchange-traded	<b>10,450</b>	13,800
OTC-cleared	<b>98,549</b>	62,799
Bilateral OTC	<b>7,331,516</b>	5,576,748
<b>Total currencies</b>	<b>7,440,515</b>	5,653,347
Exchange-traded	<b>239,749</b>	227,707
OTC-cleared	<b>3,925</b>	3,506
Bilateral OTC	<b>250,547</b>	196,899
<b>Total commodities</b>	<b>494,221</b>	428,112
Exchange-traded	<b>655,485</b>	605,335
Bilateral OTC	<b>1,127,812</b>	959,112
<b>Total equities</b>	<b>1,783,297</b>	1,564,447
<b>Subtotal</b>	<b>48,786,816</b>	41,273,370
<b>Accounted for as hedges</b>		
OTC-cleared	<b>52,785</b>	55,328
Bilateral OTC	<b>15,188</b>	36,607
<b>Total interest rates</b>	<b>67,973</b>	91,935
OTC-cleared	<b>2,210</b>	1,703
Bilateral OTC	<b>8,347</b>	8,544
<b>Total currencies</b>	<b>10,557</b>	10,247
<b>Subtotal</b>	<b>78,530</b>	102,182
<b>Total notional amounts</b>	<b>\$48,865,346</b>	\$41,375,552

In the tables above:

- Gross fair values exclude the effects of both counterparty netting and collateral, and therefore are not representative of the firm's exposure.
- Where the firm has received or posted collateral under credit support agreements, but has not yet determined such agreements are enforceable, the related collateral has not been netted.
- Notional amounts, which represent the sum of gross long and short derivative contracts, provide an indication of the volume of the firm's derivative activity and do not represent anticipated losses.
- Total gross fair value of derivatives included derivative assets and derivative liabilities of \$11.24 billion and \$13.00 billion, respectively, as of December 2017, and derivative assets and derivative liabilities of \$19.92 billion and \$20.79 billion, respectively, as of December 2016, which are not subject to an enforceable netting agreement or are subject to a netting agreement that the firm has not yet determined to be enforceable.

During 2017, pursuant to a rule change at a clearing organization and to an election under the rules of another clearing organization, transactions with such clearing organizations are considered settled each day. The impact of reflecting transactions with these two clearing organizations as settled would have been a reduction in gross derivative assets and liabilities as of December 2016 of \$189.08 billion and \$166.04 billion, respectively, and a corresponding decrease in counterparty and cash collateral netting, with no impact to the consolidated statements of financial condition.

### Valuation Techniques for Derivatives

The firm's level 2 and level 3 derivatives are valued using derivative pricing models (e.g., discounted cash flow models, correlation models, and models that incorporate option pricing methodologies, such as Monte Carlo simulations). Price transparency of derivatives can generally be characterized by product type, as described below.

- **Interest Rate.** In general, the key inputs used to value interest rate derivatives are transparent, even for most long-dated contracts. Interest rate swaps and options denominated in the currencies of leading industrialized nations are characterized by high trading volumes and tight bid/offer spreads. Interest rate derivatives that reference indices, such as an inflation index, or the shape of the yield curve (e.g., 10-year swap rate vs. 2-year swap rate) are more complex, but the key inputs are generally observable.
- **Credit.** Price transparency for credit default swaps, including both single names and baskets of credits, varies by market and underlying reference entity or obligation. Credit default swaps that reference indices, large corporates and major sovereigns generally exhibit the most price transparency. For credit default swaps with other underliers, price transparency varies based on credit rating, the cost of borrowing the underlying reference obligations, and the availability of the underlying reference obligations for delivery upon the default of the issuer. Credit default swaps that reference loans, asset-backed securities and emerging market debt instruments tend to have less price transparency than those that reference corporate bonds. In addition, more complex credit derivatives, such as those sensitive to the correlation between two or more underlying reference obligations, generally have less price transparency.

- **Currency.** Prices for currency derivatives based on the exchange rates of leading industrialized nations, including those with longer tenors, are generally transparent. The primary difference between the price transparency of developed and emerging market currency derivatives is that emerging markets tend to be observable for contracts with shorter tenors.
- **Commodity.** Commodity derivatives include transactions referenced to energy (e.g., oil and natural gas), metals (e.g., precious and base) and soft commodities (e.g., agricultural). Price transparency varies based on the underlying commodity, delivery location, tenor and product quality (e.g., diesel fuel compared to unleaded gasoline). In general, price transparency for commodity derivatives is greater for contracts with shorter tenors and contracts that are more closely aligned with major and/or benchmark commodity indices.
- **Equity.** Price transparency for equity derivatives varies by market and underlier. Options on indices and the common stock of corporates included in major equity indices exhibit the most price transparency. Equity derivatives generally have observable market prices, except for contracts with long tenors or reference prices that differ significantly from current market prices. More complex equity derivatives, such as those sensitive to the correlation between two or more individual stocks, generally have less price transparency.

Liquidity is essential to observability of all product types. If transaction volumes decline, previously transparent prices and other inputs may become unobservable. Conversely, even highly structured products may at times have trading volumes large enough to provide observability of prices and other inputs. See Note 5 for an overview of the firm's fair value measurement policies.

#### **Level 1 Derivatives**

Level 1 derivatives include short-term contracts for future delivery of securities when the underlying security is a level 1 instrument, and exchange-traded derivatives if they are actively traded and are valued at their quoted market price.

#### **Level 2 Derivatives**

Level 2 derivatives include OTC derivatives for which all significant valuation inputs are corroborated by market evidence and exchange-traded derivatives that are not actively traded and/or that are valued using models that calibrate to market-clearing levels of OTC derivatives.

The selection of a particular model to value a derivative depends on the contractual terms of and specific risks inherent in the instrument, as well as the availability of pricing information in the market. For derivatives that trade in liquid markets, model selection does not involve significant management judgment because outputs of models can be calibrated to market-clearing levels.

Valuation models require a variety of inputs, such as contractual terms, market prices, yield curves, discount rates (including those derived from interest rates on collateral received and posted as specified in credit support agreements for collateralized derivatives), credit curves, measures of volatility, prepayment rates, loss severity rates and correlations of such inputs. Significant inputs to the valuations of level 2 derivatives can be verified to market transactions, broker or dealer quotations or other alternative pricing sources with reasonable levels of price transparency. Consideration is given to the nature of the quotations (e.g., indicative or firm) and the relationship of recent market activity to the prices provided from alternative pricing sources.

#### **Level 3 Derivatives**

Level 3 derivatives are valued using models which utilize observable level 1 and/or level 2 inputs, as well as unobservable level 3 inputs. The significant unobservable inputs used to value the firm's level 3 derivatives are described below.

- For the majority of the firm's interest rate and currency derivatives classified in level 3, significant unobservable inputs include correlations of certain currencies and interest rates (e.g., the correlation between Euro inflation and Euro interest rates) and specific interest rate volatilities.
- For level 3 credit derivatives, significant unobservable inputs include illiquid credit spreads and upfront credit points, which are unique to specific reference obligations and reference entities, recovery rates and certain correlations required to value credit derivatives (e.g., the likelihood of default of the underlying reference obligation relative to one another).
- For level 3 commodity derivatives, significant unobservable inputs include volatilities for options with strike prices that differ significantly from current market prices and prices or spreads for certain products for which the product quality or physical location of the commodity is not aligned with benchmark indices.

- For level 3 equity derivatives, significant unobservable inputs generally include equity volatility inputs for options that are long-dated and/or have strike prices that differ significantly from current market prices. In addition, the valuation of certain structured trades requires the use of level 3 correlation inputs, such as the correlation of the price performance of two or more individual stocks or the correlation of the price performance for a basket of stocks to another asset class such as commodities.

Subsequent to the initial valuation of a level 3 derivative, the firm updates the level 1 and level 2 inputs to reflect observable market changes and any resulting gains and losses are classified in level 3. Level 3 inputs are changed when corroborated by evidence such as similar market transactions, third-party pricing services and/or broker or dealer quotations or other empirical market data. In circumstances where the firm cannot verify the model value by reference to market transactions, it is possible that a different valuation model could produce a materially different estimate of fair value. See below for further information about significant unobservable inputs used in the valuation of level 3 derivatives.

### Valuation Adjustments

Valuation adjustments are integral to determining the fair value of derivative portfolios and are used to adjust the mid-market valuations produced by derivative pricing models to the appropriate exit price valuation. These adjustments incorporate bid/offer spreads, the cost of liquidity, credit valuation adjustments and funding valuation adjustments, which account for the credit and funding risk inherent in the uncollateralized portion of derivative portfolios. The firm also makes funding valuation adjustments to collateralized derivatives where the terms of the agreement do not permit the firm to deliver or repledge collateral received. Market-based inputs are generally used when calibrating valuation adjustments to market-clearing levels.

In addition, for derivatives that include significant unobservable inputs, the firm makes model or exit price adjustments to account for the valuation uncertainty present in the transaction.

### Fair Value of Derivatives by Level

The tables below present the fair value of derivatives on a gross basis by level and major product type, as well as the impact of netting, included in the consolidated statements of financial condition.

<i>\$ in millions</i>	As of December 2017			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Interest rates	\$ 18	\$ 282,933	\$ 311	\$ 283,262
Credit	–	19,053	3,640	22,693
Currencies	–	95,401	140	95,541
Commodities	–	13,727	353	14,080
Equities	8	50,870	409	51,287
Gross fair value	26	461,984	4,853	466,863
Counterparty netting in levels	–	(362,109)	(1,051)	(363,160)
Subtotal	\$ 26	\$ 99,875	\$ 3,802	\$ 103,703
Cross-level counterparty netting				(894)
Cash collateral netting				(55,472)
<b>Net fair value</b>				<b>\$ 47,337</b>
<b>Liabilities</b>				
Interest rates	\$ (28)	\$(252,421)	\$ (721)	\$(253,170)
Credit	–	(19,135)	(2,135)	(21,270)
Currencies	–	(96,160)	(321)	(96,481)
Commodities	–	(15,842)	(306)	(16,148)
Equities	(28)	(53,902)	(1,658)	(55,588)
Gross fair value	(56)	(437,460)	(5,141)	(442,657)
Counterparty netting in levels	–	362,109	1,051	363,160
Subtotal	\$ (56)	\$ (75,351)	\$(4,090)	\$ (79,497)
Cross-level counterparty netting				894
Cash collateral netting				38,972
<b>Net fair value</b>				<b>\$ (39,631)</b>

<i>\$ in millions</i>	As of December 2016			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Interest rates	\$ 46	\$ 506,818	\$ 614	\$ 507,478
Credit	–	21,388	4,979	26,367
Currencies	–	111,762	187	111,949
Commodities	–	11,950	403	12,353
Equities	1	47,667	424	48,092
Gross fair value	47	699,585	6,607	706,239
Counterparty netting in levels	(12)	(564,100)	(1,417)	(565,529)
Subtotal	\$ 35	\$ 135,485	\$ 5,190	\$ 140,710
Cross-level counterparty netting				(1,709)
Cash collateral netting				(85,329)
<b>Net fair value</b>				<b>\$ 53,672</b>
<b>Liabilities</b>				
Interest rates	\$ (27)	\$(457,963)	\$ (995)	\$(458,985)
Credit	–	(21,106)	(2,475)	(23,581)
Currencies	–	(107,212)	(184)	(107,396)
Commodities	–	(13,541)	(330)	(13,871)
Equities	(967)	(49,083)	(3,840)	(53,890)
Gross fair value	(994)	(648,905)	(7,824)	(657,723)
Counterparty netting in levels	12	564,100	1,417	565,529
Subtotal	\$(982)	\$(84,805)	\$(6,407)	\$(92,194)
Cross-level counterparty netting				1,709
Cash collateral netting				42,986
<b>Net fair value</b>				<b>\$ (47,499)</b>

In the tables above:

- The gross fair values exclude the effects of both counterparty netting and collateral netting, and therefore are not representative of the firm's exposure.
- Counterparty netting is reflected in each level to the extent that receivable and payable balances are netted within the same level and is included in counterparty netting in levels. Where the counterparty netting is across levels, the netting is included in cross-level counterparty netting.
- Derivative assets are shown as positive amounts and derivative liabilities are shown as negative amounts.

### Significant Unobservable Inputs

The table below presents the amount of level 3 assets (liabilities), and ranges, averages and medians of significant unobservable inputs used to value the firm's level 3 derivatives.

\$ in millions	Level 3 Assets (Liabilities) and Range of Significant Unobservable Inputs (Average/Median) as of December	
	2017	2016
<b>Interest rates, net</b>	<b>\$(410)</b>	\$(381)
Correlation	<b>(10)% to 95% (71%/79%)</b>	(10)% to 86% (56%/60%)
Volatility (bps)	<b>31 to 150 (84/78)</b>	31 to 151 (84/57)
<b>Credit, net</b>	<b>\$1,505</b>	\$2,504
Correlation	<b>28% to 84% (61%/60%)</b>	35% to 91% (65%/68%)
Credit spreads (bps)	<b>1 to 633 (69/42)</b>	1 to 993 (122/73)
Upfront credit points	<b>0 to 97 (42/38)</b>	0 to 100 (43/35)
Recovery rates	<b>22% to 73% (68%/73%)</b>	1% to 97% (58%/70%)
<b>Currencies, net</b>	<b>\$(181)</b>	\$3
Correlation	<b>49% to 72% (61%/62%)</b>	25% to 70% (50%/55%)
<b>Commodities, net</b>	<b>\$47</b>	\$73
Volatility	<b>9% to 79% (24%/24%)</b>	13% to 68% (33%/33%)
Natural gas spread	<b>\$(2.38) to \$3.34</b> <b>\$(0.22)/\$(0.12)</b>	\$(1.81) to \$4.33 \$(0.14)/\$(0.05)
Oil spread	<b>\$(2.86) to \$23.61</b> <b>(\$6.47)/\$2.35)</b>	\$(19.72) to \$64.92 (\$25.30)/\$16.43)
<b>Equities, net</b>	<b>\$(1,249)</b>	\$(3,416)
Correlation	<b>(36)% to 94% (50%/52%)</b>	(39)% to 88% (41%/41%)
Volatility	<b>4% to 72% (24%/22%)</b>	5% to 72% (24%/23%)

In the table above:

- Derivative assets are shown as positive amounts and derivative liabilities are shown as negative amounts.
- Ranges represent the significant unobservable inputs that were used in the valuation of each type of derivative.
- Averages represent the arithmetic average of the inputs and are not weighted by the relative fair value or notional of the respective financial instruments. An average greater than the median indicates that the majority of inputs are below the average. For example, the difference between the average and the median for credit spreads and oil spread inputs indicates that the majority of the inputs fall in the lower end of the range.

- The ranges, averages and medians of these inputs are not representative of the appropriate inputs to use when calculating the fair value of any one derivative. For example, the highest correlation for interest rate derivatives is appropriate for valuing a specific interest rate derivative but may not be appropriate for valuing any other interest rate derivative. Accordingly, the ranges of inputs do not represent uncertainty in, or possible ranges of, fair value measurements of the firm's level 3 derivatives.
- Interest rates, currencies and equities derivatives are valued using option pricing models, credit derivatives are valued using option pricing, correlation and discounted cash flow models, and commodities derivatives are valued using option pricing and discounted cash flow models.
- The fair value of any one instrument may be determined using multiple valuation techniques. For example, option pricing models and discounted cash flows models are typically used together to determine fair value. Therefore, the level 3 balance encompasses both of these techniques.
- Correlation within currencies and equities includes cross-product type correlation.
- Natural gas spread represents the spread per million British thermal units of natural gas.
- Oil spread represents the spread per barrel of oil and refined products.

### Range of Significant Unobservable Inputs

The following is information about the ranges of significant unobservable inputs used to value the firm's level 3 derivative instruments:

- **Correlation.** Ranges for correlation cover a variety of underliers both within one product type (e.g., equity index and equity single stock names) and across product types (e.g., correlation of an interest rate and a currency), as well as across regions. Generally, cross-product type correlation inputs are used to value more complex instruments and are lower than correlation inputs on assets within the same derivative product type.
- **Volatility.** Ranges for volatility cover numerous underliers across a variety of markets, maturities and strike prices. For example, volatility of equity indices is generally lower than volatility of single stocks.
- **Credit spreads, upfront credit points and recovery rates.** The ranges for credit spreads, upfront credit points and recovery rates cover a variety of underliers (index and single names), regions, sectors, maturities and credit qualities (high-yield and investment-grade). The broad range of this population gives rise to the width of the ranges of significant unobservable inputs.

- **Commodity prices and spreads.** The ranges for commodity prices and spreads cover variability in products, maturities and delivery locations.

**Sensitivity of Fair Value Measurement to Changes in Significant Unobservable Inputs**

The following is a description of the directional sensitivity of the firm's level 3 fair value measurements to changes in significant unobservable inputs, in isolation:

- **Correlation.** In general, for contracts where the holder benefits from the convergence of the underlying asset or index prices (e.g., interest rates, credit spreads, foreign exchange rates, inflation rates and equity prices), an increase in correlation results in a higher fair value measurement.
- **Volatility.** In general, for purchased options, an increase in volatility results in a higher fair value measurement.
- **Credit spreads, upfront credit points and recovery rates.** In general, the fair value of purchased credit protection increases as credit spreads or upfront credit points increase or recovery rates decrease. Credit spreads, upfront credit points and recovery rates are strongly related to distinctive risk factors of the underlying reference obligations, which include reference entity-specific factors such as leverage, volatility and industry, market-based risk factors, such as borrowing costs or liquidity of the underlying reference obligation, and macroeconomic conditions.
- **Commodity prices and spreads.** In general, for contracts where the holder is receiving a commodity, an increase in the spread (price difference from a benchmark index due to differences in quality or delivery location) or price results in a higher fair value measurement.

Due to the distinctive nature of each of the firm's level 3 derivatives, the interrelationship of inputs is not necessarily uniform within each product type.

**Level 3 Rollforward**

The table below presents a summary of the changes in fair value for all level 3 derivatives.

<i>\$ in millions</i>	Year Ended December	
	2017	2016
<b>Total level 3 derivatives</b>		
Beginning balance	<b>\$(1,217)</b>	\$ 495
Net realized gains/(losses)	<b>(119)</b>	(37)
Net unrealized gains/(losses)	<b>(436)</b>	777
Purchases	<b>301</b>	115
Sales	<b>(611)</b>	(3,557)
Settlements	<b>1,891</b>	782
Transfers into level 3	<b>(39)</b>	352
Transfers out of level 3	<b>(58)</b>	(144)
<b>Ending balance</b>	<b>\$ (288)</b>	<b>\$(1,217)</b>

In the table above:

- Changes in fair value are presented for all derivative assets and liabilities that are classified in level 3 as of the end of the period.
- Net unrealized gains/(losses) relates to instruments that were still held at period-end.
- If a derivative was transferred into level 3 during a reporting period, its entire gain or loss for the period is classified in level 3. Transfers between levels are reported at the beginning of the reporting period in which they occur.
- Positive amounts for transfers into level 3 and negative amounts for transfers out of level 3 represent net transfers of derivative assets. Negative amounts for transfers into level 3 and positive amounts for transfers out of level 3 represent net transfers of derivative liabilities.
- A derivative with level 1 and/or level 2 inputs is classified in level 3 in its entirety if it has at least one significant level 3 input.
- If there is one significant level 3 input, the entire gain or loss from adjusting only observable inputs (i.e., level 1 and level 2 inputs) is classified in level 3.
- Gains or losses that have been classified in level 3 resulting from changes in level 1 or level 2 inputs are frequently offset by gains or losses attributable to level 1 or level 2 derivatives and/or level 1, level 2 and level 3 cash instruments. As a result, gains/(losses) included in the level 3 rollforward below do not necessarily represent the overall impact on the firm's results of operations, liquidity or capital resources.



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The table below disaggregates, by major product type, the information for level 3 derivatives included in the summary table above.

\$ in millions	Year Ended December	
	2017	2016
<b>Interest rates, net</b>		
Beginning balance	\$ (381)	\$ (398)
Net realized gains/(losses)	(62)	(41)
Net unrealized gains/(losses)	20	(138)
Purchases	4	5
Sales	(14)	(3)
Settlements	30	36
Transfers into level 3	(12)	195
Transfers out of level 3	5	(37)
<b>Ending balance</b>	<b>\$ (410)</b>	<b>\$ (381)</b>
<b>Credit, net</b>		
Beginning balance	\$ 2,504	\$ 2,793
Net realized gains/(losses)	42	–
Net unrealized gains/(losses)	(188)	196
Purchases	20	20
Sales	(27)	(73)
Settlements	(739)	(516)
Transfers into level 3	3	179
Transfers out of level 3	(110)	(95)
<b>Ending balance</b>	<b>\$ 1,505</b>	<b>\$ 2,504</b>
<b>Currencies, net</b>		
Beginning balance	\$ 3	\$ (34)
Net realized gains/(losses)	(39)	(30)
Net unrealized gains/(losses)	(192)	(42)
Purchases	4	14
Sales	(3)	(2)
Settlements	62	90
Transfers into level 3	(9)	1
Transfers out of level 3	(7)	6
<b>Ending balance</b>	<b>\$ (181)</b>	<b>\$ 3</b>
<b>Commodities, net</b>		
Beginning balance	\$ 73	\$ (262)
Net realized gains/(losses)	(4)	(23)
Net unrealized gains/(losses)	216	101
Purchases	102	24
Sales	(301)	(119)
Settlements	(27)	391
Transfers into level 3	(25)	(23)
Transfers out of level 3	13	(16)
<b>Ending balance</b>	<b>\$ 47</b>	<b>\$ 73</b>
<b>Equities, net</b>		
Beginning balance	\$(3,416)	\$(1,604)
Net realized gains/(losses)	(56)	57
Net unrealized gains/(losses)	(292)	660
Purchases	171	52
Sales	(266)	(3,360)
Settlements	2,565	781
Transfers into level 3	4	–
Transfers out of level 3	41	(2)
<b>Ending balance</b>	<b>\$(1,249)</b>	<b>\$(3,416)</b>

**Level 3 Rollforward Commentary**

**Year Ended December 2017.** The net realized and unrealized losses on level 3 derivatives of \$555 million (reflecting \$119 million of net realized losses and \$436 million of net unrealized losses) for 2017 included losses of \$90 million and \$465 million reported in market making and other principal transactions, respectively.

The net unrealized losses on level 3 derivatives for 2017 were primarily attributable to losses on certain equity derivatives, reflecting the impact of changes in equity prices, losses on certain currency derivatives, primarily reflecting the impact of changes in foreign exchanges rates, and losses on certain credit derivatives, reflecting the impact of tighter credit spreads, partially offset by gains on certain commodity derivatives, reflecting the impact of an increase in commodity prices.

Transfers into level 3 derivatives during 2017 were not material.

Transfers out of level 3 derivatives during 2017 primarily reflected transfers of certain credit derivatives assets to level 2, principally due to certain unobservable inputs no longer being significant to the valuation of these derivatives.

**Year Ended December 2016.** The net realized and unrealized gains on level 3 derivatives of \$740 million (reflecting \$37 million of net realized losses and \$777 million of net unrealized gains) for 2016 included gains/(losses) of approximately \$980 million and \$(240) million reported in market making and other principal transactions, respectively.

The net unrealized gains on level 3 derivatives for 2016 were primarily attributable to gains on certain equity derivatives, reflecting the impact of an increase in equity prices.

Transfers into level 3 derivatives during 2016 primarily reflected transfers of certain interest rate derivative assets from level 2, principally due to reduced transparency of certain unobservable inputs used to value these derivatives, and transfers of certain credit derivative assets from level 2 primarily due to unobservable credit spread inputs becoming significant to the net risk of certain portfolios.

Transfers out of level 3 derivatives during 2016 primarily reflected transfers of certain credit derivatives assets to level 2, primarily due to unobservable credit spread inputs no longer being significant to the net risk of certain portfolios.

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**OTC Derivatives**

The table below presents the fair values of OTC derivative assets and liabilities by tenor and major product type.

<i>\$ in millions</i>	Less than 1 Year	1 - 5 Years	Greater than 5 Years	Total
<b>As of December 2017</b>				
<b>Assets</b>				
Interest rates	\$ 3,717	\$15,445	\$57,200	\$ 76,362
Credit	760	4,079	3,338	8,177
Currencies	12,184	6,219	7,245	25,648
Commodities	3,175	2,526	181	5,882
Equities	4,969	5,607	1,387	11,963
Counterparty netting in tenors	(3,719)	(4,594)	(2,807)	(11,120)
Subtotal	\$21,086	\$29,282	\$66,544	\$116,912
Cross-tenor counterparty netting				(16,404)
Cash collateral netting				(55,472)
<b>Total</b>				<b>\$ 45,036</b>
<b>Liabilities</b>				
Interest rates	\$ 4,517	\$ 8,471	\$33,193	\$ 46,181
Credit	2,078	3,588	1,088	6,754
Currencies	14,326	7,119	4,802	26,247
Commodities	3,599	2,167	2,465	8,231
Equities	6,453	6,647	3,381	16,481
Counterparty netting in tenors	(3,719)	(4,594)	(2,807)	(11,120)
Subtotal	\$27,254	\$23,398	\$42,122	\$ 92,774
Cross-tenor counterparty netting				(16,404)
Cash collateral netting				(38,972)
<b>Total</b>				<b>\$ 37,398</b>
<b>As of December 2016</b>				
<b>Assets</b>				
Interest rates	\$ 5,845	\$18,376	\$79,507	\$103,728
Credit	1,763	2,695	4,889	9,347
Currencies	18,344	8,292	8,428	35,064
Commodities	3,273	1,415	179	4,867
Equities	3,141	9,249	1,341	13,731
Counterparty netting in tenors	(3,543)	(5,550)	(3,794)	(12,887)
Subtotal	\$28,823	\$34,477	\$90,550	\$153,850
Cross-tenor counterparty netting				(17,396)
Cash collateral netting				(85,329)
<b>Total</b>				<b>\$ 51,125</b>
<b>Liabilities</b>				
Interest rates	\$ 5,679	\$10,814	\$38,812	\$ 55,305
Credit	2,060	3,328	1,167	6,555
Currencies	14,720	9,771	5,879	30,370
Commodities	2,546	1,555	2,315	6,416
Equities	7,000	10,426	2,614	20,040
Counterparty netting in tenors	(3,543)	(5,550)	(3,794)	(12,887)
Subtotal	\$28,462	\$30,344	\$46,993	\$105,799
Cross-tenor counterparty netting				(17,396)
Cash collateral netting				(42,986)
<b>Total</b>				<b>\$ 45,417</b>

In the table above:

- Tenor is based on expected duration for mortgage-related credit derivatives and generally on remaining contractual maturity for other derivatives.
- Counterparty netting within the same product type and tenor category is included within such product type and tenor category.
- Counterparty netting across product types within the same tenor category is included in counterparty netting in tenors. Where the counterparty netting is across tenor categories, the netting is included in cross-tenor counterparty netting.

**Credit Derivatives**

The firm enters into a broad array of credit derivatives in locations around the world to facilitate client transactions and to manage the credit risk associated with market-making and investing and lending activities. Credit derivatives are actively managed based on the firm's net risk position.

Credit derivatives are generally individually negotiated contracts and can have various settlement and payment conventions. Credit events include failure to pay, bankruptcy, acceleration of indebtedness, restructuring, repudiation and dissolution of the reference entity.

The firm enters into the following types of credit derivatives:

- **Credit Default Swaps.** Single-name credit default swaps protect the buyer against the loss of principal on one or more bonds, loans or mortgages (reference obligations) in the event the issuer (reference entity) of the reference obligations suffers a credit event. The buyer of protection pays an initial or periodic premium to the seller and receives protection for the period of the contract. If there is no credit event, as defined in the contract, the seller of protection makes no payments to the buyer of protection. However, if a credit event occurs, the seller of protection is required to make a payment to the buyer of protection, which is calculated in accordance with the terms of the contract.
- **Credit Options.** In a credit option, the option writer assumes the obligation to purchase or sell a reference obligation at a specified price or credit spread. The option purchaser buys the right, but does not assume the obligation, to sell the reference obligation to, or purchase it from, the option writer. The payments on credit options depend either on a particular credit spread or the price of the reference obligation.

- **Credit Indices, Baskets and Tranches.** Credit derivatives may reference a basket of single-name credit default swaps or a broad-based index. If a credit event occurs in one of the underlying reference obligations, the protection seller pays the protection buyer. The payment is typically a pro-rata portion of the transaction's total notional amount based on the underlying defaulted reference obligation. In certain transactions, the credit risk of a basket or index is separated into various portions (tranches), each having different levels of subordination. The most junior tranches cover initial defaults and once losses exceed the notional amount of these junior tranches, any excess loss is covered by the next most senior tranche in the capital structure.

- **Total Return Swaps.** A total return swap transfers the risks relating to economic performance of a reference obligation from the protection buyer to the protection seller. Typically, the protection buyer receives from the protection seller a floating rate of interest and protection against any reduction in fair value of the reference obligation, and in return the protection seller receives the cash flows associated with the reference obligation, plus any increase in the fair value of the reference obligation.

The firm economically hedges its exposure to written credit derivatives primarily by entering into offsetting purchased credit derivatives with identical underliers. Substantially all of the firm's purchased credit derivative transactions are with financial institutions and are subject to stringent collateral thresholds. In addition, upon the occurrence of a specified trigger event, the firm may take possession of the reference obligations underlying a particular written credit derivative, and consequently may, upon liquidation of the reference obligations, recover amounts on the underlying reference obligations in the event of default.

As of December 2017, written and purchased credit derivatives had total gross notional amounts of \$611.04 billion and \$643.37 billion, respectively, for total net notional purchased protection of \$32.33 billion. As of December 2016, written and purchased credit derivatives had total gross notional amounts of \$690.47 billion and \$733.98 billion, respectively, for total net notional purchased protection of \$43.51 billion. Substantially all of the firm's written and purchased credit derivatives are credit default swaps.

The table below presents certain information about credit derivatives.

\$ in millions	Credit Spread on Underlier (basis points)				Total
	0 - 250	251 - 500	501 - 1,000	Greater than 1,000	
<b>As of December 2017</b>					
<b>Maximum Payout/Notional Amount of Written Credit Derivatives by Tenor</b>					
Less than 1 year	\$182,446	\$ 8,531	\$ 705	\$ 4,067	\$195,749
1 – 5 years	335,872	10,201	8,747	7,553	362,373
Greater than 5 years	49,440	2,142	817	519	52,918
<b>Total</b>	<b>\$567,758</b>	<b>\$20,874</b>	<b>\$10,269</b>	<b>\$12,139</b>	<b>\$611,040</b>
<b>Maximum Payout/Notional Amount of Purchased Credit Derivatives</b>					
Offsetting	\$492,325	\$13,424	\$ 9,395	\$10,663	\$525,807
Other	99,861	14,483	1,777	1,442	117,563
<b>Fair Value of Written Credit Derivatives</b>					
Asset	\$ 14,317	\$ 513	\$ 208	\$ 155	\$ 15,193
Liability	896	402	752	3,920	5,970
<b>Net asset/(liability)</b>	<b>\$ 13,421</b>	<b>\$ 111</b>	<b>\$ (544)</b>	<b>\$ (3,765)</b>	<b>\$ 9,223</b>

As of December 2016

<b>Maximum Payout/Notional Amount of Written Credit Derivatives by Tenor</b>					
Less than 1 year	\$207,727	\$ 5,819	\$ 1,016	\$ 8,629	\$223,191
1 – 5 years	375,208	17,255	8,643	7,986	409,092
Greater than 5 years	52,977	3,928	1,045	233	58,183
<b>Total</b>	<b>\$635,912</b>	<b>\$27,002</b>	<b>\$10,704</b>	<b>\$16,848</b>	<b>\$690,466</b>
<b>Maximum Payout/Notional Amount of Purchased Credit Derivatives</b>					
Offsetting	\$558,305	\$20,588	\$10,133	\$15,186	\$604,212
Other	119,509	7,712	1,098	1,446	129,765
<b>Fair Value of Written Credit Derivatives</b>					
Asset	\$ 13,919	\$ 606	\$ 187	\$ 45	\$ 14,757
Liability	2,436	902	809	5,686	9,833
<b>Net asset/(liability)</b>	<b>\$ 11,483</b>	<b>\$ (296)</b>	<b>\$ (622)</b>	<b>\$ (5,641)</b>	<b>\$ 4,924</b>

In the table above:

- Fair values exclude the effects of both netting of receivable balances with payable balances under enforceable netting agreements, and netting of cash received or posted under enforceable credit support agreements, and therefore are not representative of the firm's credit exposure.
- Tenor is based on expected duration for mortgage-related credit derivatives and on remaining contractual maturity for other credit derivatives.
- The credit spread on the underlier, together with the tenor of the contract, are indicators of payment/performance risk. The firm is less likely to pay or otherwise be required to perform where the credit spread and the tenor are lower.
- Offsetting purchased credit derivatives represent the notional amount of purchased credit derivatives that economically hedge written credit derivatives with identical underliers and are included in offsetting.
- Other purchased credit derivatives represent the notional amount of all other purchased credit derivatives not included in offsetting.

### Impact of Credit Spreads on Derivatives

On an ongoing basis, the firm realizes gains or losses relating to changes in credit risk through the unwind of derivative contracts and changes in credit mitigants.

The net gain, including hedges, attributable to the impact of changes in credit exposure and credit spreads (counterparty and the firm's) on derivatives was \$66 million for 2017, \$85 million for 2016 and \$9 million for 2015.

### Bifurcated Embedded Derivatives

The table below presents the fair value and the notional amount of derivatives that have been bifurcated from their related borrowings.

<i>\$ in millions</i>	As of December	
	2017	2016
Fair value of assets	\$ 882	\$ 676
Fair value of liabilities	1,200	864
<b>Net liability</b>	<b>\$ 318</b>	<b>\$ 188</b>
Notional amount	\$9,578	\$8,726

In the table above, these derivatives, which are recorded at fair value, primarily consist of interest rate, equity and commodity products and are included in unsecured short-term borrowings and unsecured long-term borrowings with the related borrowings. See Note 8 for further information.

### Derivatives with Credit-Related Contingent Features

Certain of the firm's derivatives have been transacted under bilateral agreements with counterparties who may require the firm to post collateral or terminate the transactions based on changes in the firm's credit ratings. The firm assesses the impact of these bilateral agreements by determining the collateral or termination payments that would occur assuming a downgrade by all rating agencies. A downgrade by any one rating agency, depending on the agency's relative ratings of the firm at the time of the downgrade, may have an impact which is comparable to the impact of a downgrade by all rating agencies.

The table below presents the aggregate fair value of net derivative liabilities under such agreements (excluding application of collateral posted to reduce these liabilities), the related aggregate fair value of the assets posted as collateral and the additional collateral or termination payments that could have been called by counterparties in the event of a one-notch and two-notch downgrade in the firm's credit ratings.

<i>\$ in millions</i>	As of December	
	2017	2016
Net derivative liabilities under bilateral agreements	\$29,877	\$32,927
Collateral posted	\$25,329	\$27,840
Additional collateral or termination payments:		
One-notch downgrade	\$ 358	\$ 677
Two-notch downgrade	\$ 1,856	\$ 2,216

### Hedge Accounting

The firm applies hedge accounting for (i) certain interest rate swaps used to manage the interest rate exposure of certain fixed-rate unsecured long-term and short-term borrowings and certain fixed-rate certificates of deposit and (ii) certain foreign currency forward contracts and foreign currency-denominated debt used to manage foreign currency exposures on the firm's net investment in certain non-U.S. operations.

To qualify for hedge accounting, the hedging instrument must be highly effective at reducing the risk from the exposure being hedged. Additionally, the firm must formally document the hedging relationship at inception and test the hedging relationship at least on a quarterly basis to ensure the hedging instrument continues to be highly effective over the life of the hedging relationship.

### Fair Value Hedges

The firm designates certain interest rate swaps as fair value hedges of certain fixed-rate unsecured long-term and short-term debt and fixed-rate certificates of deposit. These interest rate swaps hedge changes in fair value attributable to the designated benchmark interest rate (e.g., London Interbank Offered Rate (LIBOR) or Overnight Index Swap Rate), effectively converting a substantial portion of fixed-rate obligations into floating-rate obligations.

The firm applies a statistical method that utilizes regression analysis when assessing the effectiveness of its fair value hedging relationships in achieving offsetting changes in the fair values of the hedging instrument and the risk being hedged (i.e., interest rate risk). An interest rate swap is considered highly effective in offsetting changes in fair value attributable to changes in the hedged risk when the regression analysis results in a coefficient of determination of 80% or greater and a slope between 80% and 125%.

For qualifying fair value hedges, gains or losses on derivatives are included in interest expense. The change in fair value of the hedged item attributable to the risk being hedged is reported as an adjustment to its carrying value and is subsequently amortized into interest expense over its remaining life. Gains or losses resulting from hedge ineffectiveness are included in interest expense. When a derivative is no longer designated as a hedge, any remaining difference between the carrying value and par value of the hedged item is amortized to interest expense over the remaining life of the hedged item using the effective interest method. See Note 23 for further information about interest income and interest expense.

The table below presents the gains/(losses) from interest rate derivatives accounted for as hedges, the related hedged borrowings and deposits, and the hedge ineffectiveness on these derivatives, which primarily consists of amortization of prepaid credit spreads resulting from the passage of time.

<i>\$ in millions</i>	Year Ended December		
	2017	2016	2015
Interest rate hedges	<b>\$(2,867)</b>	\$(1,480)	\$(1,613)
Hedged borrowings and deposits	<b>2,183</b>	834	898
<b>Hedge ineffectiveness</b>	<b>\$ (684)</b>	\$ (646)	\$ (715)

### Net Investment Hedges

The firm seeks to reduce the impact of fluctuations in foreign exchange rates on its net investments in certain non-U.S. operations through the use of foreign currency forward contracts and foreign currency-denominated debt. For foreign currency forward contracts designated as hedges, the effectiveness of the hedge is assessed based on the overall changes in the fair value of the forward contracts (i.e., based on changes in forward rates). For foreign currency-denominated debt designated as a hedge, the effectiveness of the hedge is assessed based on changes in spot rates.

For qualifying net investment hedges, the gains or losses on the hedging instruments, to the extent effective, are included in currency translation.

The table below presents the gains/(losses) from net investment hedging.

<i>\$ in millions</i>	Year Ended December		
	2017	2016	2015
Hedges:			
Foreign currency forward contract	<b>\$(805)</b>	\$135	\$695
Foreign currency-denominated debt	<b>\$ (67)</b>	\$(85)	\$(9)

The gain/(loss) related to ineffectiveness was not material for 2017, 2016 or 2015. The net gain/(loss) reclassified to earnings from accumulated other comprehensive income was \$41 million (reflecting a gain of \$205 million related to hedges and a loss of \$164 million on the related net investments in non-U.S. operations) for 2017, \$28 million (reflecting a gain of \$167 million related to hedges and a loss of \$139 million on the related net investments in non-U.S. operations) for 2016 and not material for 2015.

As of December 2017 and December 2016, the firm had designated \$1.81 billion and \$1.69 billion, respectively, of foreign currency-denominated debt, included in unsecured long-term borrowings and unsecured short-term borrowings, as hedges of net investments in non-U.S. subsidiaries.

### Note 8.

### Fair Value Option

#### Other Financial Assets and Financial Liabilities at Fair Value

In addition to all cash and derivative instruments included in financial instruments owned and financial instruments sold, but not yet purchased, the firm accounts for certain of its other financial assets and financial liabilities at fair value, substantially all of which are accounted for at fair value under the fair value option. The primary reasons for electing the fair value option are to:

- Reflect economic events in earnings on a timely basis;
- Mitigate volatility in earnings from using different measurement attributes (e.g., transfers of financial instruments owned accounted for as financings are recorded at fair value, whereas the related secured financing would be recorded on an accrual basis absent electing the fair value option); and
- Address simplification and cost-benefit considerations (e.g., accounting for hybrid financial instruments at fair value in their entirety versus bifurcation of embedded derivatives and hedge accounting for debt hosts).

Hybrid financial instruments are instruments that contain bifurcated embedded derivatives and do not require settlement by physical delivery of nonfinancial assets (e.g., physical commodities). If the firm elects to bifurcate the embedded derivative from the associated debt, the derivative is accounted for at fair value and the host contract is accounted for at amortized cost, adjusted for the effective portion of any fair value hedges. If the firm does not elect to bifurcate, the entire hybrid financial instrument is accounted for at fair value under the fair value option.

Other financial assets and financial liabilities accounted for at fair value under the fair value option include:

- Repurchase agreements and substantially all resale agreements;
- Securities borrowed and loaned within Fixed Income, Currency and Commodities Client Execution (FICC Client Execution);
- Substantially all other secured financings, including transfers of assets accounted for as financings rather than sales;
- Certain unsecured short-term and long-term borrowings, substantially all of which are hybrid financial instruments;
- Certain receivables from customers and counterparties, including transfers of assets accounted for as secured loans rather than purchases and certain margin loans;
- Certain time deposits issued by the firm's bank subsidiaries (deposits with no stated maturity are not eligible for a fair value option election), including structured certificates of deposit, which are hybrid financial instruments; and
- Certain subordinated liabilities of consolidated VIEs.

### Fair Value of Other Financial Assets and Financial Liabilities by Level

The table below presents, by level within the fair value hierarchy, other financial assets and financial liabilities at fair value, substantially all of which are accounted for at fair value under the fair value option.

<i>\$ in millions</i>	Level 1	Level 2	Level 3	Total
<b>As of December 2017</b>				
<b>Assets</b>				
Securities purchased under agreements to resell	\$ -	\$ 120,420	\$ -	\$ 120,420
Securities borrowed	-	78,189	-	78,189
Receivables from customers and counterparties	-	3,522	4	3,526
<b>Total</b>	<b>\$ -</b>	<b>\$ 202,131</b>	<b>\$ 4</b>	<b>\$ 202,135</b>
<b>Liabilities</b>				
Deposits	\$ -	\$ (19,934)	\$ (2,968)	\$ (22,902)
Securities sold under agreements to repurchase	-	(84,681)	(37)	(84,718)
Securities loaned	-	(5,357)	-	(5,357)
Other secured financings	-	(23,956)	(389)	(24,345)
Unsecured borrowings:				
Short-term	-	(12,310)	(4,594)	(16,904)
Long-term	-	(31,204)	(7,434)	(38,638)
Other liabilities and accrued expenses	-	(228)	(40)	(268)
<b>Total</b>	<b>\$ -</b>	<b>\$ (177,670)</b>	<b>\$ (15,462)</b>	<b>\$ (193,132)</b>
<b>As of December 2016</b>				
<b>Assets</b>				
Securities purchased under agreements to resell	\$ -	\$ 116,077	\$ -	\$ 116,077
Securities borrowed	-	82,398	-	82,398
Receivables from customers and counterparties	-	3,211	55	3,266
<b>Total</b>	<b>\$ -</b>	<b>\$ 201,686</b>	<b>\$ 55</b>	<b>\$ 201,741</b>
<b>Liabilities</b>				
Deposits	\$ -	\$ (10,609)	\$ (3,173)	\$ (13,782)
Securities sold under agreements to repurchase	-	(71,750)	(66)	(71,816)
Securities loaned	-	(2,647)	-	(2,647)
Other secured financings	-	(20,516)	(557)	(21,073)
Unsecured borrowings:				
Short-term	-	(10,896)	(3,896)	(14,792)
Long-term	-	(22,185)	(7,225)	(29,410)
Other liabilities and accrued expenses	-	(559)	(62)	(621)
<b>Total</b>	<b>\$ -</b>	<b>\$ (139,162)</b>	<b>\$ (14,979)</b>	<b>\$ (154,141)</b>

In the table above, other financial assets are shown as positive amounts and other financial liabilities are shown as negative amounts.

### **Valuation Techniques and Significant Inputs**

Other financial assets and financial liabilities at fair value are generally valued based on discounted cash flow techniques, which incorporate inputs with reasonable levels of price transparency, and are generally classified in level 2 because the inputs are observable. Valuation adjustments may be made for liquidity and for counterparty and the firm's credit quality.

See below for information about the significant inputs used to value other financial assets and financial liabilities at fair value, including the ranges of significant unobservable inputs used to value the level 3 instruments within these categories. These ranges represent the significant unobservable inputs that were used in the valuation of each type of other financial assets and financial liabilities at fair value. The ranges and weighted averages of these inputs are not representative of the appropriate inputs to use when calculating the fair value of any one instrument. For example, the highest yield presented below for other secured financings is appropriate for valuing a specific agreement in that category but may not be appropriate for valuing any other agreements in that category. Accordingly, the ranges of inputs presented below do not represent uncertainty in, or possible ranges of, fair value measurements of the firm's level 3 other financial assets and financial liabilities.

**Resale and Repurchase Agreements and Securities Borrowed and Loaned.** The significant inputs to the valuation of resale and repurchase agreements and securities borrowed and loaned are funding spreads, the amount and timing of expected future cash flows and interest rates. As of both December 2017 and December 2016, the firm had no level 3 resale agreements, securities borrowed or securities loaned. As of both December 2017 and December 2016, the firm's level 3 repurchase agreements were not material. See Note 10 for further information about collateralized agreements and financings.

**Other Secured Financings.** The significant inputs to the valuation of other secured financings at fair value are the amount and timing of expected future cash flows, interest rates, funding spreads, the fair value of the collateral delivered by the firm (which is determined using the amount and timing of expected future cash flows, market prices, market yields and recovery assumptions) and the frequency of additional collateral calls. The ranges of significant unobservable inputs used to value level 3 other secured financings are as follows:

As of December 2017:

- Yield: 0.6% to 13.0% (weighted average: 3.3%)
- Duration: 0.7 to 11.0 years (weighted average: 2.7 years)

As of December 2016:

- Yield: 0.4% to 16.6% (weighted average: 3.5%)
- Duration: 0.1 to 5.7 years (weighted average: 2.3 years)

Generally, increases in funding spreads, yield or duration, in isolation, would result in a lower fair value measurement. Due to the distinctive nature of each of the firm's level 3 other secured financings, the interrelationship of inputs is not necessarily uniform across such financings. See Note 10 for further information about collateralized agreements and financings.

**Unsecured Short-term and Long-term Borrowings.** The significant inputs to the valuation of unsecured short-term and long-term borrowings at fair value are the amount and timing of expected future cash flows, interest rates, the credit spreads of the firm, as well as commodity prices in the case of prepaid commodity transactions. The inputs used to value the embedded derivative component of hybrid financial instruments are consistent with the inputs used to value the firm's other derivative instruments. See Note 7 for further information about derivatives. See Notes 15 and 16 for further information about unsecured short-term and long-term borrowings, respectively.

Certain of the firm's unsecured short-term and long-term borrowings are classified in level 3, substantially all of which are hybrid financial instruments. As the significant unobservable inputs used to value hybrid financial instruments primarily relate to the embedded derivative component of these borrowings, these inputs are incorporated in the firm's derivative disclosures related to unobservable inputs in Note 7.

**Receivables from Customers and Counterparties.**

Receivables from customers and counterparties at fair value primarily consist of transfers of assets accounted for as secured loans rather than purchases. The significant inputs to the valuation of such receivables are commodity prices, interest rates, the amount and timing of expected future cash flows and funding spreads. As of both December 2017 and December 2016, the firm's level 3 receivables from customers and counterparties were not material.

**Deposits.** The significant inputs to the valuation of time deposits are interest rates and the amount and timing of future cash flows. The inputs used to value the embedded derivative component of hybrid financial instruments are consistent with the inputs used to value the firm's other derivative instruments. See Note 7 for further information about derivatives and Note 14 for further information about deposits.

The firm's deposits that are classified in level 3 are hybrid financial instruments. As the significant unobservable inputs used to value hybrid financial instruments primarily relate to the embedded derivative component of these deposits, these inputs are incorporated in the firm's derivative disclosures related to unobservable inputs in Note 7.

**Transfers Between Levels of the Fair Value Hierarchy**

Transfers between levels of the fair value hierarchy are reported at the beginning of the reporting period in which they occur. There were no transfers of other financial assets and financial liabilities between level 1 and level 2 during both 2017 and 2016. See "Level 3 Rollforward" below for information about transfers between level 2 and level 3.

**Level 3 Rollforward**

The table below presents a summary of the changes in fair value for level 3 other financial assets and financial liabilities accounted for at fair value.

<i>\$ in millions</i>	Year Ended December	
	2017	2016
<b>Total other financial assets</b>		
Beginning balance	\$ 55	\$ 45
Net realized gains/(losses)	–	6
Net unrealized gains/(losses)	–	1
Purchases	1	10
Settlements	(52)	(7)
<b>Ending balance</b>	<b>\$ 4</b>	<b>\$ 55</b>
<b>Total other financial liabilities</b>		
Beginning balance	\$(14,979)	\$(11,244)
Net realized gains/(losses)	(362)	(99)
Net unrealized gains/(losses)	(1,047)	(7)
Purchases	(3)	(8)
Sales	1	–
Issuances	(8,382)	(10,236)
Settlements	6,859	5,983
Transfers into level 3	(611)	(759)
Transfers out of level 3	3,062	1,391
<b>Ending balance</b>	<b>\$(15,462)</b>	<b>\$(14,979)</b>

In the table above:

- Changes in fair value are presented for all other financial assets and financial liabilities that are classified in level 3 as of the end of the period.
- Net unrealized gains/(losses) relates to instruments that were still held at period-end.
- If a financial asset or financial liability was transferred to level 3 during a reporting period, its entire gain or loss for the period is classified in level 3. For level 3 other financial assets, increases are shown as positive amounts, while decreases are shown as negative amounts. For level 3 other financial liabilities, increases are shown as negative amounts, while decreases are shown as positive amounts.
- Level 3 other financial assets and financial liabilities are frequently economically hedged with cash instruments and derivatives. Accordingly, gains or losses that are classified in level 3 can be partially offset by gains or losses attributable to level 1, 2 or 3 cash instruments or derivatives. As a result, gains or losses included in the level 3 rollforward below do not necessarily represent the overall impact on the firm's results of operations, liquidity or capital resources.



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The table below disaggregates, by the consolidated statements of financial condition line items, the information for other financial liabilities included in the summary table above.

<i>\$ in millions</i>	Year Ended December	
	2017	2016
<b>Deposits</b>		
Beginning balance	<b>\$(3,173)</b>	\$(2,215)
Net realized gains/(losses)	<b>(6)</b>	(22)
Net unrealized gains/(losses)	<b>(239)</b>	(89)
Issuances	<b>(661)</b>	(993)
Settlements	<b>232</b>	146
Transfers out of level 3	<b>879</b>	–
<b>Ending balance</b>	<b>\$(2,968)</b>	\$(3,173)
<b>Securities sold under agreements to repurchase</b>		
Beginning balance	<b>\$ (66)</b>	\$ (71)
Net unrealized gains/(losses)	<b>(1)</b>	(6)
Settlements	<b>30</b>	11
<b>Ending balance</b>	<b>\$ (37)</b>	\$ (66)
<b>Other secured financings</b>		
Beginning balance	<b>\$ (557)</b>	\$ (549)
Net realized gains/(losses)	<b>17</b>	(8)
Net unrealized gains/(losses)	<b>(40)</b>	(3)
Purchases	<b>(3)</b>	(5)
Sales	<b>1</b>	–
Issuances	<b>(32)</b>	(150)
Settlements	<b>171</b>	273
Transfers into level 3	<b>(12)</b>	(117)
Transfers out of level 3	<b>66</b>	2
<b>Ending balance</b>	<b>\$ (389)</b>	\$ (557)
<b>Unsecured short-term borrowings</b>		
Beginning balance	<b>\$(3,896)</b>	\$(4,133)
Net realized gains/(losses)	<b>(332)</b>	(57)
Net unrealized gains/(losses)	<b>(230)</b>	(115)
Issuances	<b>(4,599)</b>	(3,837)
Settlements	<b>3,675</b>	3,492
Transfers into level 3	<b>(131)</b>	(370)
Transfers out of level 3	<b>919</b>	1,124
<b>Ending balance</b>	<b>\$(4,594)</b>	\$(3,896)
<b>Unsecured long-term borrowings</b>		
Beginning balance	<b>\$(7,225)</b>	\$(4,224)
Net realized gains/(losses)	<b>(60)</b>	(27)
Net unrealized gains/(losses)	<b>(559)</b>	190
Purchases	<b>–</b>	(3)
Issuances	<b>(3,071)</b>	(5,201)
Settlements	<b>2,751</b>	2,047
Transfers into level 3	<b>(468)</b>	(272)
Transfers out of level 3	<b>1,198</b>	265
<b>Ending balance</b>	<b>\$(7,434)</b>	\$(7,225)
<b>Other liabilities and accrued expenses</b>		
Beginning balance	<b>\$ (62)</b>	\$ (52)
Net realized gains/(losses)	<b>19</b>	15
Net unrealized gains/(losses)	<b>22</b>	16
Issuances	<b>(19)</b>	(55)
Settlements	<b>–</b>	14
<b>Ending balance</b>	<b>\$ (40)</b>	\$ (62)

**Level 3 Rollforward Commentary**

**Year Ended December 2017.** The net realized and unrealized losses on level 3 other financial liabilities of \$1.41 billion (reflecting \$362 million of net realized losses and \$1.05 billion of net unrealized losses) for 2017 included losses of \$1.20 billion, \$45 million and \$10 million reported in market making, other principal transactions and interest expense, respectively, in the consolidated statements of earnings, and losses of \$149 million reported in debt valuation adjustment in the consolidated statements of comprehensive income.

The net unrealized losses on level 3 other financial liabilities for 2017 primarily reflected losses on certain hybrid financial instruments included in unsecured long-term and short-term borrowings, principally due to an increase in global equity prices and the impact of tighter credit spreads, and losses on certain hybrid financial instruments included in deposits, principally due to the impact of an increase in the market value of the underlying assets.

Transfers into level 3 of other financial liabilities during 2017 primarily reflected transfers of certain hybrid financial instruments included in unsecured long-term borrowings from level 2, principally due to reduced transparency of volatility inputs used to value these instruments.

Transfers out of level 3 of other financial liabilities during 2017 primarily reflected transfers of certain hybrid financial instruments included in unsecured long-term and short-term borrowings to level 2, principally due to increased transparency of certain inputs used to value these instruments as a result of market transactions in similar instruments, and transfers of certain hybrid financial instruments included in deposits to level 2, principally due to increased transparency of correlation and volatility inputs used to value these instruments.

**Year Ended December 2016.** The net realized and unrealized losses on level 3 other financial liabilities of \$106 million (reflecting \$99 million of net realized losses and \$7 million of net unrealized losses) for 2016 included losses of approximately \$21 million and \$10 million reported in market making and interest expense, respectively, in the consolidated statements of earnings, and losses of \$75 million reported in debt valuation adjustment in the consolidated statements of comprehensive income.

The net unrealized losses on level 3 other financial liabilities for 2016 primarily reflected losses on certain hybrid financial instruments included in unsecured short-term borrowings, principally due to an increase in global equity prices, and losses on certain hybrid financial instruments included in deposits, principally due to the impact of an increase in the market value of the underlying assets, partially offset by gains on certain hybrid financial instruments included in unsecured long-term borrowings, principally due to changes in foreign exchange rates.

Transfers into level 3 of other financial liabilities during 2016 primarily reflected transfers of certain hybrid financial instruments included in unsecured short-term and long-term borrowings from level 2, principally due to reduced transparency of certain inputs, including correlation and volatility inputs used to value these instruments.

Transfers out of level 3 of other financial liabilities during 2016 primarily reflected transfers of certain hybrid financial instruments included in unsecured short-term and long-term borrowings to level 2, principally due to increased transparency of correlation and volatility inputs used to value these instruments.

**Gains and Losses on Financial Assets and Financial Liabilities Accounted for at Fair Value Under the Fair Value Option**

The table below presents the gains and losses recognized in earnings as a result of the firm electing to apply the fair value option to certain financial assets and financial liabilities.

<i>\$ in millions</i>	Year Ended December		
	2017	2016	2015
Unsecured short-term borrowings	<b>\$(2,585)</b>	\$(1,028)	\$ 346
Unsecured long-term borrowings	<b>(1,357)</b>	584	771
Other liabilities and accrued expenses	<b>222</b>	(55)	(684)
Other	<b>(620)</b>	(630)	(217)
<b>Total</b>	<b>\$(4,340)</b>	\$(1,129)	\$ 216

In the table above:

- Gains/(losses) are included in market making and other principal transactions.
- Gains/(losses) exclude contractual interest, which is included in interest income and interest expense, for all instruments other than hybrid financial instruments. See Note 23 for further information about interest income and interest expense.
- Gains/(losses) included in unsecured short-term borrowings are substantially all related to the embedded derivative component of hybrid financial instruments for 2017, 2016 and 2015. Gains/(losses) included in unsecured long-term borrowings are primarily related to the embedded derivative component of hybrid financial instruments for 2017, 2016 and 2015. These gains and losses would have been recognized under other U.S. GAAP even if the firm had not elected to account for the entire hybrid financial instrument at fair value.
- Other liabilities and accrued expenses includes gains/(losses) on certain subordinated liabilities of consolidated VIEs.
- Other primarily consists of gains/(losses) on receivables from customers and counterparties, deposits and other secured financings.

Excluding the gains and losses on the instruments accounted for under the fair value option described above, market making and other principal transactions primarily represent gains and losses on financial instruments owned and financial instruments sold, but not yet purchased.

**Loans and Lending Commitments**

The table below presents the difference between the aggregate fair value and the aggregate contractual principal amount for loans and long-term receivables for which the fair value option was elected.

<i>\$ in millions</i>	As of December	
	2017	2016
<b>Performing loans and long-term receivables</b>		
Aggregate contractual principal in excess of fair value	<b>\$ 952</b>	\$ 478
<b>Loans on nonaccrual status and/or more than 90 days past due</b>		
Aggregate contractual principal in excess of fair value	<b>\$5,266</b>	\$8,101
Aggregate fair value of loans on nonaccrual status and/or more than 90 days past due	<b>\$2,104</b>	\$2,138

In the table above, the aggregate contractual principal amount of loans on nonaccrual status and/or more than 90 days past due (which excludes loans carried at zero fair value and considered uncollectible) exceeds the related fair value primarily because the firm regularly purchases loans, such as distressed loans, at values significantly below the contractual principal amounts.

As of December 2017 and December 2016, the fair value of unfunded lending commitments for which the fair value option was elected was a liability of \$31 million and \$80 million, respectively, and the related total contractual amount of these lending commitments was \$9.94 billion and \$7.19 billion, respectively. See Note 18 for further information about lending commitments.

**Long-Term Debt Instruments**

The difference between the aggregate contractual principal amount and the related fair value of long-term other secured financings for which the fair value option was elected was not material as of December 2017, and the aggregate contractual principal amount exceeded the related fair value by \$361 million as of December 2016. The aggregate contractual principal amount of unsecured long-term borrowings for which the fair value option was elected exceeded the related fair value by \$1.69 billion and \$1.56 billion as of December 2017 and December 2016, respectively. The amounts above include both principal- and non-principal-protected long-term borrowings.

**Impact of Credit Spreads on Loans and Lending Commitments**

The estimated net gain attributable to changes in instrument-specific credit spreads on loans and lending commitments for which the fair value option was elected was \$268 million for 2017, \$281 million for 2016 and \$751 million for 2015. The firm generally calculates the fair value of loans and lending commitments for which the fair value option is elected by discounting future cash flows at a rate which incorporates the instrument-specific credit spreads. For floating-rate loans and lending commitments, substantially all changes in fair value are attributable to changes in instrument-specific credit spreads, whereas for fixed-rate loans and lending commitments, changes in fair value are also attributable to changes in interest rates.

**Debt Valuation Adjustment**

The firm calculates the fair value of financial liabilities for which the fair value option is elected by discounting future cash flows at a rate which incorporates the firm's credit spreads.

The table below presents details about the net DVA losses on such financial liabilities.

<i>\$ in millions</i>	Year Ended December	
	2017	2016
DVA (pre-tax)	<b>\$(1,232)</b>	\$(844)
DVA (net of tax)	<b>\$ (807)</b>	\$(544)

In the table above:

- DVA (net of tax) is included in debt valuation adjustment in the consolidated statements of comprehensive income.
- The gains/(losses) reclassified to earnings from accumulated other comprehensive loss upon extinguishment of such financial liabilities were not material for both 2017 and 2016.

**Note 9.**

**Loans Receivable**

Loans receivable consists of loans held for investment that are accounted for at amortized cost net of allowance for loan losses. Interest on loans receivable is recognized over the life of the loan and is recorded on an accrual basis.

The table below presents details about loans receivable.

<i>\$ in millions</i>	As of December	
	2017	2016
Corporate loans	<b>\$30,749</b>	\$24,837
Loans to PWM clients	<b>16,591</b>	13,828
Loans backed by commercial real estate	<b>7,987</b>	4,761
Loans backed by residential real estate	<b>6,234</b>	3,865
Marcus loans	<b>1,912</b>	208
Other loans	<b>3,263</b>	2,682
Total loans receivable, gross	<b>66,736</b>	50,181
Allowance for loan losses	<b>(803)</b>	(509)
<b>Total loans receivable</b>	<b>\$65,933</b>	\$49,672

As of December 2017 and December 2016, the fair value of loans receivable was \$66.29 billion and \$49.80 billion, respectively. Had these loans been carried at fair value and included in the fair value hierarchy, \$38.75 billion and \$28.40 billion would have been classified in level 2, and \$27.54 billion and \$21.40 billion would have been classified in level 3, as of December 2017 and December 2016, respectively.

The following is a description of the captions in the table above:

- **Corporate Loans.** Corporate loans includes term loans, revolving lines of credit, letter of credit facilities and bridge loans, and are principally used for operating liquidity and general corporate purposes, or in connection with acquisitions. Corporate loans may be secured or unsecured, depending on the loan purpose, the risk profile of the borrower and other factors. Loans receivable related to the firm's relationship lending activities are reported within corporate loans.
- **Loans to Private Wealth Management Clients.** Loans to Private Wealth Management (PWM) clients includes loans used by clients to finance private asset purchases, employ leverage for strategic investments in real or financial assets, bridge cash flow timing gaps or provide liquidity for other needs. Such loans are primarily secured by securities or other assets.
- **Loans Backed by Commercial Real Estate.** Loans backed by commercial real estate includes loans extended by the firm that are directly or indirectly secured by hotels, retail stores, multifamily housing complexes and commercial and industrial properties. Loans backed by commercial real estate also includes loans purchased by the firm.

- **Loans Backed by Residential Real Estate.** Loans backed by residential real estate includes loans extended by the firm to clients who warehouse assets that are directly or indirectly secured by residential real estate. Loans backed by residential real estate also includes loans purchased by the firm.
- **Marcus Loans.** Marcus loans represents unsecured loans to retail clients.
- **Other Loans.** Other loans primarily includes loans extended to clients who warehouse assets that are directly or indirectly secured by retail loans, including auto loans, and private student loans and other assets.

The firm monitors the geographic diversification of loans receivable. The regional composition of such loans was approximately 79% and 78% in the Americas, approximately 17% and 18% in Europe, Middle East and Africa (EMEA), and approximately 4% and 4% in Asia as of December 2017 and December 2016, respectively.

### Lending Commitments

The table below presents details about lending commitments that are held for investment and accounted for on an accrual basis.

<i>\$ in millions</i>	As of December	
	2017	2016
Corporate	\$118,553	\$93,407
Other	5,951	4,638
<b>Total</b>	<b>\$124,504</b>	<b>\$98,045</b>

In the table above:

- Corporate lending commitments primarily relates to the firm's relationship lending activities.
- Other lending commitments primarily relates to lending commitments extended by the firm to clients who warehouse assets backed by real estate and other assets.
- The carrying value of lending commitments were liabilities of \$423 million (including allowance for losses of \$274 million) and \$327 million (including allowance for losses of \$212 million) as of December 2017 and December 2016, respectively.
- The estimated fair value of such lending commitments were liabilities of \$2.27 billion and \$2.55 billion as of December 2017 and December 2016, respectively. Had these lending commitments been carried at fair value and included in the fair value hierarchy, \$772 million and \$1.10 billion would have been classified in level 2, and \$1.50 billion and \$1.45 billion would have been classified in level 3, as of December 2017 and December 2016, respectively.

### Purchased Credit Impaired (PCI) Loans

Loans receivable includes PCI loans, which represent acquired loans or pools of loans with evidence of credit deterioration subsequent to their origination and where it is probable, at acquisition, that the firm will not be able to collect all contractually required payments. Loans acquired within the same reporting period, which have at least two common risk characteristics, one of which relates to their credit risk, are eligible to be pooled together and considered a single unit of account. PCI loans are initially recorded at the acquisition price and the difference between the acquisition price and the expected cash flows (accretable yield) is recognized as interest income over the life of such loans or pools of loans on an effective yield method. Expected cash flows on PCI loans are determined using various inputs and assumptions, including default rates, loss severities, recoveries, amount and timing of prepayments and other macroeconomic indicators.

The table below presents details about PCI loans.

<i>\$ in millions</i>	As of December	
	2017	2016
Loans backed by commercial real estate	\$1,116	\$1,444
Loans backed by residential real estate	3,327	2,508
Other loans	10	18
<b>Total gross carrying value</b>	<b>\$4,453</b>	<b>\$3,970</b>
Total outstanding principal balance	\$9,512	\$8,515
Total accretable yield	\$ 662	\$ 526

The table below presents details about PCI loans at the time of acquisition.

<i>\$ in millions</i>	Year Ended December		
	2017	2016	2015
Fair value	\$1,769	\$2,514	\$2,267
Expected cash flows	\$1,961	\$2,818	\$2,499
Contractually required cash flows	\$4,092	\$6,389	\$6,472

**Credit Quality**

**Risk Assessment.** The firm's risk assessment process includes evaluating the credit quality of its loans receivable. For loans receivable (excluding PCI and Marcus loans) and lending commitments, the firm performs credit reviews which include initial and ongoing analyses of its borrowers. A credit review is an independent analysis of the capacity and willingness of a borrower to meet its financial obligations, resulting in an internal credit rating. The determination of internal credit ratings also incorporates assumptions with respect to the nature of and outlook for the borrower's industry and the economic environment. The firm also assigns a regulatory risk rating to such loans based on the definitions provided by the U.S. federal bank regulatory agencies.

The firm enters into economic hedges to mitigate credit risk on certain loans receivable and corporate lending commitments (both of which are held for investment) related to the firm's relationship lending activities. Such hedges are accounted for at fair value. See Note 18 for further information about these lending commitments and associated hedges.

The table below presents gross loans receivable (excluding PCI and Marcus loans of \$6.37 billion and \$4.18 billion as of December 2017 and December 2016, respectively) and lending commitments by the firm's internally determined public rating agency equivalent and by regulatory risk rating.

<i>\$ in millions</i>	Loans	Lending Commitments	Total
<b>Credit Rating Equivalent</b>			
<b>As of December 2017</b>			
Investment-grade	<b>\$24,192</b>	<b>\$ 89,409</b>	<b>\$113,601</b>
Non-investment-grade	<b>36,179</b>	<b>35,095</b>	<b>71,274</b>
<b>Total</b>	<b>\$60,371</b>	<b>\$124,504</b>	<b>\$184,875</b>
<b>As of December 2016</b>			
Investment-grade	\$18,434	\$ 72,323	\$ 90,757
Non-investment-grade	27,569	25,722	53,291
<b>Total</b>	<b>\$46,003</b>	<b>\$ 98,045</b>	<b>\$144,048</b>
<b>Regulatory Risk Rating</b>			
<b>As of December 2017</b>			
Non-criticized/pass	<b>\$56,720</b>	<b>\$119,427</b>	<b>\$176,147</b>
Criticized	<b>3,651</b>	<b>5,077</b>	<b>8,728</b>
<b>Total</b>	<b>\$60,371</b>	<b>\$124,504</b>	<b>\$184,875</b>
<b>As of December 2016</b>			
Non-criticized/pass	\$42,938	\$ 94,966	\$137,904
Criticized	3,065	3,079	6,144
<b>Total</b>	<b>\$46,003</b>	<b>\$ 98,045</b>	<b>\$144,048</b>

In the table above, non-criticized/pass loans and lending commitments represent loans and lending commitments that are performing and/or do not demonstrate adverse characteristics that are likely to result in a credit loss.

For Marcus loans, an important credit-quality indicator is the Fair Isaac Corporation (FICO) credit score, which measures a borrower's creditworthiness by considering factors such as payment and credit history. FICO credit scores are refreshed periodically by the firm to assess the updated creditworthiness of the borrower. As of December 2017 and December 2016, greater than 80% of the Marcus loans receivable had an underlying FICO credit score above 660 (with a weighted average FICO credit score in excess of 700).

For PCI loans, the firm's risk assessment process includes reviewing certain key metrics, such as delinquency status, collateral values, expected cash flows and other risk factors.

**Impaired Loans.** Loans receivable (excluding PCI loans) are determined to be impaired when it is probable that the firm will not be able to collect all principal and interest due under the contractual terms of the loan. At that time, loans are generally placed on nonaccrual status and all accrued but uncollected interest is reversed against interest income, and interest subsequently collected is recognized on a cash basis to the extent the loan balance is deemed collectible. Otherwise, all cash received is used to reduce the outstanding loan balance.

In certain circumstances, the firm may also modify the original terms of a loan agreement by granting a concession to a borrower experiencing financial difficulty. Such modifications are considered troubled debt restructurings and typically include interest rate reductions, payment extensions, and modification of loan covenants. Loans modified in a troubled debt restructuring are considered impaired and are subject to specific loan-level reserves.

As of December 2017 and December 2016, the gross carrying value of impaired loans receivable (excluding PCI loans) on nonaccrual status was \$845 million and \$404 million, respectively. As of December 2017 and December 2016, such loans included \$61 million and \$142 million, respectively, of corporate loans that were modified in a troubled debt restructuring. The firm did not have any lending commitments related to these loans as of December 2017. Such lending commitments were \$144 million as of December 2016.

When it is determined that the firm cannot reasonably estimate expected cash flows on PCI loans or pools of loans, such loans are placed on nonaccrual status.

### Allowance for Losses on Loans and Lending Commitments

The firm's allowance for loan losses consists of specific loan-level reserves, portfolio level reserves and reserves on PCI loans as described below:

- Specific loan-level reserves are determined on loans (excluding PCI loans) that exhibit credit quality weakness and are therefore individually evaluated for impairment.
- Portfolio level reserves are determined on loans (excluding PCI loans) not evaluated for specific loan-level reserves by aggregating groups of loans with similar risk characteristics and estimating the probable loss inherent in the portfolio.
- Reserves on PCI loans are recorded when it is determined that the expected cash flows, which are reassessed on a quarterly basis, will be lower than those used to establish the current effective yield for such loans or pools of loans. If the expected cash flows are determined to be significantly higher than those used to establish the current effective yield, such increases are initially recognized as a reduction to any previously recorded allowances for loan losses and any remaining increases are recognized as interest income prospectively over the life of the loan or pools of loans as an increase to the effective yield.

The allowance for loan losses is determined using various risk factors, including industry default and loss data, current macroeconomic indicators, borrower's capacity to meet its financial obligations, borrower's country of risk, loan seniority and collateral type. In addition, for loans backed by real estate, risk factors include loan to value ratio, debt service ratio and home price index. Risk factors for Marcus loans include FICO credit scores and delinquency status.

Management's estimate of loan losses entails judgment about loan collectability at the reporting dates, and there are uncertainties inherent in those judgments. While management uses the best information available to determine this estimate, future adjustments to the allowance may be necessary based on, among other things, changes in the economic environment or variances between actual results and the original assumptions used. Loans are charged off against the allowance for loan losses when deemed to be uncollectible.

The firm also records an allowance for losses on lending commitments that are held for investment and accounted for on an accrual basis. Such allowance is determined using the same methodology as the allowance for loan losses, while also taking into consideration the probability of drawdowns or funding, and is included in other liabilities and accrued expenses.

The tables below present gross loans receivable and lending commitments by impairment methodology.

	As of December 2017			
<i>\$ in millions</i>	Specific	Portfolio	PCI	Total
<b>Loans Receivable</b>				
Corporate loans	\$377	\$ 30,372	\$ -	\$ 30,749
Loans to PWM clients	163	16,428	-	16,591
Loans backed by:				
Commercial real estate	-	6,871	1,116	7,987
Residential real estate	231	2,676	3,327	6,234
Marcus loans	-	1,912	-	1,912
Other loans	74	3,179	10	3,263
<b>Total</b>	<b>\$845</b>	<b>\$ 61,438</b>	<b>\$4,453</b>	<b>\$ 66,736</b>
<b>Lending Commitments</b>				
Corporate	\$ 53	\$118,500	\$ -	\$118,553
Other	-	5,951	-	5,951
<b>Total</b>	<b>\$ 53</b>	<b>\$124,451</b>	<b>\$ -</b>	<b>\$124,504</b>

	As of December 2016			
<i>\$ in millions</i>	Specific	Portfolio	PCI	Total
<b>Loans Receivable</b>				
Corporate loans	\$327	\$ 24,510	\$ -	\$ 24,837
Loans to PWM clients	77	13,751	-	13,828
Loans backed by:				
Commercial real estate	-	3,317	1,444	4,761
Residential real estate	-	1,357	2,508	3,865
Marcus loans	-	208	-	208
Other loans	-	2,664	18	2,682
<b>Total</b>	<b>\$404</b>	<b>\$ 45,807</b>	<b>\$3,970</b>	<b>\$ 50,181</b>
<b>Lending Commitments</b>				
Corporate	\$211	\$ 93,196	\$ -	\$ 93,407
Other	-	4,638	-	4,638
<b>Total</b>	<b>\$211</b>	<b>\$ 97,834</b>	<b>\$ -</b>	<b>\$ 98,045</b>

In the tables above, gross loans receivable and lending commitments, subject to specific loan-level reserves, included \$492 million and \$122 million of impaired loans and lending commitments as of December 2017 and December 2016, respectively, which did not require a reserve as the loan was deemed to be recoverable.

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The table below presents changes in the allowance for loan losses and the allowance for losses on lending commitments, as well as details by impairment methodology.

<i>\$ in millions</i>	Year Ended December 2017		Year Ended December 2016	
	Loans Receivable	Lending Commitments	Loans Receivable	Lending Commitments
<b>Changes in the allowance for losses</b>				
Beginning balance	\$ 509	\$212	\$414	\$188
Charge-offs	(203)	–	(8)	–
Provision	574	83	138	44
Other	(77)	(21)	(35)	(20)
<b>Ending balance</b>	<b>\$ 803</b>	<b>\$274</b>	\$509	\$212
<b>Allowance for losses by impairment methodology</b>				
Specific	\$ 119	\$ 14	\$127	\$ 39
Portfolio	518	260	370	173
PCI	166	–	12	–
<b>Total</b>	<b>\$ 803</b>	<b>\$274</b>	\$509	\$212

In the table above:

- The provision for losses on loans and lending commitments is included in other principal transactions, and was primarily related to corporate loans and lending commitments, and loans backed by commercial real estate.
- Other represents the reduction to the allowance related to loans and lending commitments transferred to held for sale.
- Portfolio level reserves were primarily related to corporate loans, specific loan-level reserves were substantially all related to corporate loans and reserves on PCI loans were related to loans backed by real estate.
- Substantially all of the allowance for losses on lending commitments were related to corporate lending commitments.

**Note 10.**

**Collateralized Agreements and Financings**

Collateralized agreements are securities purchased under agreements to resell (resale agreements) and securities borrowed. Collateralized financings are securities sold under agreements to repurchase (repurchase agreements), securities loaned and other secured financings. The firm enters into these transactions in order to, among other things, facilitate client activities, invest excess cash, acquire securities to cover short positions and finance certain firm activities.

Collateralized agreements and financings are presented on a net-by-counterparty basis when a legal right of setoff exists. Interest on collateralized agreements and collateralized financings is recognized over the life of the transaction and included in interest income and interest expense, respectively. See Note 23 for further information about interest income and interest expense.

The table below presents the carrying value of resale and repurchase agreements and securities borrowed and loaned transactions.

<i>\$ in millions</i>	As of December	
	2017	2016
Securities purchased under agreements to resell	\$120,822	\$116,925
Securities borrowed	\$190,848	\$184,600
Securities sold under agreements to repurchase	\$ 84,718	\$ 71,816
Securities loaned	\$ 14,793	\$ 7,524

In the table above:

- Substantially all resale agreements and all repurchase agreements are carried at fair value under the fair value option. See Note 8 for further information about the valuation techniques and significant inputs used to determine fair value.
- As of December 2017 and December 2016, \$78.19 billion and \$82.40 billion of securities borrowed, and \$5.36 billion and \$2.65 billion of securities loaned were at fair value, respectively.

**Resale and Repurchase Agreements**

A resale agreement is a transaction in which the firm purchases financial instruments from a seller, typically in exchange for cash, and simultaneously enters into an agreement to resell the same or substantially the same financial instruments to the seller at a stated price plus accrued interest at a future date.

A repurchase agreement is a transaction in which the firm sells financial instruments to a buyer, typically in exchange for cash, and simultaneously enters into an agreement to repurchase the same or substantially the same financial instruments from the buyer at a stated price plus accrued interest at a future date.

Even though repurchase and resale agreements (including “repos- and reverses-to-maturity”) involve the legal transfer of ownership of financial instruments, they are accounted for as financing arrangements because they require the financial instruments to be repurchased or resold before or at the maturity of the agreement. The financial instruments purchased or sold in resale and repurchase agreements typically include U.S. government and agency, and investment-grade sovereign obligations.

The firm receives financial instruments purchased under resale agreements and makes delivery of financial instruments sold under repurchase agreements. To mitigate credit exposure, the firm monitors the market value of these financial instruments on a daily basis, and delivers or obtains additional collateral due to changes in the market value of the financial instruments, as appropriate. For resale agreements, the firm typically requires collateral with a fair value approximately equal to the carrying value of the relevant assets in the consolidated statements of financial condition.

### Securities Borrowed and Loaned Transactions

In a securities borrowed transaction, the firm borrows securities from a counterparty in exchange for cash or securities. When the firm returns the securities, the counterparty returns the cash or securities. Interest is generally paid periodically over the life of the transaction.

In a securities loaned transaction, the firm lends securities to a counterparty in exchange for cash or securities. When the counterparty returns the securities, the firm returns the cash or securities posted as collateral. Interest is generally paid periodically over the life of the transaction.

The firm receives securities borrowed and makes delivery of securities loaned. To mitigate credit exposure, the firm monitors the market value of these securities on a daily basis, and delivers or obtains additional collateral due to changes in the market value of the securities, as appropriate. For securities borrowed transactions, the firm typically requires collateral with a fair value approximately equal to the carrying value of the securities borrowed transaction.

Securities borrowed and loaned within FICC Client Execution are recorded at fair value under the fair value option. See Note 8 for further information about securities borrowed and loaned accounted for at fair value.

Securities borrowed and loaned within Securities Services are recorded based on the amount of cash collateral advanced or received plus accrued interest. As these agreements generally can be terminated on demand, they exhibit little, if any, sensitivity to changes in interest rates. Therefore, the carrying value of such agreements approximates fair value. While these agreements are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm's fair value hierarchy in Notes 6 through 8. Had these agreements been included in the firm's fair value hierarchy, they would have been classified in level 2 as of both December 2017 and December 2016.

### Offsetting Arrangements

The table below presents the gross and net resale and repurchase agreements and securities borrowed and loaned transactions, and the related amount of counterparty netting included in the consolidated statements of financial condition, as well as the amounts of counterparty netting and cash and securities collateral, not offset in the consolidated statements of financial condition.

<i>\$ in millions</i>	Assets		Liabilities	
	Resale agreements	Securities borrowed	Repurchase agreements	Securities loaned
<b>As of December 2017</b>				
<b>Included in consolidated statements of financial condition</b>				
Gross carrying value	\$ 209,972	\$ 195,783	\$ 173,868	\$ 19,728
Counterparty netting	(89,150)	(4,935)	(89,150)	(4,935)
<b>Total</b>	<b>120,822</b>	<b>190,848</b>	<b>84,718</b>	<b>14,793</b>
<b>Amounts not offset</b>				
Counterparty netting	(5,441)	(4,412)	(5,441)	(4,412)
Collateral	(113,305)	(177,679)	(76,793)	(9,731)
<b>Total</b>	<b>\$ 2,076</b>	<b>\$ 8,757</b>	<b>\$ 2,484</b>	<b>\$ 650</b>
<b>As of December 2016</b>				
<b>Included in consolidated statements of financial condition</b>				
Gross carrying value	\$ 173,561	\$ 189,571	\$ 128,452	\$ 12,495
Counterparty netting	(56,636)	(4,971)	(56,636)	(4,971)
<b>Total</b>	<b>116,925</b>	<b>184,600</b>	<b>71,816</b>	<b>7,524</b>
<b>Amounts not offset</b>				
Counterparty netting	(8,319)	(4,045)	(8,319)	(4,045)
Collateral	(107,148)	(170,625)	(62,081)	(3,087)
<b>Total</b>	<b>\$ 1,458</b>	<b>\$ 9,930</b>	<b>\$ 1,416</b>	<b>\$ 392</b>

In the table above:

- Substantially all of the gross carrying values of these arrangements are subject to enforceable netting agreements.
- Where the firm has received or posted collateral under credit support agreements, but has not yet determined such agreements are enforceable, the related collateral has not been netted.
- Amounts not offset includes counterparty netting that does not meet the criteria for netting under U.S. GAAP and the fair value of cash or securities collateral received or posted subject to enforceable credit support agreements.



**Gross Carrying Value of Repurchase Agreements and Securities Loaned**

The table below presents the gross carrying value of repurchase agreements and securities loaned by class of collateral pledged.

<i>\$ in millions</i>	Repurchase agreements	Securities loaned
<b>As of December 2017</b>		
Money market instruments	\$ 97	\$ -
U.S. government and agency obligations	80,591	-
Non-U.S. government and agency obligations	73,031	2,245
Securities backed by commercial real estate	43	-
Securities backed by residential real estate	338	-
Corporate debt securities	7,140	1,145
State and municipal obligations	-	-
Other debt obligations	55	-
Equity securities	12,573	16,338
<b>Total</b>	<b>\$173,868</b>	<b>\$19,728</b>
<b>As of December 2016</b>		
Money market instruments	\$ 317	\$ -
U.S. government and agency obligations	47,207	115
Non-U.S. government and agency obligations	56,156	1,846
Securities backed by commercial real estate	208	-
Securities backed by residential real estate	122	-
Corporate debt securities	8,297	39
State and municipal obligations	831	-
Other debt obligations	286	-
Equity securities	15,028	10,495
<b>Total</b>	<b>\$128,452</b>	<b>\$12,495</b>

The table below presents the gross carrying value of repurchase agreements and securities loaned by maturity date.

<i>\$ in millions</i>	As of December 2017	
	Repurchase agreements	Securities loaned
No stated maturity and overnight	\$ 65,280	\$ 9,389
2 - 30 days	59,344	4,967
31 - 90 days	13,489	756
91 days - 1 year	21,392	2,302
Greater than 1 year	14,363	2,314
<b>Total</b>	<b>\$173,868</b>	<b>\$19,728</b>

In the table above:

- Repurchase agreements and securities loaned that are repayable prior to maturity at the option of the firm are reflected at their contractual maturity dates.
- Repurchase agreements and securities loaned that are redeemable prior to maturity at the option of the holder are reflected at the earliest dates such options become exercisable.

**Other Secured Financings**

In addition to repurchase agreements and securities loaned transactions, the firm funds certain assets through the use of other secured financings and pledges financial instruments and other assets as collateral in these transactions. These other secured financings consist of:

- Liabilities of consolidated VIEs;
- Transfers of assets accounted for as financings rather than sales (primarily collateralized central bank financings, pledged commodities, bank loans and mortgage whole loans); and
- Other structured financing arrangements.

Other secured financings includes arrangements that are nonrecourse. As of December 2017 and December 2016, nonrecourse other secured financings were \$5.31 billion and \$2.54 billion, respectively.

The firm has elected to apply the fair value option to substantially all other secured financings because the use of fair value eliminates non-economic volatility in earnings that would arise from using different measurement attributes. See Note 8 for further information about other secured financings that are accounted for at fair value.

Other secured financings that are not recorded at fair value are recorded based on the amount of cash received plus accrued interest, which generally approximates fair value. While these financings are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm's fair value hierarchy in Notes 6 through 8. Had these financings been included in the firm's fair value hierarchy, they would have been primarily classified in level 2 as of both December 2017 and December 2016.

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The table below presents information about other secured financings.

<i>\$ in millions</i>	U.S. Dollar	Non-U.S. Dollar	Total
<b>As of December 2017</b>			
Other secured financings (short-term):			
At fair value	\$ 7,704	\$ 6,856	\$14,560
At amortized cost	\$ -	\$ 336	\$ 336
Weighted average interest rates	-	2.61%	
Other secured financings (long-term):			
At fair value	\$ 6,779	\$ 3,006	\$ 9,785
At amortized cost	\$ 107	\$ -	\$ 107
Weighted average interest rates	3.89%	-	
<b>Total</b>	<b>\$14,590</b>	<b>\$10,198</b>	<b>\$24,788</b>
Other secured financings collateralized by:			
Financial instruments	\$12,454	\$ 9,870	\$22,324
Other assets	\$ 2,136	\$ 328	\$ 2,464
<b>As of December 2016</b>			
Other secured financings (short-term):			
At fair value	\$ 9,380	\$ 3,738	\$13,118
At amortized cost	\$ -	\$ -	\$ -
Weighted average interest rates	-	-	
Other secured financings (long-term):			
At fair value	\$ 5,562	\$ 2,393	\$ 7,955
At amortized cost	\$ 145	\$ 305	\$ 450
Weighted average interest rates	4.06%	2.16%	
<b>Total</b>	<b>\$15,087</b>	<b>\$ 6,436</b>	<b>\$21,523</b>
Other secured financings collateralized by:			
Financial instruments	\$13,858	\$ 5,974	\$19,832
Other assets	\$ 1,229	\$ 462	\$ 1,691

In the table above:

- Short-term other secured financings includes financings maturing within one year of the financial statement date and financings that are redeemable within one year of the financial statement date at the option of the holder.
- Weighted average interest rates excludes other secured financings at fair value and includes the effect of hedging activities. See Note 7 for further information about hedging activities.
- Total other secured financings included \$1.55 billion and \$285 million related to transfers of financial assets accounted for as financings rather than sales as of December 2017 and December 2016, respectively. Such financings were collateralized by financial assets of \$1.57 billion and \$285 million as of December 2017 and December 2016, respectively, primarily included in financial instruments owned.
- Other secured financings collateralized by financial instruments included \$16.61 billion and \$13.65 billion of other secured financings collateralized by financial instruments owned as of December 2017 and December 2016, respectively, and \$5.71 billion and \$6.18 billion of other secured financings collateralized by financial instruments received as collateral and repledged as of December 2017 and December 2016, respectively.

The table below presents other secured financings by maturity date.

<i>\$ in millions</i>	As of December 2017
Other secured financings (short-term)	<b>\$14,896</b>
Other secured financings (long-term):	
2019	<b>3,439</b>
2020	<b>1,555</b>
2021	<b>551</b>
2022	<b>2,468</b>
2023 - thereafter	<b>1,879</b>
Total other secured financings (long-term)	<b>9,892</b>
<b>Total other secured financings</b>	<b>\$24,788</b>

In the table above:

- Long-term other secured financings that are repayable prior to maturity at the option of the firm are reflected at their contractual maturity dates.
- Long-term other secured financings that are redeemable prior to maturity at the option of the holder are reflected at the earliest dates such options become exercisable.

### Collateral Received and Pledged

The firm receives cash and securities (e.g., U.S. government and agency obligations, other sovereign and corporate obligations, as well as equity securities) as collateral, primarily in connection with resale agreements, securities borrowed, derivative transactions and customer margin loans. The firm obtains cash and securities as collateral on an upfront or contingent basis for derivative instruments and collateralized agreements to reduce its credit exposure to individual counterparties.

In many cases, the firm is permitted to deliver or repledge financial instruments received as collateral when entering into repurchase agreements and securities loaned transactions, primarily in connection with secured client financing activities. The firm is also permitted to deliver or repledge these financial instruments in connection with other secured financings, collateralized derivative transactions and firm or customer settlement requirements.

The firm also pledges certain financial instruments owned in connection with repurchase agreements, securities loaned transactions and other secured financings, and other assets (substantially all real estate and cash) in connection with other secured financings to counterparties who may or may not have the right to deliver or repledge them.

The table below presents financial instruments at fair value received as collateral that were available to be delivered or repledged and were delivered or repledged by the firm.

<i>\$ in millions</i>	As of December	
	2017	2016
Collateral available to be delivered or repledged	<b>\$763,984</b>	\$634,609
Collateral that was delivered or repledged	<b>\$599,565</b>	\$495,717

In the table above, as of December 2017 and December 2016, collateral available to be delivered or repledged excludes \$1.52 billion and \$15.47 billion, respectively, of securities received under resale agreements and securities borrowed transactions that contractually had the right to be delivered or repledged, but were segregated for regulatory and other purposes.

The table below presents information about assets pledged.

<i>\$ in millions</i>	As of December	
	2017	2016
Financial instruments owned pledged to counterparties that:		
Had the right to deliver or repledge	<b>\$ 50,335</b>	\$ 51,278
Did not have the right to deliver or repledge	<b>\$ 78,656</b>	\$ 61,099
Other assets pledged to counterparties that did not have the right to deliver or repledge	<b>\$ 4,838</b>	\$ 3,287

The firm also segregated \$10.42 billion and \$15.29 billion of securities included in financial instruments owned as of December 2017 and December 2016, respectively, for regulatory and other purposes. See Note 3 for information about segregated cash.

**Note 11.**

**Securitization Activities**

The firm securitizes residential and commercial mortgages, corporate bonds, loans and other types of financial assets by selling these assets to securitization vehicles (e.g., trusts, corporate entities and limited liability companies) or through a resecuritization. The firm acts as underwriter of the beneficial interests that are sold to investors. The firm's residential mortgage securitizations are primarily in connection with government agency securitizations.

Beneficial interests issued by securitization entities are debt or equity instruments that give the investors rights to receive all or portions of specified cash inflows to a securitization vehicle and include senior and subordinated interests in principal, interest and/or other cash inflows. The proceeds from the sale of beneficial interests are used to pay the transferor for the financial assets sold to the securitization vehicle or to purchase securities which serve as collateral.

The firm accounts for a securitization as a sale when it has relinquished control over the transferred financial assets. Prior to securitization, the firm generally accounts for assets pending transfer at fair value and therefore does not typically recognize significant gains or losses upon the transfer of assets. Net revenues from underwriting activities are recognized in connection with the sales of the underlying beneficial interests to investors.

For transfers of financial assets that are not accounted for as sales, the assets remain in financial instruments owned and the transfer is accounted for as a collateralized financing, with the related interest expense recognized over the life of the transaction. See Notes 10 and 23 for further information about collateralized financings and interest expense, respectively.

The firm generally receives cash in exchange for the transferred assets but may also have continuing involvement with the transferred financial assets, including ownership of beneficial interests in securitized financial assets, primarily in the form of debt instruments. The firm may also purchase senior or subordinated securities issued by securitization vehicles (which are typically VIEs) in connection with secondary market-making activities.

The primary risks included in beneficial interests and other interests from the firm's continuing involvement with securitization vehicles are the performance of the underlying collateral, the position of the firm's investment in the capital structure of the securitization vehicle and the market yield for the security. These interests primarily are accounted for at fair value and classified in level 2 of the fair value hierarchy. Beneficial interests and other interests not accounted for at fair value are carried at amounts that approximate fair value. See Notes 5 through 8 for further information about fair value measurements.

The table below presents the amount of financial assets securitized and the cash flows received on retained interests in securitization entities in which the firm had continuing involvement as of the end of the period.

<i>\$ in millions</i>	Year Ended December		
	2017	2016	2015
Residential mortgages	<b>\$18,142</b>	\$12,164	\$10,479
Commercial mortgages	<b>7,872</b>	233	6,043
Other financial assets	<b>481</b>	181	—
<b>Total</b>	<b>\$26,495</b>	\$12,578	\$16,522
Retained interests cash flows	<b>\$ 264</b>	\$ 189	\$ 174

The table below presents the firm's continuing involvement in nonconsolidated securitization entities to which the firm sold assets, as well as the total outstanding principal amount of transferred assets in which the firm has continuing involvement.

<i>\$ in millions</i>	Outstanding Principal Amount	Retained Interests	Purchased Interests
<b>As of December 2017</b>			
U.S. government agency-issued collateralized mortgage obligations	<b>\$20,232</b>	<b>\$1,120</b>	<b>\$16</b>
Other residential mortgage-backed	<b>10,558</b>	<b>711</b>	<b>17</b>
Other commercial mortgage-backed	<b>7,916</b>	<b>228</b>	<b>7</b>
Corporate debt and other asset-backed	<b>2,108</b>	<b>56</b>	<b>1</b>
<b>Total</b>	<b>\$40,814</b>	<b>\$2,115</b>	<b>\$41</b>
<b>As of December 2016</b>			
U.S. government agency-issued collateralized mortgage obligations	\$25,140	\$ 953	\$24
Other residential mortgage-backed	3,261	540	6
Other commercial mortgage-backed	357	15	-
Corporate debt and other asset-backed	2,284	56	6
<b>Total</b>	<b>\$31,042</b>	<b>\$1,564</b>	<b>\$36</b>

In the table above:

- The outstanding principal amount is presented for the purpose of providing information about the size of the securitization entities and is not representative of the firm's risk of loss.
- The firm's risk of loss from retained or purchased interests is limited to the carrying value of these interests.
- Purchased interests represent senior and subordinated interests, purchased in connection with secondary market-making activities, in securitization entities in which the firm also holds retained interests.
- Substantially all of the total outstanding principal amount and total retained interests relate to securitizations during 2012 and thereafter.
- The fair value of retained interests was \$2.13 billion and \$1.58 billion as of December 2017 and December 2016, respectively.

In addition to the interests in the table above, the firm had other continuing involvement in the form of derivative transactions and commitments with certain nonconsolidated VIEs. The carrying value of these derivatives and commitments was a net asset of \$86 million and \$48 million as of December 2017 and December 2016, respectively. The notional amounts of these derivatives and commitments are included in maximum exposure to loss in the nonconsolidated VIE table in Note 12.

The table below presents the weighted average key economic assumptions used in measuring the fair value of mortgage-backed retained interests and the sensitivity of this fair value to immediate adverse changes of 10% and 20% in those assumptions.

<i>\$ in millions</i>	As of December	
	2017	2016
Fair value of retained interests	<b>\$2,071</b>	\$1,519
Weighted average life (years)	<b>6.0</b>	7.5
Constant prepayment rate	<b>9.4%</b>	8.1%
Impact of 10% adverse change	<b>\$ (19)</b>	\$ (14)
Impact of 20% adverse change	<b>\$ (35)</b>	\$ (28)
Discount rate	<b>4.2%</b>	5.3%
Impact of 10% adverse change	<b>\$ (35)</b>	\$ (37)
Impact of 20% adverse change	<b>\$ (70)</b>	\$ (71)

In the table above:

- Amounts do not reflect the benefit of other financial instruments that are held to mitigate risks inherent in these retained interests.
- Changes in fair value based on an adverse variation in assumptions generally cannot be extrapolated because the relationship of the change in assumptions to the change in fair value is not usually linear.
- The impact of a change in a particular assumption is calculated independently of changes in any other assumption. In practice, simultaneous changes in assumptions might magnify or counteract the sensitivities disclosed above.
- The constant prepayment rate is included only for positions for which it is a key assumption in the determination of fair value.
- The discount rate for retained interests that relate to U.S. government agency-issued collateralized mortgage obligations does not include any credit loss. Expected credit loss assumptions are reflected in the discount rate for the remainder of retained interests.

The firm has other retained interests not reflected in the table above with a fair value of \$56 million and a weighted average life of 4.5 years as of December 2017, and a fair value of \$56 million and a weighted average life of 3.5 years as of December 2016. Due to the nature and fair value of certain of these retained interests, the weighted average assumptions for constant prepayment and discount rates and the related sensitivity to adverse changes are not meaningful as of both December 2017 and December 2016. The firm's maximum exposure to adverse changes in the value of these interests is the carrying value of \$56 million and \$56 million as of December 2017 and December 2016, respectively.

**Note 12.**

**Variable Interest Entities**

A variable interest in a VIE is an investment (e.g., debt or equity securities) or other interest (e.g., derivatives or loans and lending commitments) that will absorb portions of the VIE's expected losses and/or receive portions of the VIE's expected residual returns.

The firm's variable interests in VIEs include senior and subordinated debt; loans and lending commitments; limited and general partnership interests; preferred and common equity; derivatives that may include foreign currency, equity and/or credit risk; guarantees; and certain of the fees the firm receives from investment funds. Certain interest rate, foreign currency and credit derivatives the firm enters into with VIEs are not variable interests because they create, rather than absorb, risk.

VIEs generally finance the purchase of assets by issuing debt and equity securities that are either collateralized by or indexed to the assets held by the VIE. The debt and equity securities issued by a VIE may include tranches of varying levels of subordination. The firm's involvement with VIEs includes securitization of financial assets, as described in Note 11, and investments in and loans to other types of VIEs, as described below. See Note 11 for further information about securitization activities, including the definition of beneficial interests. See Note 3 for the firm's consolidation policies, including the definition of a VIE.

**VIE Consolidation Analysis**

The enterprise with a controlling financial interest in a VIE is known as the primary beneficiary and consolidates the VIE. The firm determines whether it is the primary beneficiary of a VIE by performing an analysis that principally considers:

- Which variable interest holder has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance;
- Which variable interest holder has the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE;
- The VIE's purpose and design, including the risks the VIE was designed to create and pass through to its variable interest holders;
- The VIE's capital structure;
- The terms between the VIE and its variable interest holders and other parties involved with the VIE; and
- Related-party relationships.

The firm reassesses its evaluation of whether an entity is a VIE when certain reconsideration events occur. The firm reassesses its determination of whether it is the primary beneficiary of a VIE on an ongoing basis based on current facts and circumstances.

**VIE Activities**

In 2017, the firm aggregated corporate debt VIEs with other asset-backed VIEs and aggregated power-related VIEs with real estate, credit-related and other investing VIEs (rather than in investments in funds and other VIEs). Previously reported amounts have been conformed to the current presentation.

The firm is principally involved with VIEs through the following business activities:

**Mortgage-Backed VIEs.** The firm sells residential and commercial mortgage loans and securities to mortgage-backed VIEs and may retain beneficial interests in the assets sold to these VIEs. The firm purchases and sells beneficial interests issued by mortgage-backed VIEs in connection with market-making activities. In addition, the firm may enter into derivatives with certain of these VIEs, primarily interest rate swaps, which are typically not variable interests. The firm generally enters into derivatives with other counterparties to mitigate its risk.

**Real Estate, Credit- and Power-Related and Other Investing VIEs.** The firm purchases equity and debt securities issued by and makes loans to VIEs that hold real estate, performing and nonperforming debt, distressed loans, power-related assets and equity securities. The firm typically does not sell assets to, or enter into derivatives with, these VIEs.

**Corporate Debt and Other Asset-Backed VIEs.** The firm structures VIEs that issue notes to clients, and purchases and sells beneficial interests issued by corporate debt and other asset-backed VIEs in connection with market-making activities. Certain of these VIEs synthetically create the exposure for the beneficial interests they issue by entering into credit derivatives with the firm, rather than purchasing the underlying assets. In addition, the firm may enter into derivatives, such as total return swaps, with certain corporate debt and other asset-backed VIEs, under which the firm pays the VIE a return due to the beneficial interest holders and receives the return on the collateral owned by the VIE. The collateral owned by these VIEs is primarily other asset-backed loans and securities. The firm generally can be removed as the total return swap counterparty and enters into derivatives with other counterparties to mitigate its risk related to these swaps. The firm may sell assets to the corporate debt and other asset-backed VIEs it structures.

**Principal-Protected Note VIEs.** The firm structures VIEs that issue principal-protected notes to clients. These VIEs own portfolios of assets, principally with exposure to hedge funds. Substantially all of the principal protection on the notes issued by these VIEs is provided by the asset portfolio rebalancing that is required under the terms of the notes. The firm enters into total return swaps with these VIEs under which the firm pays the VIE the return due to the principal-protected note holders and receives the return on the assets owned by the VIE. The firm may enter into derivatives with other counterparties to mitigate its risk. The firm also obtains funding through these VIEs.

**Investments in Funds.** The firm makes equity investments in certain of the investment fund VIEs it manages and is entitled to receive fees from these VIEs. The firm typically does not sell assets to, or enter into derivatives with, these VIEs.

#### **Adoption of ASU No. 2015-02**

The firm adopted ASU No. 2015-02 as of January 1, 2016. Upon adoption, certain of the firm's investments in entities that were previously classified as voting interest entities are now classified as VIEs. These include investments in certain limited partnership entities that have been deconsolidated upon adoption as certain fee interests are not considered significant interests under the guidance, and the firm is no longer deemed to have a controlling financial interest in such entities. See Note 3 for further information about the adoption of ASU No. 2015-02.

**Nonconsolidated VIEs.** As a result of adoption as of January 1, 2016, investments in funds nonconsolidated VIEs included \$10.70 billion in assets in VIEs, \$543 million in carrying value of variable interests — assets and \$559 million in maximum exposure to loss related to investments in limited partnership entities that were previously classified as nonconsolidated voting interest entities.

**Consolidated VIEs.** As a result of adoption as of January 1, 2016, real estate, credit-related and other investing consolidated VIEs included \$302 million of assets, substantially all included in financial instruments owned, and \$122 million of liabilities, included in other liabilities and accrued expenses, primarily related to investments in limited partnership entities that were previously classified as consolidated voting interest entities.

#### **Nonconsolidated VIEs**

The table below presents a summary of the nonconsolidated VIEs in which the firm holds variable interests. The nature of the firm's variable interests can take different forms, as described in the rows under maximum exposure to loss.

<i>\$ in millions</i>	As of December	
	2017	2016
<b>Total nonconsolidated VIEs</b>		
Assets in VIEs	<b>\$97,962</b>	\$70,083
Carrying value of variable interests — assets	<b>8,425</b>	6,199
Carrying value of variable interests — liabilities	<b>214</b>	254
Maximum exposure to loss:		
Retained interests	<b>2,115</b>	1,564
Purchased interests	<b>1,172</b>	544
Commitments and guarantees	<b>3,462</b>	2,196
Derivatives	<b>8,406</b>	7,144
Loans and investments	<b>4,454</b>	3,760
<b>Total maximum exposure to loss</b>	<b>\$19,609</b>	\$15,208

In the table above:

- The firm's exposure to the obligations of VIEs is generally limited to its interests in these entities. In certain instances, the firm provides guarantees, including derivative guarantees, to VIEs or holders of variable interests in VIEs.
- The maximum exposure to loss excludes the benefit of offsetting financial instruments that are held to mitigate the risks associated with these variable interests.
- The maximum exposure to loss from retained interests, purchased interests, and loans and investments is the carrying value of these interests.
- The maximum exposure to loss from commitments and guarantees, and derivatives is the notional amount, which does not represent anticipated losses and also has not been reduced by unrealized losses already recorded. As a result, the maximum exposure to loss exceeds liabilities recorded for commitments and guarantees, and derivatives provided to VIEs.
- Total maximum exposure to loss from commitments and guarantees, and derivatives included \$1.26 billion and \$1.28 billion as of December 2017 and December 2016, respectively, related to transactions with VIEs to which the firm transferred assets.

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The table below disaggregates, by principal business activity, the information for nonconsolidated VIEs included in the summary table above.

\$ in millions	As of December	
	2017	2016
<b>Mortgage-backed</b>		
Assets in VIEs	\$55,153	\$32,714
Carrying value of variable interests — assets	3,128	1,936
Maximum exposure to loss:		
Retained interests	2,059	1,508
Purchased interests	1,067	429
Commitments and guarantees	11	9
Derivatives	99	163
<b>Total maximum exposure to loss</b>	<b>\$ 3,236</b>	<b>\$ 2,109</b>
<b>Real estate, credit- and power-related and other investing</b>		
Assets in VIEs	\$15,539	\$11,771
Carrying value of variable interests — assets	3,289	2,911
Carrying value of variable interests — liabilities	2	9
Maximum exposure to loss:		
Commitments and guarantees	1,617	1,658
Loans and investments	3,289	2,911
<b>Total maximum exposure to loss</b>	<b>\$ 4,906</b>	<b>\$ 4,569</b>
<b>Corporate debt and other asset-backed</b>		
Assets in VIEs	\$16,251	\$11,540
Carrying value of variable interests — assets	1,660	602
Carrying value of variable interests — liabilities	212	245
Maximum exposure to loss:		
Retained interests	56	56
Purchased interests	105	115
Commitments and guarantees	1,779	461
Derivatives	8,303	6,975
Loans and investments	817	99
<b>Total maximum exposure to loss</b>	<b>\$11,060</b>	<b>\$ 7,706</b>
<b>Investments in funds</b>		
Assets in VIEs	\$11,019	\$14,058
Carrying value of variable interests — assets	348	750
Maximum exposure to loss:		
Commitments and guarantees	55	68
Derivatives	4	6
Loans and investments	348	750
<b>Total maximum exposure to loss</b>	<b>\$ 407</b>	<b>\$ 824</b>

As of both December 2017 and December 2016, the carrying values of the firm's variable interests in nonconsolidated VIEs are included in the consolidated statements of financial condition as follows:

- **Mortgage-backed:** Assets were primarily included in financial instruments owned.
- **Real estate, credit- and power-related and other investing:** Assets were primarily included in financial instruments owned and liabilities were included in financial instruments sold, but not yet purchased and other liabilities and accrued expenses.
- **Corporate debt and other asset-backed:** Substantially all assets were included in financial instruments owned and liabilities were included in financial instruments sold, but not yet purchased.
- **Investments in funds:** Assets were included in financial instruments owned.

**Consolidated VIEs**

The table below presents a summary of the carrying value and classification of assets and liabilities in consolidated VIEs.

\$ in millions	As of December	
	2017	2016
<b>Total consolidated VIEs</b>		
<i>Assets</i>		
Cash and cash equivalents	\$ 275	\$ 300
Receivables from customers and counterparties	2	–
Loans receivable	427	603
Financial instruments owned	1,194	2,047
Other assets	1,273	682
<b>Total</b>	<b>\$3,171</b>	<b>\$3,632</b>
<i>Liabilities</i>		
Other secured financings	\$1,023	\$ 854
Payables to brokers, dealers and clearing organizations	–	1
Financial instruments sold, but not yet purchased	15	7
Unsecured short-term borrowings	79	197
Unsecured long-term borrowings	225	334
Other liabilities and accrued expenses	577	803
<b>Total</b>	<b>\$1,919</b>	<b>\$2,196</b>

In the table above:

- Assets and liabilities are presented net of intercompany eliminations and exclude the benefit of offsetting financial instruments that are held to mitigate the risks associated with the firm's variable interests.
- VIEs in which the firm holds a majority voting interest are excluded if (i) the VIE meets the definition of a business and (ii) the VIE's assets can be used for purposes other than the settlement of its obligations.
- Substantially all assets can only be used to settle obligations of the VIE.

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The table below disaggregates, by principal business activity, the information for consolidated VIEs included in the summary table above.

<i>\$ in millions</i>	As of December	
	2017	2016
<b>Real estate, credit-related and other investing</b>		
<i>Assets</i>		
Cash and cash equivalents	\$ 275	\$ 300
Loans receivable	375	603
Financial instruments owned	896	1,708
Other assets	1,267	680
<b>Total</b>	<b>\$2,813</b>	<b>\$3,291</b>
<i>Liabilities</i>		
Other secured financings	\$ 327	\$ 284
Payables to brokers, dealers and clearing organizations	–	1
Financial instruments sold, but not yet purchased	15	7
Other liabilities and accrued expenses	577	803
<b>Total</b>	<b>\$ 919</b>	<b>\$1,095</b>
<b>Mortgage-backed and other asset-backed</b>		
<i>Assets</i>		
Receivables from customers and counterparties	\$ 2	\$ –
Loans receivable	52	–
Financial instruments owned	242	253
Other assets	6	2
<b>Total</b>	<b>\$ 302</b>	<b>\$ 255</b>
<i>Liabilities</i>		
Other secured financings	\$ 207	\$ 139
<b>Total</b>	<b>\$ 207</b>	<b>\$ 139</b>
<b>Principal-protected notes</b>		
<i>Assets</i>		
Financial instruments owned	\$ 56	\$ 86
<b>Total</b>	<b>\$ 56</b>	<b>\$ 86</b>
<i>Liabilities</i>		
Other secured financings	\$ 489	\$ 431
Unsecured short-term borrowings	79	197
Unsecured long-term borrowings	225	334
<b>Total</b>	<b>\$ 793</b>	<b>\$ 962</b>

In the table above:

- The majority of the assets in principal-protected notes VIEs are intercompany and are eliminated in consolidation.
- Creditors and beneficial interest holders of real estate, credit-related and other investing VIEs, and mortgage-backed and other asset-backed VIEs do not have recourse to the general credit of the firm.

**Note 13.**

**Other Assets**

Other assets are generally less liquid, nonfinancial assets. The table below presents other assets by type.

<i>\$ in millions</i>	As of December	
	2017	2016
Property, leasehold improvements and equipment	\$15,094	\$12,070
Goodwill and identifiable intangible assets	4,038	4,095
Income tax-related assets	3,728	5,550
Miscellaneous receivables and other	5,486	3,766
<b>Total</b>	<b>\$28,346</b>	<b>\$25,481</b>

In the table above:

- Property, leasehold improvements and equipment is net of accumulated depreciation and amortization of \$8.28 billion and \$7.68 billion as of December 2017 and December 2016, respectively. Property, leasehold improvements and equipment included \$5.97 billion and \$5.96 billion as of December 2017 and December 2016, respectively, related to property, leasehold improvements and equipment that the firm uses in connection with its operations. The remainder is held by investment entities, including VIEs, consolidated by the firm. Substantially all property and equipment is depreciated on a straight-line basis over the useful life of the asset. Leasehold improvements are amortized on a straight-line basis over the useful life of the improvement or the term of the lease, whichever is shorter. Capitalized costs of software developed or obtained for internal use are amortized on a straight-line basis over three years.
- The decrease in income tax-related assets during 2017 primarily reflected the estimated impact of Tax Legislation on income tax-related assets. See Note 24 for further information about Tax Legislation.
- Miscellaneous receivables and other included debt securities accounted for as held-to-maturity of \$800 million and \$87 million as of December 2017 and December 2016, respectively. As of both December 2017 and December 2016, these securities were backed by residential real estate and had maturities of greater than ten years. These securities are carried at amortized cost and the carrying value of these securities approximated fair value as of both December 2017 and December 2016. As these securities are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP, their fair value is not included in the firm's fair value hierarchy in Notes 6 through 8. Had these securities been included in the firm's fair value hierarchy, substantially all would have been classified in level 2 as of both December 2017 and December 2016.



- Miscellaneous receivables and other included investments in qualified affordable housing projects of \$679 million and \$682 million as of December 2017 and December 2016, respectively.
- Miscellaneous receivables and other included equity-method investments of \$275 million and \$219 million as of December 2017 and December 2016, respectively.
- Miscellaneous receivables and other included assets classified as held for sale of \$634 million as of December 2017 related to certain of the firm's consolidated investments within its Investing & Lending segment, substantially all of which consisted of property and equipment.

### Goodwill and Identifiable Intangible Assets

**Goodwill.** The table below presents the carrying value of goodwill.

<i>\$ in millions</i>	As of December	
	2017	2016
Investment Banking:		
Financial Advisory	\$ 98	\$ 98
Underwriting	183	183
Institutional Client Services:		
FICC Client Execution	269	269
Equities client execution	2,403	2,403
Securities services	105	105
Investing & Lending	2	2
Investment Management	605	606
<b>Total</b>	<b>\$3,665</b>	<b>\$3,666</b>

Goodwill is the cost of acquired companies in excess of the fair value of net assets, including identifiable intangible assets, at the acquisition date.

Goodwill is assessed for impairment annually in the fourth quarter or more frequently if events occur or circumstances change that indicate an impairment may exist. When assessing goodwill for impairment, first, qualitative factors are assessed to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If the results of the qualitative assessment are not conclusive, a quantitative goodwill test is performed.

The quantitative goodwill test compares the estimated fair value of each reporting unit with its estimated net book value (including goodwill and identifiable intangible assets). If the reporting unit's estimated fair value exceeds its estimated net book value, goodwill is not impaired. An impairment is recognized if the estimated fair value of a reporting unit is less than its estimated net book value, with the amount of impairment equal to the difference between those values. To estimate the fair value of each reporting unit, a relative value technique is used because the firm believes market participants would use this technique to value the firm's reporting units. The relative value technique applies observable price-to-earnings multiples or price-to-book multiples and projected return on equity of comparable competitors to reporting units' net earnings or net book value. The estimated net book value of each reporting unit reflects an allocation of total shareholders' equity and represents the estimated amount of total shareholders' equity required to support the activities of the reporting unit under currently applicable regulatory capital requirements.

In the fourth quarter of 2017, the firm assessed goodwill for impairment for each of its reporting units by performing a qualitative assessment. Multiple factors were assessed with respect to each of the firm's reporting units to determine whether it was more likely than not that the estimated fair value of any of these reporting units was less than its estimated carrying value. The qualitative assessment also considered changes since the prior quantitative tests.

The firm considered the following factors in the qualitative assessment performed in the fourth quarter when evaluating whether it was more likely than not that the fair value of a reporting unit was less than its carrying value:

- **Performance Indicators.** During 2017, the firm's net revenues and pre-tax margin increased as compared with 2016. Net earnings, diluted earnings per common share, return on average common shareholders' equity and book value per common share for 2017 decreased as compared with 2016 due to Tax Legislation. However, Tax Legislation will result in a lower effective income tax rate in the future. See Note 24 for further information about Tax Legislation. In addition, although certain expenses increased, there were no significant negative changes to the firm's overall cost structure since the prior quantitative goodwill tests were performed.
- **Firm and Industry Events.** There were no events, entity-specific or otherwise, since the prior quantitative goodwill tests that would have had a significant negative impact on the valuation of the firm's reporting units.

- **Macroeconomic Indicators.** Since the prior quantitative goodwill tests, the firm's general operating environment improved as concerns about the outlook for global economic growth moderated.
- **Fair Value Indicators.** Since the prior quantitative goodwill tests, fair value indicators improved as global equity prices increased and credit spreads tightened. In addition, most publicly traded industry participants, including the firm, experienced increases in stock price, price-to-book multiples and price-to-earnings multiples.

As a result of the qualitative assessment, the firm determined that it was more likely than not that the estimated fair value of each of the reporting units exceeded its respective carrying value. Therefore, the firm determined that goodwill for each reporting unit was not impaired and that a quantitative goodwill test was not required.

**Identifiable Intangible Assets.** The table below presents the carrying value of identifiable intangible assets.

<i>\$ in millions</i>	As of December	
	2017	2016
Institutional Client Services:		
FICC Client Execution	\$ 37	\$ 65
Equities client execution	88	141
Investing & Lending	140	105
Investment Management	108	118
<b>Total</b>	<b>\$ 373</b>	<b>\$ 429</b>

The table below presents further details on the net carrying value of identifiable intangible assets.

<i>\$ in millions</i>	As of December	
	2017	2016
<b>Customer lists</b>		
Gross carrying value	\$ 1,091	\$ 1,065
Accumulated amortization	(903)	(837)
Net carrying value	188	228
<b>Other</b>		
Gross carrying value	584	543
Accumulated amortization	(399)	(342)
Net carrying value	185	201
<b>Total gross carrying value</b>	<b>1,675</b>	<b>1,608</b>
<b>Total accumulated amortization</b>	<b>(1,302)</b>	<b>(1,179)</b>
<b>Total net carrying value</b>	<b>\$ 373</b>	<b>\$ 429</b>

In the table above:

- The net carrying value of other intangibles primarily includes intangible assets related to acquired leases and commodities transportation rights.
- During 2017 and 2016, the firm acquired \$113 million and \$89 million, respectively, of intangible assets, primarily related to acquired leases, with a weighted average amortization period of five and three years, respectively.

Substantially all of the firm's identifiable intangible assets are considered to have finite useful lives and are amortized over their estimated useful lives generally using the straight-line method.

The tables below present details about amortization of identifiable intangible assets.

<i>\$ in millions</i>	Year Ended December		
	2017	2016	2015
Amortization	\$150	\$162	\$132

<i>\$ in millions</i>	As of
	December 2017
<b>Estimated future amortization</b>	
2018	\$133
2019	\$ 98
2020	\$ 39
2021	\$ 27
2022	\$ 20

### Impairments

The firm tests property, leasehold improvements and equipment, identifiable intangible assets and other assets for impairment whenever events or changes in circumstances suggest that an asset's or asset group's carrying value may not be fully recoverable. To the extent the carrying value of an asset exceeds the projected undiscounted cash flows expected to result from the use and eventual disposal of the asset or asset group, the firm determines the asset is impaired and records an impairment equal to the difference between the estimated fair value and the carrying value of the asset or asset group. In addition, the firm will recognize an impairment prior to the sale of an asset if the carrying value of the asset exceeds its estimated fair value.

During 2017, 2016 and 2015, impairments were not material to the firm's results of operations or financial condition.

**Note 14.**

**Deposits**

The table below presents the types and sources of the firm's deposits.

<i>\$ in millions</i>	Savings and Demand	Time	Total
<b>As of December 2017</b>			
Private bank deposits	\$50,579	\$ 1,623	\$ 52,202
Marcus deposits	13,787	3,330	17,117
Brokered certificates of deposit	–	35,704	35,704
Deposit sweep programs	16,019	–	16,019
Institutional deposits	1	17,561	17,562
<b>Total</b>	<b>\$80,386</b>	<b>\$58,218</b>	<b>\$138,604</b>
<b>As of December 2016</b>			
Private bank deposits	\$50,655	\$ 3,100	\$ 53,755
Marcus deposits	10,511	1,337	11,848
Brokered certificates of deposit	–	34,905	34,905
Deposit sweep programs	16,019	–	16,019
Institutional deposits	12	7,559	7,571
<b>Total</b>	<b>\$77,197</b>	<b>\$46,901</b>	<b>\$124,098</b>

In the table above:

- Substantially all deposits are interest-bearing.
- Savings and demand deposits have no stated maturity.
- Time deposits included \$22.90 billion and \$13.78 billion as of December 2017 and December 2016, respectively, of deposits accounted for at fair value under the fair value option. See Note 8 for further information about deposits accounted for at fair value.
- Time deposits had a weighted average maturity of approximately 2 years and 2.5 years as of December 2017 and December 2016, respectively.
- Deposit sweep programs represent long-term contractual agreements with several U.S. broker-dealers who sweep client cash to FDIC-insured deposits.
- Deposits insured by the FDIC as of December 2017 and December 2016 were approximately \$75.02 billion and \$69.91 billion, respectively.

The table below presents deposits held in U.S. and non-U.S. offices.

<i>\$ in millions</i>	As of December	
	2017	2016
U.S. offices	\$111,002	\$106,037
Non-U.S. offices	27,602	18,061
<b>Total</b>	<b>\$138,604</b>	<b>\$124,098</b>

In the table above, U.S. deposits were held at Goldman Sachs Bank USA (GS Bank USA) and substantially all non-U.S. deposits were held at Goldman Sachs International Bank (GSIB).

The table below presents maturities of time deposits held in U.S. and non-U.S. offices.

<i>\$ in millions</i>	As of December 2017		
	U.S.	Non-U.S.	Total
2018	\$13,106	\$ 15,037	\$ 28,143
2019	7,297	3,179	10,476
2020	5,142	12	5,154
2021	3,574	43	3,617
2022	4,907	86	4,993
2023 - thereafter	5,289	546	5,835
<b>Total</b>	<b>\$39,315</b>	<b>\$ 18,903</b>	<b>\$ 58,218</b>

As of December 2017, deposits in U.S. and non-U.S. offices included \$1.43 billion and \$11.66 billion, respectively, of time deposits that were greater than \$250,000.

The firm's savings and demand deposits are recorded based on the amount of cash received plus accrued interest, which approximates fair value. In addition, the firm designates certain derivatives as fair value hedges to convert a portion of its time deposits not accounted for at fair value from fixed-rate obligations into floating-rate obligations. The carrying value of time deposits not accounted for at fair value approximated fair value as of both December 2017 and December 2016. While these savings and demand deposits and time deposits are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm's fair value hierarchy in Notes 6 through 8. Had these deposits been included in the firm's fair value hierarchy, they would have been classified in level 2 as of both December 2017 and December 2016.

**Note 15.**

**Short-Term Borrowings**

The table below presents details about the firm's short-term borrowings.

<i>\$ in millions</i>	As of December	
	2017	2016
Other secured financings (short-term)	<b>\$14,896</b>	\$13,118
Unsecured short-term borrowings	<b>46,922</b>	39,265
<b>Total</b>	<b>\$61,818</b>	\$52,383

See Note 10 for information about other secured financings.

Unsecured short-term borrowings includes the portion of unsecured long-term borrowings maturing within one year of the financial statement date and unsecured long-term borrowings that are redeemable within one year of the financial statement date at the option of the holder.

The firm accounts for certain hybrid financial instruments at fair value under the fair value option. See Note 8 for further information about unsecured short-term borrowings that are accounted for at fair value. The carrying value of unsecured short-term borrowings that are not recorded at fair value generally approximates fair value due to the short-term nature of the obligations. While these unsecured short-term borrowings are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm's fair value hierarchy in Notes 6 through 8. Had these borrowings been included in the firm's fair value hierarchy, substantially all would have been classified in level 2 as of both December 2017 and December 2016.

The table below presents details about the firm's unsecured short-term borrowings.

<i>\$ in millions</i>	As of December	
	2017	2016
Current portion of unsecured long-term borrowings	<b>\$30,090</b>	\$23,528
Hybrid financial instruments	<b>12,973</b>	11,700
Other unsecured short-term borrowings	<b>3,859</b>	4,037
<b>Total</b>	<b>\$46,922</b>	\$39,265
Weighted average interest rate	<b>2.28%</b>	1.68%

In the table above:

- The current portion of unsecured long-term borrowings included \$26.28 billion and \$21.53 billion as of December 2017 and December 2016, respectively, issued by Group Inc.
- The weighted average interest rates for these borrowings include the effect of hedging activities and exclude unsecured short-term borrowings accounted for at fair value under the fair value option. See Note 7 for further information about hedging activities.

**Note 16.**

**Long-Term Borrowings**

The table below presents details about the firm's long-term borrowings.

<i>\$ in millions</i>	As of December	
	2017	2016
Other secured financings (long-term)	<b>\$ 9,892</b>	\$ 8,405
Unsecured long-term borrowings	<b>217,687</b>	189,086
<b>Total</b>	<b>\$227,579</b>	\$197,491

See Note 10 for information about other secured financings.

The table below presents unsecured long-term borrowings extending through 2057, which consists principally of senior borrowings.

<i>\$ in millions</i>	U.S. Dollar	Non-U.S. Dollar	Total
<b>As of December 2017</b>			
Fixed-rate obligations:			
Group Inc.	<b>\$101,791</b>	<b>\$ 35,116</b>	<b>\$136,907</b>
Subsidiaries	<b>2,244</b>	<b>1,859</b>	<b>4,103</b>
Floating-rate obligations:			
Group Inc.	<b>29,637</b>	<b>23,938</b>	<b>53,575</b>
Subsidiaries	<b>14,977</b>	<b>8,125</b>	<b>23,102</b>
<b>Total</b>	<b>\$148,649</b>	<b>\$ 69,038</b>	<b>\$217,687</b>
As of December 2016			
Fixed-rate obligations:			
Group Inc.	\$ 93,885	\$ 31,274	\$125,159
Subsidiaries	2,228	885	3,113
Floating-rate obligations:			
Group Inc.	27,864	19,112	46,976
Subsidiaries	8,884	4,954	13,838
<b>Total</b>	<b>\$132,861</b>	<b>\$ 56,225</b>	<b>\$189,086</b>

In the table above:

- Floating interest rates are generally based on LIBOR or Overnight Index Swap Rate. Equity-linked and indexed instruments are included in floating-rate obligations.
- Interest rates on U.S. dollar-denominated debt ranged from 1.60% to 10.04% (with a weighted average rate of 4.24%) and 1.60% to 10.04% (with a weighted average rate of 4.57%) as of December 2017 and December 2016, respectively.
- Interest rates on non-U.S. dollar-denominated debt ranged from 0.31% to 13.00% (with a weighted average rate of 2.60%) and 0.02% to 13.00% (with a weighted average rate of 3.05%) as of December 2017 and December 2016, respectively.

The table below presents unsecured long-term borrowings by maturity date.

\$ in millions	As of December 2017		
	Group Inc.	Subsidiaries	Total
2019	\$ 24,915	\$ 5,590	\$ 30,505
2020	20,215	2,905	23,120
2021	20,547	1,234	21,781
2022	21,044	1,558	22,602
2023 - thereafter	103,761	15,918	119,679
<b>Total</b>	<b>\$190,482</b>	<b>\$27,205</b>	<b>\$217,687</b>

In the table above:

- Unsecured long-term borrowings maturing within one year of the financial statement date and unsecured long-term borrowings that are redeemable within one year of the financial statement date at the option of the holder are excluded as they are included in unsecured short-term borrowings.
- Unsecured long-term borrowings that are repayable prior to maturity at the option of the firm are reflected at their contractual maturity dates.
- Unsecured long-term borrowings that are redeemable prior to maturity at the option of the holder are reflected at the earliest dates such options become exercisable.
- Unsecured long-term borrowings included \$5.61 billion of adjustments to the carrying value of certain unsecured long-term borrowings resulting from the application of hedge accounting by year of maturity as follows: \$167 million in 2019, \$192 million in 2020, \$387 million in 2021, \$(82) million in 2022, and \$4.95 billion in 2023 and thereafter.

The firm designates certain derivatives as fair value hedges to convert a portion of its fixed-rate unsecured long-term borrowings not accounted for at fair value into floating-rate obligations. See Note 7 for further information about hedging activities.

The table below presents unsecured long-term borrowings, after giving effect to such hedging activities.

\$ in millions	Group Inc.	Subsidiaries	Total
<b>As of December 2017</b>			
Fixed-rate obligations:			
At fair value	\$ –	\$ 147	\$ 147
At amortized cost	86,951	3,852	90,803
Floating-rate obligations:			
At fair value	18,207	20,284	38,491
At amortized cost	85,324	2,922	88,246
<b>Total</b>	<b>\$190,482</b>	<b>\$27,205</b>	<b>\$217,687</b>

As of December 2016			
Fixed-rate obligations:			
At fair value	\$ –	\$ 150	\$ 150
At amortized cost	71,225	3,493	74,718
Floating-rate obligations:			
At fair value	17,591	11,669	29,260
At amortized cost	83,319	1,639	84,958
<b>Total</b>	<b>\$172,135</b>	<b>\$16,951</b>	<b>\$189,086</b>

In the table above, the weighted average interest rates on the aggregate amounts were 2.86% (3.67% related to fixed-rate obligations and 2.02% related to floating-rate obligations) and 2.87% (3.90% related to fixed-rate obligations and 1.97% related to floating-rate obligations) as of December 2017 and December 2016, respectively. These rates exclude unsecured long-term borrowings accounted for at fair value under the fair value option.

As of both December 2017 and December 2016, the carrying value of unsecured long-term borrowings for which the firm did not elect the fair value option approximated fair value. As these borrowings are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP, their fair value is not included in the firm's fair value hierarchy in Notes 6 through 8. Had these borrowings been included in the firm's fair value hierarchy, substantially all would have been classified in level 2 as of both December 2017 and December 2016.

### Subordinated Borrowings

Unsecured long-term borrowings includes subordinated debt and junior subordinated debt. Junior subordinated debt is junior in right of payment to other subordinated borrowings, which are junior to senior borrowings. As of December 2017 and December 2016, subordinated debt had maturities ranging from 2020 to 2045, and 2018 to 2045, respectively. Subordinated debt that matures within one year is included in unsecured short-term borrowings.

The table below presents details about the firm's subordinated borrowings.

\$ in millions	Par Amount	Carrying Amount	Rate
<b>As of December 2017</b>			
Subordinated debt	\$14,117	\$16,235	3.31%
Junior subordinated debt	1,168	1,539	2.37%
<b>Total</b>	<b>\$15,285</b>	<b>\$17,774</b>	<b>3.24%</b>
<b>As of December 2016</b>			
Subordinated debt	\$15,058	\$17,604	4.29%
Junior subordinated debt	1,360	1,809	5.70%
<b>Total</b>	<b>\$16,418</b>	<b>\$19,413</b>	<b>4.41%</b>

In the table above:

- Par amount and carrying amount of subordinated debt issued by Group Inc. were \$13.96 billion and \$16.08 billion, respectively, as of December 2017, and \$14.84 billion and \$17.39 billion, respectively, as of December 2016.
- The rate is the weighted average interest rate for these borrowings, including the effect of fair value hedges used to convert fixed-rate obligations into floating-rate obligations. See Note 7 for further information about hedging activities. The rates exclude subordinated borrowings accounted for at fair value under the fair value option.

During 2017, the firm repurchased or redeemed subordinated debt with a par amount of \$1.45 billion (carrying value of \$1.80 billion) for \$1.70 billion. As a result, such debt was extinguished.

#### **Junior Subordinated Debt**

**Junior Subordinated Debt Held by Trusts.** In 2012, the Vesey Street Investment Trust I (Vesey Street Trust) and the Murray Street Investment Trust I (Murray Street Trust) issued an aggregate of \$2.25 billion of senior guaranteed trust securities to third parties, the proceeds of which were used to purchase junior subordinated debt issued by Group Inc. from Goldman Sachs Capital II and Goldman Sachs Capital III (APEX Trusts). The APEX Trusts used the proceeds to purchase shares of Group Inc.'s Perpetual Non-Cumulative Preferred Stock, Series E (Series E Preferred Stock) and Perpetual Non-Cumulative Preferred Stock, Series F (Series F Preferred Stock). The senior guaranteed trust securities issued by the Vesey Street Trust and the related junior subordinated debt matured during the third quarter of 2016. As of December 2016, \$1.45 billion of senior guaranteed trust securities issued by the Murray Street Trust and the related junior subordinated debt were outstanding. These securities and the related junior subordinated debt matured during the first quarter of 2017.

The APEX Trusts are Delaware statutory trusts sponsored by the firm and wholly-owned finance subsidiaries of the firm for regulatory and legal purposes but are not consolidated for accounting purposes.

The firm has covenanted in favor of the holders of Group Inc.'s 6.345% junior subordinated debt due February 15, 2034, that, subject to certain exceptions, the firm will not redeem or purchase the capital securities issued by the APEX Trusts, shares of Group Inc.'s Series E or Series F Preferred Stock or shares of Group Inc.'s Series O Perpetual Non-Cumulative Preferred Stock if the redemption or purchase results in less than \$253 million aggregate liquidation preference outstanding, prior to specified dates in 2022 for a price that exceeds a maximum amount determined by reference to the net cash proceeds that the firm has received from the sale of qualifying securities. During 2016, the firm exchanged a par amount of \$1.32 billion of APEX issued by the APEX Trusts for a corresponding redemption value of the Series E and Series F Preferred Stock, which was permitted under the covenants referenced above.

**Junior Subordinated Debt Issued in Connection with Trust Preferred Securities.** Group Inc. issued \$2.84 billion of junior subordinated debt in 2004 to Goldman Sachs Capital I (Trust), a Delaware statutory trust. The Trust issued \$2.75 billion of guaranteed preferred beneficial interests (Trust Preferred Securities) to third parties and \$85 million of common beneficial interests to Group Inc. and used the proceeds from the issuances to purchase the junior subordinated debt from Group Inc. As of December 2017, the outstanding par amount of junior subordinated debt held by the Trust was \$1.17 billion and the outstanding par amount of Trust Preferred Securities and common beneficial interests issued by the Trust was \$1.13 billion and \$35.1 million, respectively. During 2017, the firm purchased \$186 million (par amount) of Trust Preferred Securities and delivered these securities, along with \$5.7 million of common beneficial interests, to the Trust in exchange for a corresponding par amount of the junior subordinated debt. Following the exchanges, these Trust Preferred Securities, common beneficial interests and junior subordinated debt were extinguished. As of December 2016, the outstanding par amount of junior subordinated debt held by the Trust was \$1.36 billion and the outstanding par amount of Trust Preferred Securities and common beneficial interests issued by the Trust was \$1.32 billion and \$40.8 million, respectively. The Trust is a wholly-owned finance subsidiary of the firm for regulatory and legal purposes but is not consolidated for accounting purposes.

The firm pays interest semi-annually on the junior subordinated debt at an annual rate of 6.345% and the debt matures on February 15, 2034. The coupon rate and the payment dates applicable to the beneficial interests are the same as the interest rate and payment dates for the junior subordinated debt. The firm has the right, from time to time, to defer payment of interest on the junior subordinated debt, and therefore cause payment on the Trust's preferred beneficial interests to be deferred, in each case up to ten consecutive semi-annual periods. During any such deferral period, the firm will not be permitted to, among other things, pay dividends on or make certain repurchases of its common stock. The Trust is not permitted to pay any distributions on the common beneficial interests held by Group Inc. unless all dividends payable on the preferred beneficial interests have been paid in full.

**Note 17.**

**Other Liabilities and Accrued Expenses**

The table below presents other liabilities and accrued expenses by type.

<i>\$ in millions</i>	As of December	
	2017	2016
Compensation and benefits	\$ 6,710	\$ 7,181
Noncontrolling interests	553	506
Income tax-related liabilities	4,051	1,794
Employee interests in consolidated funds	156	77
Subordinated liabilities of consolidated VIEs	19	584
Accrued expenses and other	5,433	4,220
<b>Total</b>	<b>\$ 16,922</b>	<b>\$ 14,362</b>

In the table above, the increase in income tax-related liabilities during 2017 reflected the estimated impact of Tax Legislation on income tax-related liabilities. See Note 24 for further information about Tax Legislation.

**Note 18.**

**Commitments, Contingencies and Guarantees**

**Commitments**

The table below presents the firm's commitments by type.

<i>\$ in millions</i>	As of December	
	2017	2016
Commercial lending:		
Investment-grade	\$ 93,115	\$ 73,664
Non-investment-grade	45,291	34,878
Warehouse financing	5,340	3,514
Total commitments to extend credit	143,746	112,056
Contingent and forward starting collateralized agreements	41,756	25,348
Forward starting collateralized financings	16,902	8,939
Letters of credit	437	373
Investment commitments	6,840	8,444
Other	6,310	6,014
<b>Total commitments</b>	<b>\$215,991</b>	<b>\$161,174</b>

The table below presents the firm's commitments by period of expiration.

<i>\$ in millions</i>	As of December 2017			
	2018	2019 - 2020	2021 - 2022	2023 - Thereafter
Commercial lending:				
Investment-grade	\$14,593	\$38,836	\$38,431	\$ 1,255
Non-investment-grade	2,614	12,297	21,833	8,547
Warehouse financing	1,688	1,730	1,241	681
Total commitments to extend credit	18,895	52,863	61,505	10,483
Contingent and forward starting collateralized agreements	41,756	-	-	-
Forward starting collateralized financings	16,902	-	-	-
Letters of credit	288	109	-	40
Investment commitments	2,836	676	493	2,835
Other	6,089	171	50	-
<b>Total commitments</b>	<b>\$86,766</b>	<b>\$53,819</b>	<b>\$62,048</b>	<b>\$13,358</b>

**Commitments to Extend Credit**

The firm's commitments to extend credit are agreements to lend with fixed termination dates and depend on the satisfaction of all contractual conditions to borrowing. These commitments are presented net of amounts syndicated to third parties. The total commitment amount does not necessarily reflect actual future cash flows because the firm may syndicate all or substantial additional portions of these commitments. In addition, commitments can expire unused or be reduced or cancelled at the counterparty's request.

As of December 2017 and December 2016, \$124.50 billion and \$98.05 billion, respectively, of the firm's lending commitments were held for investment and were accounted for on an accrual basis. See Note 9 for further information about such commitments. In addition, as of December 2017 and December 2016, \$9.84 billion and \$6.87 billion, respectively, of the firm's lending commitments were held for sale and were accounted for at the lower of cost or fair value. The firm accounts for the remaining commitments to extend credit at fair value. Losses, if any, are generally recorded, net of any fees in other principal transactions.

**Commercial Lending.** The firm's commercial lending commitments are extended to investment-grade and non-investment-grade corporate borrowers. Commitments to investment-grade corporate borrowers are principally used for operating liquidity and general corporate purposes. The firm also extends lending commitments in connection with contingent acquisition financing and other types of corporate lending, as well as commercial real estate financing. Commitments that are extended for contingent acquisition financing are often intended to be short-term in nature, as borrowers often seek to replace them with other funding sources.

Sumitomo Mitsui Financial Group, Inc. (SMFG) provides the firm with credit loss protection on certain approved loan commitments (primarily investment-grade commercial lending commitments). The notional amount of such loan commitments was \$25.70 billion and \$26.88 billion as of December 2017 and December 2016, respectively. The credit loss protection on loan commitments provided by SMFG is generally limited to 95% of the first loss the firm realizes on such commitments, up to a maximum of approximately \$950 million. In addition, subject to the satisfaction of certain conditions, upon the firm's request, SMFG will provide protection for 70% of additional losses on such commitments, up to a maximum of \$1.13 billion, of which \$550 million and \$768 million of protection had been provided as of December 2017 and December 2016, respectively. The firm also uses other financial instruments to mitigate credit risks related to certain commitments not covered by SMFG. These instruments primarily include credit default swaps that reference the same or similar underlying instrument or entity, or credit default swaps that reference a market index.

**Warehouse Financing.** The firm provides financing to clients who warehouse financial assets. These arrangements are secured by the warehoused assets, primarily consisting of retail and corporate loans.

**Contingent and Forward Starting Collateralized Agreements / Forward Starting Collateralized Financings**

Contingent and forward starting collateralized agreements includes resale and securities borrowing agreements, and forward starting collateralized financings includes repurchase and secured lending agreements that settle at a future date, generally within three business days. The firm also enters into commitments to provide contingent financing to its clients and counterparties through resale agreements. The firm's funding of these commitments depends on the satisfaction of all contractual conditions to the resale agreement and these commitments can expire unused.

**Letters of Credit**

The firm has commitments under letters of credit issued by various banks which the firm provides to counterparties in lieu of securities or cash to satisfy various collateral and margin deposit requirements.

**Investment Commitments**

Investment commitments includes commitments to invest in private equity, real estate and other assets directly and through funds that the firm raises and manages. Investment commitments included \$2.09 billion and \$2.10 billion as of December 2017 and December 2016, respectively, related to commitments to invest in funds managed by the firm. If these commitments are called, they would be funded at market value on the date of investment.

**Leases**

The firm has contractual obligations under long-term noncancelable lease agreements for office space expiring on various dates through 2069. Certain agreements are subject to periodic escalation provisions for increases in real estate taxes and other charges.

The table below presents future minimum rental payments, net of minimum sublease rentals.

<i>\$ in millions</i>	<b>As of December 2017</b>
2018	<b>\$ 299</b>
2019	<b>282</b>
2020	<b>262</b>
2021	<b>205</b>
2022	<b>145</b>
2023 - thereafter	<b>771</b>
<b>Total</b>	<b>\$1,964</b>

Rent charged to operating expenses was \$273 million for 2017, \$244 million for 2016 and \$249 million for 2015.



Operating leases include office space held in excess of current requirements. Rent expense relating to space held for growth is included in occupancy expenses. The firm records a liability, based on the fair value of the remaining lease rentals reduced by any potential or existing sublease rentals, for leases where the firm has ceased using the space and management has concluded that the firm will not derive any future economic benefits. Costs to terminate a lease before the end of its term are recognized and measured at fair value on termination. Total occupancy expenses for space held in excess of the firm's current requirements and exit costs related to its office space were not material for both 2017 and 2015, and were approximately \$68 million for 2016.

### Contingencies

**Legal Proceedings.** See Note 27 for information about legal proceedings, including certain mortgage-related matters, and agreements the firm has entered into to toll the statute of limitations.

**Certain Mortgage-Related Contingencies.** There are multiple areas of focus by regulators, governmental agencies and others within the mortgage market that may impact originators, issuers, servicers and investors. There remains significant uncertainty surrounding the nature and extent of any potential exposure for participants in this market.

The firm has not been a significant originator of residential mortgage loans. The firm did purchase loans originated by others and generally received loan-level representations. During the period 2005 through 2008, the firm sold approximately \$10 billion of loans to government-sponsored enterprises and approximately \$11 billion of loans to other third parties. In addition, the firm transferred \$125 billion of loans to trusts and other mortgage securitization vehicles. In connection with both sales of loans and securitizations, the firm provided loan-level representations and/or assigned the loan-level representations from the party from whom the firm purchased the loans.

The firm's exposure to claims for repurchase of residential mortgage loans based on alleged breaches of representations will depend on a number of factors such as the extent to which these claims are made within the statute of limitations, taking into consideration the agreements to toll the statute of limitations the firm entered into with trustees representing certain trusts. Based upon the large number of defaults in residential mortgages, including those sold or securitized by the firm, there is a potential for repurchase claims. However, the firm is not in a position to make a meaningful estimate of that exposure at this time.

**Other Contingencies.** In connection with the sale of Metro International Trade Services (Metro), the firm agreed to provide indemnities to the buyer, which primarily relate to fundamental representations and warranties, and potential liabilities for legal or regulatory proceedings arising out of the conduct of Metro's business while the firm owned it.

In connection with the settlement agreement with the Residential Mortgage-Backed Securities Working Group of the U.S. Financial Fraud Enforcement Task Force (RMBS Working Group), the firm agreed to provide \$1.80 billion in consumer relief in the form of principal forgiveness for underwater homeowners and distressed borrowers; financing for construction, rehabilitation and preservation of affordable housing; and support for debt restructuring, foreclosure prevention and housing quality improvement programs, as well as land banks.

### Guarantees

The table below presents information about certain derivatives that meet the definition of a guarantee, securities lending indemnifications and certain other financial guarantees.

<i>\$ in millions</i>	Derivatives	Securities lending indemnifications	Other financial guarantees
<b>As of December 2017</b>			
<b>Carrying Value of Net Liability \$</b>	<b>5,406</b>	<b>\$ -</b>	<b>\$ 37</b>
<b>Maximum Payout/Notional Amount by Period of Expiration</b>			
2018	<b>\$1,139,751</b>	<b>\$37,959</b>	<b>\$ 723</b>
2019 - 2020	<b>205,983</b>	<b>-</b>	<b>1,515</b>
2021 - 2022	<b>71,599</b>	<b>-</b>	<b>1,209</b>
2023 - thereafter	<b>76,540</b>	<b>-</b>	<b>137</b>
<b>Total</b>	<b>\$1,493,873</b>	<b>\$37,959</b>	<b>\$3,584</b>
<b>As of December 2016</b>			
<b>Carrying Value of Net Liability \$</b>	<b>8,873</b>	<b>\$ -</b>	<b>\$ 50</b>
<b>Maximum Payout/Notional Amount by Period of Expiration</b>			
2017	<b>\$ 432,328</b>	<b>\$33,403</b>	<b>\$1,064</b>
2018 - 2019	<b>261,676</b>	<b>-</b>	<b>763</b>
2020 - 2021	<b>71,264</b>	<b>-</b>	<b>1,662</b>
2022 - thereafter	<b>51,506</b>	<b>-</b>	<b>173</b>
<b>Total</b>	<b>\$ 816,774</b>	<b>\$33,403</b>	<b>\$3,662</b>

In the table above:

- The maximum payout is based on the notional amount of the contract and does not represent anticipated losses.
- Amounts exclude certain commitments to issue standby letters of credit that are included in commitments to extend credit. See the tables in "Commitments" above for a summary of the firm's commitments.
- The carrying value for derivatives included derivative assets of \$2.20 billion and \$1.20 billion and derivative liabilities of \$7.61 billion and \$10.07 billion as of December 2017 and December 2016, respectively.

**Derivative Guarantees.** The firm enters into various derivatives that meet the definition of a guarantee under U.S. GAAP, including written equity and commodity put options, written currency contracts and interest rate caps, floors and swaptions. These derivatives are risk managed together with derivatives that do not meet the definition of a guarantee, and therefore the amounts in the table above do not reflect the firm's overall risk related to its derivative activities. Disclosures about derivatives are not required if they may be cash settled and the firm has no basis to conclude it is probable that the counterparties held the underlying instruments at inception of the contract. The firm has concluded that these conditions have been met for certain large, internationally active commercial and investment bank counterparties, central clearing counterparties and certain other counterparties. Accordingly, the firm has not included such contracts in the table above. In addition, see Note 7 for information about credit derivatives that meet the definition of a guarantee, which are not included in the table above.

Derivatives are accounted for at fair value and therefore the carrying value is considered the best indication of payment/performance risk for individual contracts. However, the carrying values in the table above exclude the effect of counterparty and cash collateral netting.

**Securities Lending Indemnifications.** The firm, in its capacity as an agency lender, indemnifies most of its securities lending customers against losses incurred in the event that borrowers do not return securities and the collateral held is insufficient to cover the market value of the securities borrowed. Collateral held by the lenders in connection with securities lending indemnifications was \$39.03 billion and \$34.33 billion as of December 2017 and December 2016, respectively. Because the contractual nature of these arrangements requires the firm to obtain collateral with a market value that exceeds the value of the securities lent to the borrower, there is minimal performance risk associated with these guarantees.

**Other Financial Guarantees.** In the ordinary course of business, the firm provides other financial guarantees of the obligations of third parties (e.g., standby letters of credit and other guarantees to enable clients to complete transactions and fund-related guarantees). These guarantees represent obligations to make payments to beneficiaries if the guaranteed party fails to fulfill its obligation under a contractual arrangement with that beneficiary.

**Guarantees of Securities Issued by Trusts.** The firm has established trusts, including Goldman Sachs Capital I, the APEX Trusts and other entities for the limited purpose of issuing securities to third parties, lending the proceeds to the firm and entering into contractual arrangements with the firm and third parties related to this purpose. The firm does not consolidate these entities. See Note 16 for further information about the transactions involving Goldman Sachs Capital I and the APEX Trusts.

The firm effectively provides for the full and unconditional guarantee of the securities issued by these entities. Timely payment by the firm of amounts due to these entities under the guarantee, borrowing, preferred stock and related contractual arrangements will be sufficient to cover payments due on the securities issued by these entities.

Management believes that it is unlikely that any circumstances will occur, such as nonperformance on the part of paying agents or other service providers, that would make it necessary for the firm to make payments related to these entities other than those required under the terms of the guarantee, borrowing, preferred stock and related contractual arrangements and in connection with certain expenses incurred by these entities.

**Indemnities and Guarantees of Service Providers.** In the ordinary course of business, the firm indemnifies and guarantees certain service providers, such as clearing and custody agents, trustees and administrators, against specified potential losses in connection with their acting as an agent of, or providing services to, the firm or its affiliates.

The firm may also be liable to some clients or other parties for losses arising from its custodial role or caused by acts or omissions of third-party service providers, including sub-custodians and third-party brokers. In certain cases, the firm has the right to seek indemnification from these third-party service providers for certain relevant losses incurred by the firm. In addition, the firm is a member of payment, clearing and settlement networks, as well as securities exchanges around the world that may require the firm to meet the obligations of such networks and exchanges in the event of member defaults and other loss scenarios.

In connection with the firm's prime brokerage and clearing businesses, the firm agrees to clear and settle on behalf of its clients the transactions entered into by them with other brokerage firms. The firm's obligations in respect of such transactions are secured by the assets in the client's account, as well as any proceeds received from the transactions cleared and settled by the firm on behalf of the client. In connection with joint venture investments, the firm may issue loan guarantees under which it may be liable in the event of fraud, misappropriation, environmental liabilities and certain other matters involving the borrower.

The firm is unable to develop an estimate of the maximum payout under these guarantees and indemnifications. However, management believes that it is unlikely the firm will have to make any material payments under these arrangements, and no material liabilities related to these guarantees and indemnifications have been recognized in the consolidated statements of financial condition as of both December 2017 and December 2016.

**Other Representations, Warranties and Indemnifications.** The firm provides representations and warranties to counterparties in connection with a variety of commercial transactions and occasionally indemnifies them against potential losses caused by the breach of those representations and warranties. The firm may also provide indemnifications protecting against changes in or adverse application of certain U.S. tax laws in connection with ordinary-course transactions such as securities issuances, borrowings or derivatives.

In addition, the firm may provide indemnifications to some counterparties to protect them in the event additional taxes are owed or payments are withheld, due either to a change in or an adverse application of certain non-U.S. tax laws.

These indemnifications generally are standard contractual terms and are entered into in the ordinary course of business. Generally, there are no stated or notional amounts included in these indemnifications, and the contingencies triggering the obligation to indemnify are not expected to occur. The firm is unable to develop an estimate of the maximum payout under these guarantees and indemnifications. However, management believes that it is unlikely the firm will have to make any material payments under these arrangements, and no material liabilities related to these arrangements have been recognized in the consolidated statements of financial condition as of both December 2017 and December 2016.

**Guarantees of Subsidiaries.** Group Inc. fully and unconditionally guarantees the securities issued by GS Finance Corp., a wholly-owned finance subsidiary of the firm. Group Inc. has guaranteed the payment obligations of Goldman Sachs & Co. LLC (GS&Co.) and GS Bank USA, subject to certain exceptions.

In addition, Group Inc. guarantees many of the obligations of its other consolidated subsidiaries on a transaction-by-transaction basis, as negotiated with counterparties. Group Inc. is unable to develop an estimate of the maximum payout under its subsidiary guarantees; however, because these guaranteed obligations are also obligations of consolidated subsidiaries, Group Inc.'s liabilities as guarantor are not separately disclosed.

**Note 19.**

**Shareholders' Equity**

**Common Equity**

As of both December 2017 and December 2016, the firm had 4.00 billion authorized shares of common stock and 200 million authorized shares of nonvoting common stock, each with a par value of \$0.01 per share.

Dividends declared per common share were \$2.90 in 2017, \$2.60 in 2016 and \$2.55 in 2015. On January 16, 2018, the Board of Directors of Group Inc. (Board) declared a dividend of \$0.75 per common share to be paid on March 29, 2018 to common shareholders of record on March 1, 2018.

The firm's share repurchase program is intended to help maintain the appropriate level of common equity. The share repurchase program is effected primarily through regular open-market purchases (which may include repurchase plans designed to comply with Rule 10b5-1), the amounts and timing of which are determined primarily by the firm's current and projected capital position, but which may also be influenced by general market conditions and the prevailing price and trading volumes of the firm's common stock. Prior to repurchasing common stock, the firm must receive confirmation that the FRB does not object to such capital action.

The table below presents the amount of common stock repurchased by the firm under the share repurchase program.

<i>in millions, except per share amounts</i>	Year Ended December		
	2017	2016	2015
Common share repurchases	29.0	36.6	22.1
Average cost per share	\$231.87	\$165.88	\$189.41
Total cost of common share repurchases	\$ 6,721	\$ 6,069	\$ 4,195

Pursuant to the terms of certain share-based compensation plans, employees may remit shares to the firm or the firm may cancel RSUs or stock options to satisfy minimum statutory employee tax withholding requirements and the exercise price of stock options. Under these plans, during 2017, 2016 and 2015, 12,165 shares, 49,374 shares and 35,217 shares were remitted with a total value of \$3 million, \$7 million and \$6 million, and the firm cancelled 8.1 million, 6.1 million and 5.7 million of RSUs with a total value of \$1.94 billion, \$921 million and \$1.03 billion, respectively. Under these plans, the firm also cancelled 4.6 million, 5.5 million and 2.0 million of stock options with a total value of \$1.09 billion, \$1.11 billion and \$406 million during 2017, 2016 and 2015, respectively.

### Preferred Equity

The tables below present details about the perpetual preferred stock issued and outstanding as of December 2017.

Series	Shares Authorized	Shares Issued	Shares Outstanding	Depository Shares Per Share
A	50,000	30,000	29,999	1,000
B	50,000	32,000	32,000	1,000
C	25,000	8,000	8,000	1,000
D	60,000	54,000	53,999	1,000
E	17,500	7,667	7,667	N/A
F	5,000	1,615	1,615	N/A
J	46,000	40,000	40,000	1,000
K	32,200	28,000	28,000	1,000
L	52,000	52,000	52,000	25
M	80,000	80,000	80,000	25
N	31,050	27,000	27,000	1,000
O	26,000	26,000	26,000	25
P	66,000	60,000	60,000	25
<b>Total</b>	<b>540,750</b>	<b>446,282</b>	<b>446,280</b>	

Series	Earliest Redemption Date	Liquidation Preference	Redemption Value (\$ in millions)
A	Currently redeemable	\$ 25,000	\$ 750
B	Currently redeemable	\$ 25,000	800
C	Currently redeemable	\$ 25,000	200
D	Currently redeemable	\$ 25,000	1,350
E	Currently redeemable	\$100,000	767
F	Currently redeemable	\$100,000	161
J	May 10, 2023	\$ 25,000	1,000
K	May 10, 2024	\$ 25,000	700
L	May 10, 2019	\$ 25,000	1,300
M	May 10, 2020	\$ 25,000	2,000
N	May 10, 2021	\$ 25,000	675
O	November 10, 2026	\$ 25,000	650
P	November 10, 2022	\$ 25,000	1,500
<b>Total</b>			<b>\$11,853</b>

In the tables above:

- All shares have a par value of \$0.01 per share and, where applicable, each share is represented by the specified number of depository shares.
- The earliest redemption date represents the date on which each share of non-cumulative Preferred Stock is redeemable at the firm's option.
- Prior to redeeming preferred stock, the firm must receive confirmation that the FRB does not object to such capital action.
- In November 2017, Group Inc. issued 60,000 shares of Series P perpetual 5.00% Fixed-to-Floating Rate Non-Cumulative Preferred Stock (Series P Preferred Stock).
- The redemption price per share for Series A through F Preferred Stock is the liquidation preference plus declared and unpaid dividends. The redemption price per share for Series J through P Preferred Stock is the liquidation preference plus accrued and unpaid dividends. Each share of non-cumulative Series E and Series F Preferred Stock issued and outstanding is redeemable at the firm's option, subject to certain covenant restrictions governing the firm's ability to redeem the preferred stock without issuing common stock or other instruments with equity-like characteristics. See Note 16 for information about the replacement capital covenants applicable to the Series E and Series F Preferred Stock.

- All series of preferred stock are pari passu and have a preference over the firm's common stock on liquidation.
- The firm's ability to declare or pay dividends on, or purchase, redeem or otherwise acquire, its common stock is subject to certain restrictions in the event that the firm fails to pay or set aside full dividends on the preferred stock for the latest completed dividend period.

During 2016, the firm delivered a par amount of \$1.32 billion (fair value of \$1.04 billion) of APEX to the APEX Trusts in exchange for 9,833 shares of Series E Preferred Stock and 3,385 shares of Series F Preferred Stock for a total redemption value of \$1.32 billion (net carrying value of \$1.31 billion). Following the exchange, these shares of Series E and Series F Preferred Stock were cancelled. The difference between the fair value of the APEX and the net carrying value of the preferred stock at the time of cancellation was \$266 million. This difference was recorded as a reduction to preferred stock dividends in 2016. See Note 16 for further information about APEX.

In November 2017, the firm redeemed the 34,000 shares of Series I 5.95% Non-Cumulative Preferred Stock (Series I Preferred Stock) for the stated redemption price of \$850 million (\$25,000 per share), plus accrued and unpaid dividends. The difference between the redemption value of the Series I Preferred Stock and the net carrying value at the time of redemption was \$14 million. This difference was recorded as an addition to preferred stock dividends in 2017.

In February 2018, the firm redeemed 26,000 shares of its outstanding Series B 6.20% Non-Cumulative Preferred Stock (Series B Preferred Stock) with a redemption value of \$650 million (\$25,000 per share). The difference between the redemption value of the Series B Preferred Stock and the net carrying value at the time of redemption was \$15 million. This difference will be recorded as an addition to preferred stock dividends in the first quarter of 2018.

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The table below presents the dividend rates of the firm's perpetual preferred stock as of December 2017.

Series	Per Annum Dividend Rate
A	3 month LIBOR + 0.75%, with floor of 3.75%, payable quarterly
B	6.20%, payable quarterly
C	3 month LIBOR + 0.75%, with floor of 4.00%, payable quarterly
D	3 month LIBOR + 0.67%, with floor of 4.00%, payable quarterly
E	3 month LIBOR + 0.77%, with floor of 4.00%, payable quarterly
F	3 month LIBOR + 0.77%, with floor of 4.00%, payable quarterly
J	5.50% to, but excluding, May 10, 2023; 3 month LIBOR + 3.64% thereafter, payable quarterly
K	6.375% to, but excluding, May 10, 2024; 3 month LIBOR + 3.55% thereafter, payable quarterly
L	5.70%, payable semi-annually, from issuance date to, but excluding, May 10, 2019; 3 month LIBOR + 3.884%, payable quarterly, thereafter
M	5.375%, payable semi-annually, from issuance date to, but excluding, May 10, 2020; 3 month LIBOR + 3.922%, payable quarterly, thereafter
N	6.30%, payable quarterly
O	5.30%, payable semi-annually, from issuance date to, but excluding, November 10, 2026; 3 month LIBOR + 3.834%, payable quarterly, thereafter
P	5.00%, payable semi-annually, from issuance date to, but excluding, November 10, 2022; 3 month LIBOR + 2.874%, payable quarterly, thereafter

In the table above, dividends on each series of preferred stock are payable in arrears for the periods specified.

The table below presents dividends declared on the firm's preferred stock.

Series	Year Ended December					
	2017		2016		2015	
	per share	\$ in millions	per share	\$ in millions	per share	\$ in millions
A	\$ 950.51	\$ 29	\$ 953.12	\$ 29	\$ 950.52	\$ 28
B	\$1,550.00	50	\$1,550.00	50	\$1,550.00	50
C	\$1,013.90	8	\$1,016.68	8	\$1,013.90	8
D	\$1,013.90	55	\$1,016.68	55	\$1,013.90	54
E	\$4,055.55	31	\$4,066.66	50	\$4,055.55	71
F	\$4,055.55	6	\$4,066.66	13	\$4,055.55	20
I	\$1,487.52	51	\$1,487.52	51	\$1,487.52	51
J	\$1,375.00	55	\$1,375.00	55	\$1,375.00	55
K	\$1,593.76	45	\$1,593.76	45	\$1,593.76	45
L	\$1,425.00	74	\$1,425.00	74	\$1,425.00	74
M	\$1,343.76	107	\$1,343.76	107	\$ 735.33	59
N	\$1,575.00	42	\$1,124.38	30	\$ -	-
O	\$1,325.00	34	\$ 379.10	10	\$ -	-
<b>Total</b>		<b>\$587</b>		<b>\$577</b>		<b>\$515</b>

In the table above, the total preferred dividend amounts for Series E and Series F Preferred Stock for 2016 include prorated dividends of \$866.67 per share related to 4,861 shares of Series E Preferred Stock and 1,639 shares of Series F Preferred Stock, which were cancelled during 2016.

On January 10, 2018, Group Inc. declared dividends of \$244.79, \$387.50, \$261.11, \$261.11, \$343.75, \$398.44 and \$393.75 per share of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, Series J Preferred Stock, Series K Preferred Stock and Series N Preferred Stock, respectively, to be paid on February 12, 2018 to preferred shareholders of record on January 28, 2018. In addition, the firm declared dividends of \$1,000.00 per each share of Series E Preferred Stock and Series F Preferred Stock, to be paid on March 1, 2018 to preferred shareholders of record on February 14, 2018.

**Accumulated Other Comprehensive Loss**

The table below presents changes in the accumulated other comprehensive loss, net of tax, by type.

\$ in millions	Beginning balance	Other comprehensive income/(loss) adjustments, net of tax	Ending balance
<b>Year Ended December 2017</b>			
Currency translation	\$ (647)	\$ 22	\$ (625)
Debt valuation adjustment	(239)	(807)	(1,046)
Pension and postretirement liabilities	(330)	130	(200)
Available-for-sale securities	-	(9)	(9)
<b>Total</b>	<b>\$(1,216)</b>	<b>\$(664)</b>	<b>\$(1,880)</b>

Year Ended December 2016

Currency translation	\$ (587)	\$ (60)	\$ (647)
Debt valuation adjustment	305	(544)	(239)
Pension and postretirement liabilities	(131)	(199)	(330)
<b>Total</b>	<b>\$ (413)</b>	<b>\$(803)</b>	<b>\$(1,216)</b>

In the table above, the beginning balance of accumulated other comprehensive loss for December 2016 has been adjusted to reflect the cumulative effect of the change in accounting principle related to debt valuation adjustment, net of tax. See Note 3 for further information about the adoption of ASU No. 2016-01. See Note 8 for further information about the debt valuation adjustment.

**Note 20.**

**Regulation and Capital Adequacy**

The FRB is the primary regulator of Group Inc., a bank holding company (BHC) under the U.S. Bank Holding Company Act of 1956 and a financial holding company under amendments to this Act. As a BHC, the firm is subject to consolidated regulatory capital requirements which are calculated in accordance with the risk-based capital and leverage regulations of the FRB, subject to certain transitional provisions (Capital Framework).

The risk-based capital requirements are expressed as capital ratios that compare measures of regulatory capital to risk-weighted assets (RWAs). Failure to comply with these capital requirements could result in restrictions being imposed by the firm's regulators. The firm's capital levels are also subject to qualitative judgments by the regulators about components of capital, risk weightings and other factors. Furthermore, certain of the firm's subsidiaries are subject to separate regulations and capital requirements as described below.

**Capital Framework**

The regulations under the Capital Framework are largely based on the Basel Committee on Banking Supervision's (Basel Committee) capital framework for strengthening international capital standards (Basel III) and also implement certain provisions of the Dodd-Frank Act. Under the Capital Framework, the firm is an "Advanced approach" banking organization and has been designated as a global systemically important bank (G-SIB).

The firm calculates its Common Equity Tier 1 (CET1), Tier 1 capital and Total capital ratios in accordance with (i) the Standardized approach and market risk rules set out in the Capital Framework (together, the Standardized Capital Rules) and (ii) the Advanced approach and market risk rules set out in the Capital Framework (together, the Basel III Advanced Rules). The lower of each capital ratio calculated in (i) and (ii) is the ratio against which the firm's compliance with its minimum ratio requirements is assessed. Each of the capital ratios calculated in accordance with the Basel III Advanced Rules was lower than that calculated in accordance with the Standardized Capital Rules and therefore the Basel III Advanced ratios were the ratios that applied to the firm as of both December 2017 and December 2016. The capital ratios that apply to the firm can change in future reporting periods as a result of these regulatory requirements.

**Regulatory Capital and Capital Ratios.** The table below presents the minimum ratios required for the firm.

	As of December	
	2017	2016
CET1 ratio	<b>7.000%</b>	5.875%
Tier 1 capital ratio	<b>8.500%</b>	7.375%
Total capital ratio	<b>10.500%</b>	9.375%
Tier 1 leverage ratio	<b>4.000%</b>	4.000%

In the table above:

- The minimum capital ratios as of December 2017 reflect (i) the 50% phase-in of the capital conservation buffer of 2.5%, (ii) the 50% phase-in of the G-SIB buffer of 2.5% (based on 2015 financial data), and (iii) the countercyclical capital buffer of zero percent, each described below.
- The minimum capital ratios as of December 2016 reflect (i) the 25% phase-in of the capital conservation buffer of 2.5%, (ii) the 25% phase-in of the G-SIB buffer of 3% (based on 2014 financial data), and (iii) the countercyclical capital buffer of zero percent, each described below.
- Tier 1 leverage ratio is defined as Tier 1 capital divided by quarterly average adjusted total assets (which includes adjustments for goodwill and identifiable intangible assets, and certain investments in nonconsolidated financial institutions).

Certain aspects of the Capital Framework's requirements phase in over time (transitional provisions). These include capital buffers and certain deductions from regulatory capital (such as investments in nonconsolidated financial institutions). These deductions from regulatory capital are required to be phased in ratably per year from 2014 to 2018, with residual amounts not deducted during the transitional period subject to risk weighting. In addition, junior subordinated debt issued to trusts is being phased out of regulatory capital. The minimum CET1, Tier 1 and Total capital ratios that apply to the firm will increase as the capital buffers are phased in.

The capital conservation buffer, which consists entirely of capital that qualifies as CET1, began to phase in on January 1, 2016 and will continue to do so in increments of 0.625% per year until it reaches 2.5% of RWAs on January 1, 2019.

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The G-SIB buffer, which is an extension of the capital conservation buffer, phases in ratably, beginning on January 1, 2016, becoming fully effective on January 1, 2019, and must consist entirely of capital that qualifies as CET1. The buffer must be calculated using two methodologies, the higher of which is reflected in the firm's minimum risk-based capital ratios. The first calculation is based upon the Basel Committee's methodology which, among other factors, relies upon measures of the size, activity and complexity of each G-SIB. The second calculation uses similar inputs, but it includes a measure of reliance on short-term wholesale funding. The firm's G-SIB buffer will be updated annually based on financial data from the prior year, and will be generally applicable for the following year.

The Capital Framework also provides for a countercyclical capital buffer, which is an extension of the capital conservation buffer, of up to 2.5% (consisting entirely of CET1) intended to counteract systemic vulnerabilities. As of December 2017, the FRB has set the countercyclical capital buffer at zero percent.

Failure to meet the capital levels inclusive of the buffers could limit the firm's ability to distribute capital, including share repurchases and dividend payments, and to make certain discretionary compensation payments.

**Definition of Risk-Weighted Assets.** RWAs are calculated in accordance with both the Standardized Capital Rules and the Basel III Advanced Rules. The following is a comparison of RWA calculations under these rules:

- RWAs for credit risk in accordance with the Standardized Capital Rules are calculated in a different manner than the Basel III Advanced Rules. The primary difference is that the Standardized Capital Rules do not contemplate the use of internal models to compute exposure for credit risk on derivatives and securities financing transactions, whereas the Basel III Advanced Rules permit the use of such models, subject to supervisory approval. In addition, credit RWAs calculated in accordance with the Standardized Capital Rules utilize prescribed risk-weights which depend largely on the type of counterparty, rather than on internal assessments of the creditworthiness of such counterparties;

- RWAs for market risk in accordance with the Standardized Capital Rules and the Basel III Advanced Rules are generally consistent; and
- RWAs for operational risk are not required by the Standardized Capital Rules, whereas the Basel III Advanced Rules do include such a requirement.

**Credit Risk**

Credit RWAs are calculated based upon measures of exposure, which are then risk weighted. The following is a description of the calculation of credit RWAs in accordance with the Standardized Capital Rules and the Basel III Advanced Rules:

- For credit RWAs calculated in accordance with the Standardized Capital Rules, the firm utilizes prescribed risk-weights which depend largely on the type of counterparty (e.g., whether the counterparty is a sovereign, bank, broker-dealer or other entity). The exposure measure for derivatives is based on a combination of positive net current exposure and a percentage of the notional amount of each derivative. The exposure measure for securities financing transactions is calculated to reflect adjustments for potential price volatility, the size of which depends on factors such as the type and maturity of the security, and whether it is denominated in the same currency as the other side of the financing transaction. The firm utilizes specific required formulaic approaches to measure exposure for securitizations and equities; and
- For credit RWAs calculated in accordance with the Basel III Advanced Rules, the firm has been given permission by its regulators to compute risk-weights for wholesale and retail credit exposures in accordance with the Advanced Internal Ratings-Based approach. This approach is based on internal assessments of the creditworthiness of counterparties, with key inputs being the probability of default, loss given default and the effective maturity. The firm utilizes internal models to measure exposure for derivatives and securities financing transactions. The Capital Framework requires that a BHC obtain prior written agreement from its regulators before using internal models for such purposes. The firm utilizes specific required formulaic approaches to measure exposure for securitizations and equities.

### **Market Risk**

Market RWAs are calculated based on measures of exposure which include Value-at-Risk (VaR), stressed VaR, incremental risk and comprehensive risk based on internal models, and a standardized measurement method for specific risk. The market risk regulatory capital rules require that a BHC obtain prior written agreement from its regulators before using any internal model to calculate its risk-based capital requirement. The following is further information regarding the measures of exposure for market RWAs calculated in accordance with the Standardized Capital Rules and Basel III Advanced Rules:

- VaR is the potential loss in value of inventory positions, as well as certain other financial assets and financial liabilities, due to adverse market movements over a defined time horizon with a specified confidence level. For both risk management purposes and regulatory capital calculations the firm uses a single VaR model which captures risks including those related to interest rates, equity prices, currency rates and commodity prices. However, VaR used for regulatory capital requirements (regulatory VaR) differs from risk management VaR due to different time horizons and confidence levels (10-day and 99% for regulatory VaR vs. one-day and 95% for risk management VaR), as well as differences in the scope of positions on which VaR is calculated. In addition, the daily net revenues used to determine risk management VaR exceptions (i.e., comparing the daily net revenues to the VaR measure calculated as of the end of the prior business day) include intraday activity, whereas the FRB's regulatory capital rules require that intraday activity be excluded from daily net revenues when calculating regulatory VaR exceptions. Intraday activity includes bid/offer net revenues, which are more likely than not to be positive by their nature. As a result, there may be differences in the number of VaR exceptions and the amount of daily net revenues calculated for regulatory VaR compared to the amounts calculated for risk management VaR. The firm's positional losses observed on a single day did not exceed its 99% one-day regulatory VaR during 2017 and exceeded its 99% one-day regulatory VaR on two occasions during 2016. There was no change in the VaR multiplier used to calculate Market RWAs;

- Stressed VaR is the potential loss in value of inventory positions, as well as certain other financial assets and financial liabilities, during a period of significant market stress;
- Incremental risk is the potential loss in value of non-securitized inventory positions due to the default or credit migration of issuers of financial instruments over a one-year time horizon;
- Comprehensive risk is the potential loss in value, due to price risk and defaults, within the firm's credit correlation positions; and
- Specific risk is the risk of loss on a position that could result from factors other than broad market movements, including event risk, default risk and idiosyncratic risk. The standardized measurement method is used to determine specific risk RWAs, by applying supervisory defined risk-weighting factors after applicable netting is performed.

### **Operational Risk**

Operational RWAs are only required to be included under the Basel III Advanced Rules. The firm has been given permission by its regulators to calculate operational RWAs in accordance with the "Advanced Measurement Approach," and therefore utilizes an internal risk-based model to quantify Operational RWAs.

### **Consolidated Regulatory Capital Ratios**

**Capital Ratios and RWAs.** Each of the capital ratios calculated in accordance with the Basel III Advanced Rules was lower than that calculated in accordance with the Standardized Capital Rules as of both December 2017 and December 2016, and therefore such lower ratios applied to the firm as of these dates.



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The table below presents the ratios calculated in accordance with both the Standardized Capital Rules and Basel III Advanced Rules.

<i>\$ in millions</i>	As of December	
	2017	2016
Common shareholders' equity	<b>\$ 70,390</b>	\$ 75,690
Deduction for goodwill and identifiable intangible assets, net of deferred tax liabilities	<b>(3,269)</b>	(2,874)
Deduction for investments in nonconsolidated financial institutions	–	(424)
Other adjustments	<b>(11)</b>	(346)
<b>Common Equity Tier 1</b>	<b>67,110</b>	72,046
Preferred stock	<b>11,853</b>	11,203
Deduction for investments in covered funds	<b>(590)</b>	(445)
Other adjustments	<b>(42)</b>	(364)
<b>Tier 1 capital</b>	<b>\$ 78,331</b>	\$ 82,440
<b>Standardized Tier 2 and Total capital</b>		
Tier 1 capital	<b>\$ 78,331</b>	\$ 82,440
Qualifying subordinated debt	<b>13,360</b>	14,566
Junior subordinated debt issued to trusts	<b>567</b>	792
Allowance for losses on loans and lending commitments	<b>1,078</b>	722
Other adjustments	<b>(28)</b>	(6)
Standardized Tier 2 capital	<b>14,977</b>	16,074
<b>Standardized Total capital</b>	<b>\$ 93,308</b>	\$ 98,514
<b>Basel III Advanced Tier 2 and Total capital</b>		
Tier 1 capital	<b>\$ 78,331</b>	\$ 82,440
Standardized Tier 2 capital	<b>14,977</b>	16,074
Allowance for losses on loans and lending commitments	<b>(1,078)</b>	(722)
Basel III Advanced Tier 2 capital	<b>13,899</b>	15,352
<b>Basel III Advanced Total capital</b>	<b>\$ 92,230</b>	\$ 97,792
<b>RWAs</b>		
Standardized	<b>\$555,611</b>	\$496,676
Basel III Advanced	<b>\$617,646</b>	\$549,650
<b>CET1 ratio</b>		
Standardized	<b>12.1%</b>	14.5%
Basel III Advanced	<b>10.9%</b>	13.1%
<b>Tier 1 capital ratio</b>		
Standardized	<b>14.1%</b>	16.6%
Basel III Advanced	<b>12.7%</b>	15.0%
<b>Total capital ratio</b>		
Standardized	<b>16.8%</b>	19.8%
Basel III Advanced	<b>14.9%</b>	17.8%
<b>Tier 1 leverage ratio</b>	<b>8.4%</b>	9.4%

Effective January 2018, the firm was subject to the fully phased-in CET1 ratios. As of December 2017, the firm's CET1 ratios, on a fully phased-in basis, calculated in accordance with the Standardized Capital Rules and Basel III Advanced Rules were lower by 0.2 percentage points, as compared to the transitional CET1 ratios.

In the table above:

- Deduction for goodwill and identifiable intangible assets, net of deferred tax liabilities, included goodwill of \$3.67 billion as of both December 2017 and December 2016, and identifiable intangible assets of \$298 million (80% of \$373 million) and \$257 million (60% of \$429 million) as of December 2017 and December 2016, respectively, net of associated deferred tax liabilities of \$694 million and \$1.05 billion as of December 2017 and December 2016, respectively. Goodwill is fully deducted from CET1, while the deduction for identifiable intangible assets is required to be phased into CET1 ratably over five years from 2014 to 2018. The balance that is not deducted during the transitional period is risk weighted.
- Deduction for investments in nonconsolidated financial institutions represents the amount by which the firm's investments in the capital of nonconsolidated financial institutions exceed certain prescribed thresholds. The deduction for such investments is required to be phased into CET1 ratably over five years from 2014 to 2018. As of December 2017 and December 2016, CET1 reflects 80% and 60% of the deduction, respectively. The balance that is not deducted during the transitional period is risk weighted.
- Deduction for investments in covered funds represents the firm's aggregate investments in applicable covered funds, excluding investments that are subject to an extended conformance period. This deduction was not subject to a transition period. See Note 6 for further information about the Volcker Rule.
- Other adjustments within CET1 and Tier 1 capital primarily include credit valuation adjustments on derivative liabilities, pension and postretirement liabilities, the overfunded portion of the firm's defined benefit pension plan obligation net of associated deferred tax liabilities, disallowed deferred tax assets, debt valuation adjustments and other required credit risk-based deductions. The deduction for such items is generally required to be phased into CET1 ratably over five years from 2014 to 2018. As of December 2017 and December 2016, CET1 reflects 80% and 60% of such deduction, respectively. The balance that is not deducted from CET1 during the transitional period is generally deducted from Tier 1 capital within other adjustments.

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- As of December 2017, junior subordinated debt issued to trusts was fully phased out of Tier 1 capital, with 50% included in Tier 2 capital and 50% fully phased out of regulatory capital. As of December 2016, junior subordinated debt issued to trusts was fully phased out of Tier 1 capital, with 60% included in Tier 2 capital and 40% fully phased out of regulatory capital. Junior subordinated debt issued to trusts is reduced by the amount of trust preferred securities purchased by the firm and will be fully phased out of Tier 2 capital by 2022 at a rate of 10% per year. See Note 16 for further information about the firm's junior subordinated debt issued to trusts and trust preferred securities purchased by the firm.
- Qualifying subordinated debt is subordinated debt issued by Group Inc. with an original maturity of five years or greater. The outstanding amount of subordinated debt qualifying for Tier 2 capital is reduced upon reaching a remaining maturity of five years. See Note 16 for further information about the firm's subordinated debt.

The tables below present changes in CET1, Tier 1 capital and Tier 2 capital.

<i>\$ in millions</i>	Year Ended December 2017	
	Standardized	Basel III Advanced
<b>Common Equity Tier 1</b>		
Beginning balance	\$72,046	\$72,046
Change in common shareholders' equity	(5,300)	(5,300)
Change in deduction for:		
Transitional provisions	(426)	(426)
Goodwill and identifiable intangible assets, net of deferred tax liabilities	(324)	(324)
Investments in nonconsolidated financial institutions	586	586
Change in other adjustments	528	528
<b>Ending balance</b>	<b>\$67,110</b>	<b>\$67,110</b>
<b>Tier 1 capital</b>		
Beginning balance	\$82,440	\$82,440
Change in deduction for:		
Transitional provisions	(274)	(274)
Investments in covered funds	(145)	(145)
Other net decrease in CET1	(4,510)	(4,510)
Change in preferred stock	650	650
Change in other adjustments	170	170
Ending balance	78,331	78,331
<b>Tier 2 capital</b>		
Beginning balance	16,074	15,352
Change in qualifying subordinated debt	(1,206)	(1,206)
Redesignation of junior subordinated debt issued to trusts	(225)	(225)
Change in the allowance for losses on loans and lending commitments	356	-
Change in other adjustments	(22)	(22)
Ending balance	14,977	13,899
<b>Total capital</b>	<b>\$93,308</b>	<b>\$92,230</b>

<i>\$ in millions</i>	Year Ended December 2016	
	Standardized	Basel III Advanced
<b>Common Equity Tier 1</b>		
Beginning balance	\$71,363	\$71,363
Change in common shareholders' equity	162	162
Change in deduction for:		
Transitional provisions	(839)	(839)
Goodwill and identifiable intangible assets, net of deferred tax liabilities	16	16
Investments in nonconsolidated financial institutions	895	895
Change in other adjustments	449	449
Ending balance	\$72,046	\$72,046
<b>Tier 1 capital</b>		
Beginning balance	\$81,511	\$81,511
Change in deduction for:		
Transitional provisions	(558)	(558)
Investments in covered funds	(32)	(32)
Other net increase in CET1	1,522	1,522
Redesignation of junior subordinated debt issued to trusts	(330)	(330)
Change in preferred stock	3	3
Change in other adjustments	324	324
Ending balance	82,440	82,440
<b>Tier 2 capital</b>		
Beginning balance	16,705	16,103
Change in qualifying subordinated debt	(566)	(566)
Redesignation of junior subordinated debt issued to trusts	(198)	(198)
Change in the allowance for losses on loans and lending commitments	120	-
Change in other adjustments	13	13
Ending balance	16,074	15,352
Total capital	\$98,514	\$97,792

In the tables above, the change in the deduction for transitional provisions represents the increased phase-in of the deduction from 60% to 80% (effective January 1, 2017) for 2017 and from 40% to 60% (effective January 1, 2016) for 2016.

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The tables below present the components of RWAs calculated in accordance with the Standardized Capital Rules and Basel III Advanced Rules.

<i>\$ in millions</i>	Standardized Capital Rules as of December	
	2017	2016
<b>Credit RWAs</b>		
Derivatives	\$126,076	\$124,286
Commitments, guarantees and loans	145,104	115,744
Securities financing transactions	77,962	71,319
Equity investments	48,155	41,428
Other	70,933	58,636
<b>Total Credit RWAs</b>	<b>468,230</b>	411,413
<b>Market RWAs</b>		
Regulatory VaR	7,532	9,750
Stressed VaR	32,753	22,475
Incremental risk	8,441	7,875
Comprehensive risk	2,397	5,338
Specific risk	36,258	39,825
<b>Total Market RWAs</b>	<b>87,381</b>	85,263
<b>Total RWAs</b>	<b>\$555,611</b>	\$496,676

<i>\$ in millions</i>	Basel III Advanced Rules as of December	
	2017	2016
<b>Credit RWAs</b>		
Derivatives	\$102,986	\$105,096
Commitments, guarantees and loans	163,375	122,792
Securities financing transactions	19,362	14,673
Equity investments	51,626	44,095
Other	75,968	63,431
<b>Total Credit RWAs</b>	<b>413,317</b>	350,087
<b>Market RWAs</b>		
Regulatory VaR	7,532	9,750
Stressed VaR	32,753	22,475
Incremental risk	8,441	7,875
Comprehensive risk	1,870	4,550
Specific risk	36,258	39,825
<b>Total Market RWAs</b>	<b>86,854</b>	84,475
<b>Total Operational RWAs</b>	<b>117,475</b>	115,088
<b>Total RWAs</b>	<b>\$617,646</b>	\$549,650

In the tables above:

- Securities financing transactions represent resale and repurchase agreements and securities borrowed and loaned transactions.
- Other includes receivables, certain debt securities, cash and cash equivalents and other assets.

The table below presents changes in RWAs calculated in accordance with the Standardized Capital Rules and Basel III Advanced Rules.

<i>\$ in millions</i>	Year Ended December 2017	
	Standardized	Basel III Advanced
<b>Risk-Weighted Assets</b>		
Beginning balance	\$496,676	\$549,650
<b>Credit RWAs</b>		
Change in:		
Deduction for transitional provisions	(233)	(233)
Derivatives	1,790	(2,110)
Commitments, guarantees and loans	29,360	40,583
Securities financing transactions	6,643	4,689
Equity investments	6,889	7,693
Other	12,368	12,608
<b>Change in Credit RWAs</b>	<b>56,817</b>	<b>63,230</b>
<b>Market RWAs</b>		
Change in:		
Regulatory VaR	(2,218)	(2,218)
Stressed VaR	10,278	10,278
Incremental risk	566	566
Comprehensive risk	(2,941)	(2,680)
Specific risk	(3,567)	(3,567)
<b>Change in Market RWAs</b>	<b>2,118</b>	<b>2,379</b>
<b>Operational RWAs</b>		
Change in operational risk	–	2,387
<b>Change in Operational RWAs</b>	<b>–</b>	<b>2,387</b>
<b>Ending balance</b>	<b>\$555,611</b>	<b>\$617,646</b>

In the table above, the increased deduction for transitional provisions represents the increased phase-in of the deduction from 60% to 80%, effective January 1, 2017.

Standardized Credit RWAs as of December 2017 increased by \$56.82 billion compared with December 2016, primarily reflecting an increase in commitments, guarantees and loans, principally due to increased lending activity. Standardized Market RWAs as of December 2017 increased by \$2.12 billion compared with December 2016, primarily reflecting an increase in stressed VaR as a result of increased risk exposures partially offset by decreases in specific risk, as a result of changes in risk exposures, and comprehensive risk, as a result of changes in risk measurements.

Basel III Advanced Credit RWAs as of December 2017 increased by \$63.23 billion compared with December 2016, primarily reflecting an increase in commitments, guarantees and loans, principally due to increased lending activity. Basel III Advanced Market RWAs as of December 2017 increased by \$2.38 billion compared with December 2016, primarily reflecting an increase in stressed VaR as a result of increased risk exposures partially offset by decreases in specific risk, as a result of changes in risk exposures, and comprehensive risk, as a result of changes in risk measurements.

The table below presents changes in RWAs calculated in accordance with the Standardized Capital Rules and Basel III Advanced Rules.

<i>\$ in millions</i>	Year Ended December 2016	
	Standardized	Basel III Advanced
<b>Risk-Weighted Assets</b>		
Beginning balance	\$524,107	\$577,651
<b>Credit RWAs</b>		
Change in:		
Deduction for transitional provisions	(531)	(531)
Derivatives	(12,555)	(8,575)
Commitments, guarantees and loans	4,353	8,269
Securities financing transactions	(73)	(228)
Equity investments	4,196	4,440
Other	(4,095)	2,630
Change in Credit RWAs	(8,705)	6,005
<b>Market RWAs</b>		
Change in:		
Regulatory VaR	(2,250)	(2,250)
Stressed VaR	737	737
Incremental risk	(1,638)	(1,638)
Comprehensive risk	(387)	(167)
Specific risk	(15,188)	(15,188)
Change in Market RWAs	(18,726)	(18,506)
<b>Operational RWAs</b>		
Change in operational risk	–	(15,500)
Change in Operational RWAs	–	(15,500)
Ending balance	\$496,676	\$549,650

In the table above, the increased deduction for transitional provisions represents the increased phase-in of the deduction from 40% to 60%, effective January 1, 2016.

Standardized Credit RWAs as of December 2016 decreased by \$8.71 billion compared with December 2015, primarily reflecting a decrease in derivatives, principally due to reduced exposures, and a decrease in receivables included in other credit RWAs reflecting the impact of firm and client activity. This decrease was partially offset by increases in commitments, guarantees and loans principally due to increased lending activity, and equity investments, principally due to increased exposures and the impact of market movements. Standardized Market RWAs as of December 2016 decreased by \$18.73 billion compared with December 2015, primarily reflecting a decrease in specific risk as a result of reduced risk exposures.

Basel III Advanced Credit RWAs as of December 2016 increased by \$6.01 billion compared with December 2015, primarily reflecting an increase in commitments, guarantees and loans principally due to increased lending activity, and an increase in equity investments, principally due to increased exposures and the impact of market movements. These increases were partially offset by a decrease in derivatives, principally due to lower counterparty credit risk and reduced exposure. Basel III Advanced Market RWAs as of December 2016 decreased by \$18.51 billion compared with December 2015, primarily reflecting a decrease in specific risk as a result of reduced risk exposures. Basel III Advanced Operational RWAs as of December 2016 decreased by \$15.50 billion compared with December 2015, reflecting a decrease in the frequency of certain events incorporated within the firm's risk-based model.

### **Bank Subsidiaries**

**Regulatory Capital Ratios.** GS Bank USA, an FDIC-insured, New York State-chartered bank and a member of the Federal Reserve System, is supervised and regulated by the FRB, the FDIC, the New York State Department of Financial Services and the Consumer Financial Protection Bureau, and is subject to regulatory capital requirements that are calculated in substantially the same manner as those applicable to BHCs. For purposes of assessing the adequacy of its capital, GS Bank USA calculates its capital ratios in accordance with the risk-based capital and leverage requirements applicable to state member banks. Those requirements are based on the Capital Framework described above. GS Bank USA is an Advanced approach banking organization under the Capital Framework.

Under the regulatory framework for prompt corrective action applicable to GS Bank USA, in order to meet the quantitative requirements for being a “well-capitalized” depository institution, GS Bank USA must meet higher minimum requirements than the minimum ratios in the table below. As of both December 2017 and December 2016, GS Bank USA was in compliance with its minimum capital requirements and the “well-capitalized” minimum ratios.

The table below presents the minimum ratios and the “well-capitalized” minimum ratios required for GS Bank USA.

	Minimum Ratio as of December		“Well-capitalized” Minimum Ratio
	2017	2016	
CET1 ratio	<b>5.750%</b>	5.125%	<b>6.5%</b>
Tier 1 capital ratio	<b>7.250%</b>	6.625%	<b>8.0%</b>
Total capital ratio	<b>9.250%</b>	8.625%	<b>10.0%</b>
Tier 1 leverage ratio	<b>4.000%</b>	4.000%	<b>5.0%</b>

In the table above:

- The minimum capital ratios as of December 2017 reflect (i) the 50% phase-in of the capital conservation buffer of 2.5% and (ii) the countercyclical capital buffer of zero percent, each described above.
- The minimum capital ratios as of December 2016 reflect (i) the 25% phase-in of the capital conservation buffer of 2.5% and (ii) the countercyclical capital buffer of zero percent, each described above.

GS Bank USA’s capital levels and prompt corrective action classification are also subject to qualitative judgments by the regulators about components of capital, risk weightings and other factors. Failure to comply with these capital requirements, including a breach of the buffers described above, could result in restrictions being imposed by GS Bank USA’s regulators.

Similar to the firm, GS Bank USA is required to calculate each of the CET1, Tier 1 capital and Total capital ratios in accordance with both the Standardized Capital Rules and Basel III Advanced Rules. The lower of each capital ratio calculated in accordance with the Standardized Capital Rules and Basel III Advanced Rules is the ratio against which GS Bank USA’s compliance with its minimum ratio requirements is assessed. Each of the capital ratios calculated in accordance with the Standardized Capital Rules was lower than that calculated in accordance with the Basel III Advanced Rules and therefore the Standardized Capital ratios were the ratios that applied to GS Bank USA as of both December 2017 and December 2016. The capital ratios that apply to GS Bank USA can change in future reporting periods as a result of these regulatory requirements.

The table below presents the ratios for GS Bank USA calculated in accordance with both the Standardized Capital Rules and Basel III Advanced Rules.

<i>\$ in millions</i>	As of December	
	2017	2016
<b>Standardized</b>		
Common Equity Tier 1	<b>\$ 25,343</b>	\$ 24,485
Tier 1 capital	<b>25,343</b>	24,485
Tier 2 capital	<b>2,547</b>	2,382
<b>Total capital</b>	<b>\$ 27,890</b>	\$ 26,867
<b>Basel III Advanced</b>		
Common Equity Tier 1	<b>\$ 25,343</b>	\$ 24,485
Tier 1 capital	<b>25,343</b>	24,485
Standardized Tier 2 capital	<b>2,547</b>	2,382
Allowance for losses on loans and lending commitments	<b>(547)</b>	(382)
Tier 2 capital	<b>2,000</b>	2,000
<b>Total capital</b>	<b>\$ 27,343</b>	\$ 26,485
<b>RWAs</b>		
Standardized	<b>\$229,775</b>	\$204,232
Basel III Advanced	<b>\$164,602</b>	\$131,051
<b>CET1 ratio</b>		
Standardized	<b>11.0%</b>	12.0%
Basel III Advanced	<b>15.4%</b>	18.7%
<b>Tier 1 capital ratio</b>		
Standardized	<b>11.0%</b>	12.0%
Basel III Advanced	<b>15.4%</b>	18.7%
<b>Total capital ratio</b>		
Standardized	<b>12.1%</b>	13.2%
Basel III Advanced	<b>16.6%</b>	20.2%
<b>Tier 1 leverage ratio</b>		
	<b>15.0%</b>	14.4%

The decrease in GS Bank USA’s Standardized and Basel III Advanced capital ratios from December 2016 to December 2017 is primarily due to an increase in credit RWAs, principally due to an increase in lending activity.

The firm’s principal non-U.S. bank subsidiary, GSIB, is a wholly-owned credit institution, regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) and is subject to minimum capital requirements. As of both December 2017 and December 2016, GSIB was in compliance with all regulatory capital requirements.

**Other.** The deposits of GS Bank USA are insured by the FDIC to the extent provided by law. The FRB requires that GS Bank USA maintain cash reserves with the Federal Reserve Bank of New York. The amount deposited by GS Bank USA at the Federal Reserve Bank of New York was \$50.86 billion and \$74.24 billion as of December 2017 and December 2016, respectively, which exceeded required reserve amounts by \$50.74 billion and \$74.09 billion as of December 2017 and December 2016, respectively.

### **Broker-Dealer Subsidiaries**

**U.S. Regulated Broker-Dealer Subsidiaries.** GS&Co. is the firm's primary U.S. regulated broker-dealer subsidiary and is subject to regulatory capital requirements including those imposed by the SEC and the Financial Industry Regulatory Authority, Inc. In addition, GS&Co. is a registered futures commission merchant and is subject to regulatory capital requirements imposed by the CFTC, the Chicago Mercantile Exchange and the National Futures Association. Rule 15c3-1 of the SEC and Rule 1.17 of the CFTC specify uniform minimum net capital requirements, as defined, for their registrants, and also effectively require that a significant part of the registrants' assets be kept in relatively liquid form. GS&Co. has elected to calculate its minimum capital requirements in accordance with the "Alternative Net Capital Requirement" as permitted by Rule 15c3-1.

As of December 2017 and December 2016, GS&Co. had regulatory net capital, as defined by Rule 15c3-1, of \$15.57 billion and \$17.17 billion, respectively, which exceeded the amount required by \$13.15 billion and \$14.66 billion, respectively. In addition to its alternative minimum net capital requirements, GS&Co. is also required to hold tentative net capital in excess of \$1 billion and net capital in excess of \$500 million in accordance with the market and credit risk standards of Appendix E of Rule 15c3-1. GS&Co. is also required to notify the SEC in the event that its tentative net capital is less than \$5 billion. As of both December 2017 and December 2016, GS&Co. had tentative net capital and net capital in excess of both the minimum and the notification requirements.

**Non-U.S. Regulated Broker-Dealer Subsidiaries.** The firm's principal non-U.S. regulated broker-dealer subsidiaries include Goldman Sachs International (GSI) and Goldman Sachs Japan Co., Ltd. (GSJCL). GSI, the firm's U.K. broker-dealer, is regulated by the PRA and the FCA. GSJCL, the firm's Japanese broker-dealer, is regulated by Japan's Financial Services Agency. These and certain other non-U.S. subsidiaries of the firm are also subject to capital adequacy requirements promulgated by authorities of the countries in which they operate. As of both December 2017 and December 2016, these subsidiaries were in compliance with their local capital adequacy requirements.

### **Restrictions on Payments**

Group Inc.'s ability to withdraw capital from its regulated subsidiaries is limited by minimum equity capital requirements applicable to those subsidiaries, provisions of applicable law and regulations and other regulatory restrictions that limit the ability of those subsidiaries to declare and pay dividends without prior regulatory approval (e.g., the amount of dividends that may be paid by GS Bank USA is limited to the lesser of the amounts calculated under a recent earnings test and an undivided profits test) even if the relevant subsidiary would satisfy the equity capital requirements applicable to it after giving effect to the dividend. For example, the FRB, the FDIC and the New York State Department of Financial Services have authority to prohibit or to limit the payment of dividends by the banking organizations they supervise (including GS Bank USA) if, in the relevant regulator's opinion, payment of a dividend would constitute an unsafe or unsound practice in the light of the financial condition of the banking organization.

As of December 2017 and December 2016, Group Inc. was required to maintain \$53.02 billion and \$46.49 billion, respectively, of minimum equity capital in its regulated subsidiaries in order to satisfy the regulatory requirements of such subsidiaries.

**Note 21.**

**Earnings Per Common Share**

Basic earnings per common share (EPS) is calculated by dividing net earnings applicable to common shareholders by the weighted average number of common shares outstanding and RSUs for which no future service is required as a condition to the delivery of the underlying common stock (collectively, basic shares). Diluted EPS includes the determinants of basic EPS and, in addition, reflects the dilutive effect of the common stock deliverable for stock options and for RSUs for which future service is required as a condition to the delivery of the underlying common stock.

The table below presents the computations of basic and diluted EPS.

<i>in millions, except per share amounts</i>	Year Ended December		
	2017	2016	2015
<b>Net earnings applicable to common shareholders</b>	<b>\$3,685</b>	\$7,087	\$5,568
Weighted average basic shares	<b>401.6</b>	427.4	448.9
Effect of dilutive securities:			
RSUs	<b>5.3</b>	4.7	5.3
Stock options	<b>2.2</b>	3.0	4.4
Dilutive securities	<b>7.5</b>	7.7	9.7
<b>Weighted average basic shares and dilutive securities</b>	<b>409.1</b>	435.1	458.6
Basic EPS	<b>\$ 9.12</b>	\$16.53	\$12.35
Diluted EPS	<b>\$ 9.01</b>	\$16.29	\$12.14

In the table above, unvested share-based awards that have non-forfeitable rights to dividends or dividend equivalents are treated as a separate class of securities in calculating EPS. The impact of applying this methodology was a reduction in basic EPS of \$0.06 for 2017, and \$0.05 for both 2016 and 2015.

The diluted EPS computations in the table above do not include antidilutive securities (RSUs and common shares underlying stock options) of 0.1 million for 2017, 2.8 million for 2016 and 6.0 million for 2015.

**Note 22.**

**Transactions with Affiliated Funds**

The firm has formed numerous nonconsolidated investment funds with third-party investors. As the firm generally acts as the investment manager for these funds, it is entitled to receive management fees and, in certain cases, advisory fees or incentive fees from these funds. Additionally, the firm invests alongside the third-party investors in certain funds.

The tables below present fees earned from affiliated funds, fees receivable from affiliated funds and the aggregate carrying value of the firm's interests in affiliated funds.

<i>\$ in millions</i>	Year Ended December		
	2017	2016	2015
Fees earned from funds	<b>\$2,932</b>	\$2,777	\$3,293

<i>\$ in millions</i>	As of December	
	2017	2016
Fees receivable from funds	<b>\$ 637</b>	\$ 554
Aggregate carrying value of interests in funds	<b>\$4,993</b>	\$6,841

The firm may periodically determine to waive certain management fees on selected money market funds. Management fees waived were \$98 million and \$104 million for 2017 and 2016, respectively.

The Volcker Rule restricts the firm from providing financial support to covered funds (as defined in the rule) after the expiration of the conformance period. As a general matter, in the ordinary course of business, the firm does not expect to provide additional voluntary financial support to any covered funds but may choose to do so with respect to funds that are not subject to the Volcker Rule; however, in the event that such support is provided, the amount is not expected to be material.

As of December 2017 and December 2016, the firm had an outstanding guarantee, as permitted under the Volcker Rule, on behalf of its funds of \$154 million and \$300 million, respectively. The firm has voluntarily provided this guarantee in connection with a financing agreement with a third-party lender executed by one of the firm's real estate funds that is not covered by the Volcker Rule. As of both December 2017 and December 2016, except as noted above, the firm has not provided any additional financial support to its affiliated funds.

In addition, in the ordinary course of business, the firm may also engage in other activities with its affiliated funds including, among others, securities lending, trade execution, market making, custody, and acquisition and bridge financing. See Note 18 for the firm's investment commitments related to these funds.

**Note 23.**

**Interest Income and Interest Expense**

Interest is recorded over the life of the instrument on an accrual basis based on contractual interest rates. The table below presents the firm's sources of interest income and interest expense.

<i>\$ in millions</i>	Year Ended December		
	2017	2016	2015
<b>Interest income</b>			
Deposits with banks	\$ 819	\$ 452	\$ 241
Collateralized agreements	1,661	691	17
Financial instruments owned	5,904	5,444	5,862
Loans receivable	2,678	1,843	1,191
Other interest	2,051	1,261	1,141
<b>Total interest income</b>	<b>13,113</b>	9,691	8,452
<b>Interest expense</b>			
Deposits	1,380	878	408
Collateralized financings	863	442	330
Financial instruments sold, but not yet purchased	1,388	1,251	1,319
Short-term secured and unsecured borrowings	698	446	429
Long-term secured and unsecured borrowings	4,599	4,242	3,878
Other interest	1,253	(155)	(976)
<b>Total interest expense</b>	<b>10,181</b>	7,104	5,388
<b>Net interest income</b>	<b>\$ 2,932</b>	\$2,587	\$3,064

In the table above:

- Collateralized agreements includes rebates paid and interest income on securities borrowed.
- Other interest income includes interest income on customer debit balances and other interest-earning assets.
- Collateralized financings consists of securities sold under agreements to repurchase and securities loaned.
- Other interest expense includes rebates received on other interest-bearing liabilities and interest expense on customer credit balances.

**Note 24.**

**Income Taxes**

**Tax Legislation**

The provision for taxes in 2017 reflected an increase in Income tax expense of \$4.40 billion representing the estimated impact of Tax Legislation enacted on December 22, 2017. The \$4.40 billion income tax expense includes the repatriation tax on undistributed earnings of foreign subsidiaries, the effects of the implementation of a territorial tax system and the remeasurement of U.S. deferred tax assets at lower enacted tax rates.

The repatriation tax is based on the greater of the firm's post-1986 earnings and profits as of November 2, 2017 or December 31, 2017. Income taxes paid or payable to foreign jurisdictions partially reduce the repatriation tax as a foreign tax credit, based on a formula that includes future earnings of certain foreign subsidiaries. The calculation resulted in an estimated income tax expense of \$3.32 billion.

U.S. deferred tax assets and liabilities were required to be remeasured as of December 22, 2017 to the new U.S. federal income tax rate of 21% and to any federal impact associated with state and local deferred income taxes, as well as due to the implementation of the territorial tax system. This remeasurement resulted in an estimated income tax expense of \$1.08 billion.

While the components of the impact of Tax Legislation described above were calculated to account for all available information, these amounts are estimates. The firm anticipates modification to the estimate may occur as a result of (i) refinement of the firm's calculations based on updated information, (ii) changes in the firm's interpretations and assumptions, (iii) updates from issuance of future legislative guidance and (iv) actions the firm may take as a result of Tax Legislation.

**Provision for Income Taxes**

Income taxes are provided for using the asset and liability method under which deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and tax bases of assets and liabilities. The firm reports interest expense related to income tax matters in provision for taxes and income tax penalties in other expenses.



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The table below presents the components of the provision for taxes.

\$ in millions	Year Ended December		
	2017	2016	2015
<b>Current taxes</b>			
U.S. federal	\$ 320	\$1,032	\$1,116
State and local	64	139	(12)
Non-U.S.	1,004	1,184	1,166
<b>Total current tax expense</b>	<b>1,388</b>	<b>2,355</b>	<b>2,270</b>
<b>Deferred taxes</b>			
U.S. federal	5,083	399	397
State and local	157	51	62
Non-U.S.	218	101	(34)
<b>Total deferred tax expense</b>	<b>5,458</b>	<b>551</b>	<b>425</b>
<b>Provision for taxes</b>	<b>\$6,846</b>	<b>\$2,906</b>	<b>\$2,695</b>

In the table above:

- State and local current taxes includes the impact of settlements of state and local examinations.
- U.S. federal deferred tax expense includes the estimated impact of Tax Legislation.

The table below presents a reconciliation of the U.S. federal statutory income tax rate to the firm's effective income tax rate.

	Year Ended December		
	2017	2016	2015
U.S. federal statutory income tax rate	35.0%	35.0%	35.0%
State and local taxes, net of U.S. federal income tax effects	1.5%	0.9%	0.3%
ASU No. 2016-09 tax benefits on settlement of employee share-based awards	(6.4)%	–	–
Non-U.S. operations	(6.3)%	(6.7)%	(12.1)%
Tax credits	(2.1)%	(2.0)%	(1.7)%
Tax-exempt income, including dividends	(0.2)%	(0.3)%	(0.7)%
Tax Legislation — repatriation tax	29.8%	–	–
Tax Legislation — remeasurement of deferred tax assets	9.7%	–	–
Non-deductible legal expenses	0.5%	1.0%	10.2%
Other	–	0.3%	(0.3)%
<b>Effective income tax rate</b>	<b>61.5%</b>	<b>28.2%</b>	<b>30.7%</b>

In the table above:

- Non-U.S. operations includes the impact of permanently reinvested earnings and excludes the estimated impact of Tax Legislation.
- State and local taxes, net of U.S. federal income tax effects includes the impact of settlements of state and local examinations.
- Substantially all of the non-deductible legal expenses for 2015 relate to provisions for the settlement agreement with the RMBS Working Group.

**Deferred Income Taxes**

Deferred income taxes reflect the net tax effects of temporary differences between the financial reporting and tax bases of assets and liabilities. These temporary differences result in taxable or deductible amounts in future years and are measured using the tax rates and laws that will be in effect when such differences are expected to reverse. Valuation allowances are established to reduce deferred tax assets to the amount that more likely than not will be realized and primarily relate to the ability to utilize losses in various tax jurisdictions. Tax assets and liabilities are presented as a component of other assets and other liabilities and accrued expenses, respectively.

The table below presents the significant components of deferred tax assets and liabilities, excluding the impact of netting within tax jurisdictions.

\$ in millions	As of December	
	2017	2016
<b>Deferred tax assets</b>		
Compensation and benefits	\$1,233	\$2,461
ASC 740 asset related to unrecognized tax benefits	75	231
Non-U.S. operations	–	967
Net operating losses	428	427
Occupancy-related	67	100
Other comprehensive income-related	408	757
Tax credits carryforward	1,006	–
Other, net	113	394
Subtotal	3,330	5,337
Valuation allowance	(156)	(115)
<b>Total deferred tax assets</b>	<b>\$3,174</b>	<b>\$5,222</b>
<b>Deferred tax liabilities</b>		
Depreciation and amortization	\$ 826	\$1,200
Tax Legislation — repatriation tax	3,114	–
Non-U.S. operations	180	–
Unrealized gains	742	342
<b>Total deferred tax liabilities</b>	<b>\$4,862</b>	<b>\$1,542</b>

The firm has recorded deferred tax assets of \$428 million and \$427 million as of December 2017 and December 2016, respectively, in connection with U.S. federal, state and local and foreign net operating loss carryforwards. The firm also recorded a valuation allowance of \$128 million and \$67 million as of December 2017 and December 2016, respectively, related to these net operating loss carryforwards.

As of December 2017, the U.S. federal, state and local, and foreign net operating loss carryforwards were \$268 million, \$1.33 billion and \$1.23 billion, respectively. If not utilized, the U.S. federal, state and local, and foreign net operating loss carryforwards will begin to expire in 2018. If these carryforwards expire, they will not have a material impact on the firm's results of operations. As of December 2017, the foreign tax credit carryforwards were \$446 million, the general business credit carryforwards were \$533 million and the state and local tax credit carryforwards were \$27 million. If not utilized, the foreign tax credit carryforward will begin to expire in 2027, the general business credit carryforward will begin to expire in 2037, and the state and local tax credit carryforward will begin to expire in 2020.

The firm had no capital loss carryforwards and no related net deferred income tax assets as of December 2017 and December 2016.

The valuation allowance increased by \$41 million during 2017 and increased by \$42 million during 2016. The increases in 2017 and 2016 were primarily due to an increase in deferred tax assets from which the firm does not expect to realize any benefit.

The firm permanently reinvested eligible earnings of certain foreign subsidiaries. As of December 2017, substantially all U.S. taxes were accrued on these subsidiaries' earnings and profits as a result of Tax Legislation repatriation tax. As of December 2016, the firm did not accrue any U.S. income taxes that would arise if such earnings were repatriated, resulting in an unrecognized net deferred tax liability of \$6.18 billion, attributable to reinvested earnings of \$31.24 billion.

### Unrecognized Tax Benefits

The firm recognizes tax positions in the consolidated financial statements only when it is more likely than not that the position will be sustained on examination by the relevant taxing authority based on the technical merits of the position. A position that meets this standard is measured at the largest amount of benefit that will more likely than not be realized on settlement. A liability is established for differences between positions taken in a tax return and amounts recognized in the consolidated financial statements.

The accrued liability for interest expense related to income tax matters and income tax penalties was \$81 million and \$141 million as of December 2017 and December 2016, respectively. The firm recognized interest expense and income tax penalties of \$63 million, \$27 million and \$17 million for 2017, 2016 and 2015, respectively. It is reasonably possible that unrecognized tax benefits could change significantly during the twelve months subsequent to December 2017 due to potential audit settlements. However, at this time it is not possible to estimate any potential change.

The table below presents the changes in the liability for unrecognized tax benefits. This liability is included in other liabilities and accrued expenses. See Note 17 for further information.

<i>\$ in millions</i>	Year Ended or as of December		
	2017	2016	2015
Beginning balance	<b>\$ 852</b>	\$ 825	\$ 871
Increases based on tax positions related to the current year	<b>94</b>	113	65
Increases based on tax positions related to prior years	<b>101</b>	188	158
Decreases based on tax positions related to prior years	<b>(128)</b>	(88)	(205)
Decreases related to settlements	<b>(255)</b>	(186)	(87)
Exchange rate fluctuations	<b>1</b>	–	23
<b>Ending balance</b>	<b>\$ 665</b>	\$ 852	\$ 825
Related deferred income tax asset	<b>75</b>	231	197
<b>Net unrecognized tax benefit</b>	<b>\$ 590</b>	\$ 621	\$ 628

### Regulatory Tax Examinations

The firm is subject to examination by the U.S. Internal Revenue Service (IRS) and other taxing authorities in jurisdictions where the firm has significant business operations, such as the United Kingdom, Japan, Hong Kong and various states, such as New York. The tax years under examination vary by jurisdiction. The firm does not expect completion of these audits to have a material impact on the firm's financial condition but it may be material to operating results for a particular period, depending, in part, on the operating results for that period.

The table below presents the earliest tax years that remain subject to examination by major jurisdiction.

Jurisdiction	As of December 2017
U.S. Federal	<b>2011</b>
New York State and City	<b>2011</b>
United Kingdom	<b>2014</b>
Japan	<b>2014</b>
Hong Kong	<b>2011</b>

U.S. Federal examinations of 2011 and 2012 began in 2013. The firm has been accepted into the Compliance Assurance Process program by the IRS for each of the tax years from 2013 through 2018. This program allows the firm to work with the IRS to identify and resolve potential U.S. federal tax issues before the filing of tax returns. The 2013 through 2016 tax years remain subject to post-filing review.

During the fourth quarter of 2017, New York State and City examinations for the firm (excluding GS Bank USA) of fiscal 2007 through calendar 2010 were completed. The completion of these examinations did not have a material impact on the firm's effective income tax rate. New York State and City examinations (excluding GS Bank USA) of 2011 through 2014 began in the fourth quarter of 2017. New York State and City examinations for GS Bank USA have been completed through 2014.

During the first quarter of 2017, the firm concluded examinations with the Hong Kong tax authorities related to 2007 through 2015, with 2011 through 2015 subject to final review. The completion of these examinations did not have a material impact on the firm's effective income tax rate.

All years including and subsequent to the years in the table above remain open to examination by the taxing authorities. The firm believes that the liability for unrecognized tax benefits it has established is adequate in relation to the potential for additional assessments.

**Note 25.**

**Business Segments**

The firm reports its activities in the following four business segments: Investment Banking, Institutional Client Services, Investing & Lending and Investment Management.

**Basis of Presentation**

In reporting segments, certain of the firm's business lines have been aggregated where they have similar economic characteristics and are similar in each of the following areas: (i) the nature of the services they provide, (ii) their methods of distribution, (iii) the types of clients they serve and (iv) the regulatory environments in which they operate.

The cost drivers of the firm taken as a whole, compensation, headcount and levels of business activity, are broadly similar in each of the firm's business segments. Compensation and benefits expenses in the firm's segments reflect, among other factors, the overall performance of the firm, as well as the performance of individual businesses. Consequently, pre-tax margins in one segment of the firm's business may be significantly affected by the performance of the firm's other business segments.

The firm allocates assets (including allocations of global core liquid assets and cash, secured client financing and other assets), revenues and expenses among the four business segments. Due to the integrated nature of these segments, estimates and judgments are made in allocating certain assets, revenues and expenses. The allocation process is based on the manner in which management currently views the performance of the segments. Transactions between segments are based on specific criteria or approximate third-party rates.

The table below presents the firm's net revenues, pre-tax earnings and total assets by segment. Management believes that this information provides a reasonable representation of each segment's contribution to consolidated pre-tax earnings and total assets.

	Year Ended or as of December		
<i>\$ in millions</i>	2017	2016	2015
<b>Investment Banking</b>			
Financial Advisory	\$ 3,188	\$ 2,932	\$ 3,470
Equity underwriting	1,243	891	1,546
Debt underwriting	2,940	2,450	2,011
Total Underwriting	4,183	3,341	3,557
<b>Total net revenues</b>	<b>7,371</b>	6,273	7,027
Operating expenses	3,526	3,437	3,713
<b>Pre-tax earnings</b>	<b>\$ 3,845</b>	\$ 2,836	\$ 3,314
<b>Segment assets</b>	<b>\$ 2,202</b>	\$ 1,824	\$ 2,564
<b>Institutional Client Services</b>			
FICC Client Execution	\$ 5,299	\$ 7,556	\$ 7,322
Equities client execution	2,046	2,194	3,028
Commissions and fees	2,920	3,078	3,156
Securities services	1,637	1,639	1,645
Total Equities	6,603	6,911	7,829
<b>Total net revenues</b>	<b>11,902</b>	14,467	15,151
Operating expenses	9,692	9,713	13,938
<b>Pre-tax earnings</b>	<b>\$ 2,210</b>	\$ 4,754	\$ 1,213
<b>Segment assets</b>	<b>\$675,255</b>	\$645,689	\$663,394
<b>Investing &amp; Lending</b>			
Equity securities	\$ 4,578	\$ 2,573	\$ 3,781
Debt securities and loans	2,003	1,507	1,655
<b>Total net revenues</b>	<b>6,581</b>	4,080	5,436
Operating expenses	2,796	2,386	2,402
<b>Pre-tax earnings</b>	<b>\$ 3,785</b>	\$ 1,694	\$ 3,034
<b>Segment assets</b>	<b>\$226,016</b>	\$198,181	\$179,428
<b>Investment Management</b>			
Management and other fees	\$ 5,144	\$ 4,798	\$ 4,887
Incentive fees	417	421	780
Transaction revenues	658	569	539
<b>Total net revenues</b>	<b>6,219</b>	5,788	6,206
Operating expenses	4,800	4,654	4,841
<b>Pre-tax earnings</b>	<b>\$ 1,419</b>	\$ 1,134	\$ 1,365
<b>Segment assets</b>	<b>\$ 13,303</b>	\$ 14,471	\$ 16,009
<b>Total net revenues</b>	<b>\$ 32,073</b>	\$ 30,608	\$ 33,820
<b>Total operating expenses</b>	<b>20,941</b>	20,304	25,042
<b>Total pre-tax earnings</b>	<b>\$ 11,132</b>	\$ 10,304	\$ 8,778
<b>Total assets</b>	<b>\$916,776</b>	\$860,165	\$861,395

In the table above:

- Revenues and expenses directly associated with each segment are included in determining pre-tax earnings.
- Net revenues in the firm's segments include allocations of interest income and interest expense to specific securities, commodities and other positions in relation to the cash generated by, or funding requirements of, such underlying positions. Net interest is included in segment net revenues as it is consistent with the way in which management assesses segment performance.
- Overhead expenses not directly allocable to specific segments are allocated ratably based on direct segment expenses.
- All operating expenses have been allocated to the firm's segments except for charitable contributions of \$127 million for 2017, \$114 million for 2016 and \$148 million for 2015.
- Total operating expenses included net provisions for litigation and regulatory proceedings of \$188 million for 2017, \$396 million for 2016 and \$4.01 billion (of which \$3.37 billion was related to the settlement agreement with the RMBS Working Group) for 2015.

The table below presents the amounts of net interest income by segment included in net revenues.

\$ in millions	Year Ended December		
	2017	2016	2015
Investment Banking	\$ -	\$ -	\$ -
Institutional Client Services	<b>1,322</b>	1,456	2,472
Investing & Lending	<b>1,325</b>	880	418
Investment Management	<b>285</b>	251	174
<b>Total net interest income</b>	<b>\$2,932</b>	\$2,587	\$3,064

The table below presents the amounts of depreciation and amortization expense by segment included in pre-tax earnings.

\$ in millions	Year Ended December		
	2017	2016	2015
Investment Banking	\$ 124	\$ 126	\$ 123
Institutional Client Services	<b>514</b>	489	462
Investing & Lending	<b>314</b>	215	253
Investment Management	<b>200</b>	168	153
<b>Total depreciation and amortization</b>	<b>\$1,152</b>	\$ 998	\$ 991

## Geographic Information

Due to the highly integrated nature of international financial markets, the firm manages its businesses based on the profitability of the enterprise as a whole. The methodology for allocating profitability to geographic regions is dependent on estimates and management judgment because a significant portion of the firm's activities require cross-border coordination in order to facilitate the needs of the firm's clients.

Geographic results are generally allocated as follows:

- Investment Banking: location of the client and investment banking team.
- Institutional Client Services: FICC Client Execution and Equities (excluding Securities services): location of the market-making desk; Securities services: location of the primary market for the underlying security.
- Investing & Lending: Investing: location of the investment; Lending: location of the client.
- Investment Management: location of the sales team.

The table below presents the total net revenues, pre-tax earnings and net earnings of the firm by geographic region allocated based on the methodology referred to above, as well as the percentage of total net revenues, pre-tax earnings and net earnings (excluding Corporate) for each geographic region.

\$ in millions	Year Ended December					
	2017		2016		2015	
<b>Net revenues</b>						
Americas	<b>\$19,405</b>	<b>61%</b>	\$18,144	60%	\$19,202	56%
EMEA	<b>7,852</b>	<b>24%</b>	8,040	26%	8,981	27%
Asia	<b>4,816</b>	<b>15%</b>	4,424	14%	5,637	17%
<b>Total net revenues</b>	<b>\$32,073</b>	<b>100%</b>	\$30,608	100%	\$33,820	100%
<b>Pre-tax earnings</b>						
Americas	<b>\$ 7,119</b>	<b>63%</b>	\$ 6,352	61%	\$ 3,359	37%
EMEA	<b>2,583</b>	<b>23%</b>	2,883	28%	3,364	38%
Asia	<b>1,557</b>	<b>14%</b>	1,183	11%	2,203	25%
Subtotal	<b>11,259</b>	<b>100%</b>	10,418	100%	8,926	100%
Corporate	<b>(127)</b>		(114)		(148)	
<b>Total pre-tax earnings</b>	<b>\$11,132</b>		\$10,304		\$ 8,778	
<b>Net earnings</b>						
Americas	<b>\$ 997</b>	<b>23%</b>	\$ 4,337	58%	\$ 1,587	26%
EMEA	<b>2,144</b>	<b>49%</b>	2,270	30%	2,914	47%
Asia	<b>1,241</b>	<b>28%</b>	870	12%	1,686	27%
Subtotal	<b>4,382</b>	<b>100%</b>	7,477	100%	6,187	100%
Corporate	<b>(96)</b>		(79)		(104)	
<b>Total net earnings</b>	<b>\$ 4,286</b>		\$ 7,398		\$ 6,083	

In the table above:

- Americas net earnings included estimated income tax expense of \$4.40 billion recorded in 2017 related to Tax Legislation.
- Americas pre-tax earnings included provisions of \$3.37 billion recorded in 2015 related to the settlement agreement with the RMBS Working Group.
- Corporate pre-tax earnings includes charitable contributions that have not been allocated to the firm's geographic regions.
- Substantially all of the amounts in Americas were attributable to the U.S.
- Asia includes Australia and New Zealand.

**Note 26.**

**Credit Concentrations**

The firm's concentrations of credit risk arise from its market making, client facilitation, investing, underwriting, lending and collateralized transactions, and cash management activities, and may be impacted by changes in economic, industry or political factors. These activities expose the firm to many different industries and counterparties, and may also subject the firm to a concentration of credit risk to a particular central bank, counterparty, borrower or issuer, including sovereign issuers, or to a particular clearing house or exchange. The firm seeks to mitigate credit risk by actively monitoring exposures and obtaining collateral from counterparties as deemed appropriate.

The firm measures and monitors its credit exposure based on amounts owed to the firm after taking into account risk mitigants that management considers when determining credit risk. Such risk mitigants include netting and collateral arrangements and economic hedges, such as credit derivatives, futures and forward contracts. Netting and collateral agreements permit the firm to offset receivables and payables with such counterparties and/or enable the firm to obtain collateral on an upfront or contingent basis.

The table below presents the credit concentrations in cash instruments held by the firm and included in financial instruments owned.

<i>\$ in millions</i>	As of December	
	2017	2016
U.S. government and agency obligations	<b>\$76,418</b>	\$57,657
% of total assets	<b>8.3%</b>	6.7%
Non-U.S. government and agency obligations	<b>\$33,956</b>	\$29,381
% of total assets	<b>3.7%</b>	3.4%

In addition, as of December 2017 and December 2016, the firm had \$76.13 billion and \$94.72 billion, respectively, of cash deposits held at central banks (included in cash and cash equivalents), of which \$50.86 billion and \$74.24 billion, respectively, was held at the Federal Reserve Bank of New York.

As of both December 2017 and December 2016, the firm did not have credit exposure to any other counterparty that exceeded 2% of total assets.

Collateral obtained by the firm related to derivative assets is principally cash and is held by the firm or a third-party custodian. Collateral obtained by the firm related to resale agreements and securities borrowed transactions is primarily U.S. government and agency obligations and non-U.S. government and agency obligations. See Note 10 for further information about collateralized agreements and financings.

The table below presents U.S. government and agency obligations and non-U.S. government and agency obligations that collateralize resale agreements and securities borrowed transactions.

<i>\$ in millions</i>	As of December	
	2017	2016
U.S. government and agency obligations	<b>\$96,905</b>	\$89,721
Non-U.S. government and agency obligations	<b>\$92,850</b>	\$80,234

In the table above:

- Non-U.S. government and agency obligations primarily consist of securities issued by the governments of Japan, France, the U.K. and Germany.
- Given that the firm's primary credit exposure on such transactions is to the counterparty to the transaction, the firm would be exposed to the collateral issuer only in the event of counterparty default.

**Note 27.**

**Legal Proceedings**

The firm is involved in a number of judicial, regulatory and arbitration proceedings (including those described below) concerning matters arising in connection with the conduct of the firm's businesses. Many of these proceedings are in early stages, and many of these cases seek an indeterminate amount of damages.

Under ASC 450, an event is "reasonably possible" if "the chance of the future event or events occurring is more than remote but less than likely" and an event is "remote" if "the chance of the future event or events occurring is slight." Thus, references to the upper end of the range of reasonably possible loss for cases in which the firm is able to estimate a range of reasonably possible loss mean the upper end of the range of loss for cases for which the firm believes the risk of loss is more than slight.

With respect to matters described below for which management has been able to estimate a range of reasonably possible loss where (i) actual or potential plaintiffs have claimed an amount of money damages, (ii) the firm is being, or threatened to be, sued by purchasers in a securities offering and is not being indemnified by a party that the firm believes will pay the full amount of any judgment, or (iii) the purchasers are demanding that the firm repurchase securities, management has estimated the upper end of the range of reasonably possible loss as being equal to (a) in the case of (i), the amount of money damages claimed, (b) in the case of (ii), the difference between the initial sales price of the securities that the firm sold in such offering and the estimated lowest subsequent price of such securities prior to the action being commenced and (c) in the case of (iii), the price that purchasers paid for the securities less the estimated value, if any, as of December 2017 of the relevant securities, in each of cases (i), (ii) and (iii), taking into account any other factors believed to be relevant to the particular matter or matters of that type. As of the date hereof, the firm has estimated the upper end of the range of reasonably possible aggregate loss for such matters and for any other matters described below where management has been able to estimate a range of reasonably possible aggregate loss to be approximately \$1.5 billion in excess of the aggregate reserves for such matters.

Management is generally unable to estimate a range of reasonably possible loss for matters other than those included in the estimate above, including where (i) actual or potential plaintiffs have not claimed an amount of money damages, except in those instances where management can otherwise determine an appropriate amount, (ii) matters are in early stages, (iii) matters relate to regulatory investigations or reviews, except in those instances where management can otherwise determine an appropriate amount, (iv) there is uncertainty as to the likelihood of a class being certified or the ultimate size of the class, (v) there is uncertainty as to the outcome of pending appeals or motions, (vi) there are significant factual issues to be resolved, and/or (vii) there are novel legal issues presented. For example, the firm's potential liabilities with respect to future mortgage-related "put-back" claims described below may ultimately result in an increase in the firm's liabilities, but are not included in management's estimate of reasonably possible loss. As another example, the firm's potential liabilities with respect to the investigations and reviews described below in "Regulatory Investigations and Reviews and Related Litigation" also generally are not included in management's estimate of reasonably possible loss. However, management does not believe, based on currently available information, that the outcomes of such other matters will have a material adverse effect on the firm's financial condition, though the outcomes could be material to the firm's operating results for any particular period, depending, in part, upon the operating results for such period. See Note 18 for further information about mortgage-related contingencies.

**Mortgage-Related Matters**

Beginning in April 2010, a number of purported securities law class actions were filed in the U.S. District Court for the Southern District of New York challenging the adequacy of Group Inc.'s public disclosure of, among other things, the firm's activities in the CDO market, and the firm's conflict of interest management.

The consolidated amended complaint filed on July 25, 2011, which names as defendants Group Inc. and certain current and former officers and employees of Group Inc. and its affiliates, generally alleges violations of Sections 10(b) and 20(a) of the Exchange Act and seeks unspecified damages. On January 12, 2018, the U.S. Court of Appeals for the Second Circuit vacated the district court's class certification order and remanded for reconsideration.

In June 2012, the Board received a demand from a shareholder that the Board investigate and take action relating to the firm's mortgage-related activities and to stock sales by certain directors and executives of the firm. On February 15, 2013, this shareholder filed a putative shareholder derivative action in New York Supreme Court, New York County, against Group Inc. and certain current or former directors and employees, based on these activities and stock sales. The derivative complaint includes allegations of breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement and corporate waste, and seeks, among other things, unspecified monetary damages, disgorgement of profits and certain corporate governance and disclosure reforms. On May 28, 2013, Group Inc. informed the shareholder that the Board completed its investigation and determined to refuse the demand. On June 20, 2013, the shareholder made a books and records demand requesting materials relating to the Board's determination. The parties have agreed to stay proceedings in the putative derivative action pending resolution of the books and records demand.

In addition, the Board has received books and records demands from several shareholders for materials relating to, among other subjects, the firm's mortgage servicing and foreclosure activities, participation in federal programs providing assistance to financial institutions and homeowners, loan sales to Fannie Mae and Freddie Mac, mortgage-related activities and conflicts management.

The firm has entered into agreements with U.S. Bank National Association to toll the relevant statute of limitations with respect to claims for repurchase of residential mortgage loans based on alleged breaches of representations related to \$1.7 billion original notional face amount of securitizations issued by trusts for which U.S. Bank National Association acts as trustee.

The firm has received subpoenas or requests for information from, and is engaged in discussions with, certain regulators and law enforcement agencies with which it has not entered into settlement agreements as part of inquiries or investigations relating to mortgage-related matters.

### **Director Compensation-Related Litigation**

On May 9, 2017, Group Inc. and certain of its current and former directors were named as defendants in a purported direct and derivative shareholder action in the Court of Chancery of the State of Delaware (a similar purported derivative action, filed in June 2015, alleging excessive director compensation over the period 2012 to 2014 was voluntarily dismissed without prejudice in December 2016). The new complaint alleges that excessive compensation has been paid to the non-employee director defendants since 2015, and that certain disclosures in connection with soliciting stockholder approval of the stock incentive plans were deficient. The complaint asserts claims for breaches of fiduciary duties and seeks, among other things, rescission or in some cases rescissory damages, disgorgement, and shareholder votes on several matters. Defendants moved to dismiss on July 28, 2017.

### **Currencies-Related Litigation**

GS&Co. and Group Inc. are among the defendants named in putative class actions filed in the U.S. District Court for the Southern District of New York beginning in September 2016 on behalf of putative indirect purchasers of foreign exchange instruments. The consolidated amended complaint, filed on June 30, 2017, generally alleges a conspiracy to manipulate the foreign currency exchange markets and asserts claims under federal and state antitrust laws and state consumer protection laws and seeks injunctive relief, as well as treble damages in an unspecified amount. Defendants moved to dismiss on August 11, 2017.

### **Financial Advisory Services**

Group Inc. and certain of its affiliates are from time to time parties to various civil litigation and arbitration proceedings and other disputes with clients and third parties relating to the firm's financial advisory activities. These claims generally seek, among other things, compensatory damages and, in some cases, punitive damages, and in certain cases allege that the firm did not appropriately disclose or deal with conflicts of interest.

### **Underwriting Litigation**

Firm affiliates are among the defendants in a number of proceedings in connection with securities offerings. In these proceedings, including those described below, the plaintiffs assert class action or individual claims under federal and state securities laws and in some cases other applicable laws, allege that the offering documents for the securities that they purchased contained material misstatements and omissions, and generally seek compensatory and rescissory damages in unspecified amounts. Certain of these proceedings involve additional allegations.

**Cobalt International Energy.** Cobalt International Energy, Inc. (Cobalt), certain of its officers and directors (including employees of affiliates of Group Inc. who served as directors of Cobalt), affiliates of shareholders of Cobalt (including Group Inc.) and the underwriters (including GS&Co.) for certain offerings of Cobalt's securities are defendants in a putative securities class action filed on November 30, 2014 in the U.S. District Court for the Southern District of Texas. The second consolidated amended complaint, filed on March 15, 2017, relates to a \$1.67 billion February 2012 offering of Cobalt common stock, a \$1.38 billion December 2012 offering of Cobalt's convertible notes, a \$1.00 billion January 2013 offering of Cobalt's common stock, a \$1.33 billion May 2013 offering of Cobalt's common stock, and a \$1.30 billion May 2014 offering of Cobalt's convertible notes.

The consolidated amended complaint alleges that, among others, Group Inc. and GS&Co. are liable as controlling persons with respect to all five offerings, and that the shareholder affiliates (including Group Inc.) are liable for the sale of Cobalt common stock on the basis of inside information. The consolidated amended complaint also seeks damages from GS&Co. in connection with its acting as an underwriter of 16,594,500 shares of common stock representing an aggregate offering price of approximately \$465 million, \$690 million principal amount of convertible notes, and approximately \$508 million principal amount of convertible notes in the February 2012, December 2012 and May 2014 offerings, respectively, for an aggregate offering price of approximately \$1.66 billion.

On January 19, 2016, the court granted, with leave to replead, the underwriter defendants' motions to dismiss as to claims by plaintiffs who purchased Cobalt securities after April 30, 2013, but denied the motions to dismiss in all other respects. On June 15, 2017, the court granted the plaintiffs' motion for class certification and denied certain of the shareholder affiliates' motions (including Group Inc.) to dismiss the claim alleging sales based on inside information. On August 4, 2017, the U.S. Court of Appeals for the Fifth Circuit granted defendants' petition for interlocutory review of the class certification order. On August 23, 2017, the district court denied the defendants' motion for reconsideration of certain aspects of the class certification order. The district court and the Fifth Circuit denied defendants' request to stay discovery pending resolution of the Fifth Circuit proceeding. On December 14, 2017, Cobalt filed for Chapter 11 bankruptcy.

Cobalt, certain of its officers and directors (including employees of affiliates of Group Inc. who served as directors of Cobalt), certain shareholders of Cobalt (including funds affiliated with Group Inc.), and affiliates of these shareholders (including Group Inc.) are defendants in putative shareholder derivative actions filed on May 6, 2016 and November 29, 2016 in Texas District Court, Harris County. As to the director and officer defendants (including employees of affiliates of Group Inc. who served as directors of Cobalt), the petitions generally allege that they breached their fiduciary duties under state law by making materially false and misleading statements concerning Cobalt. As to the shareholder defendants and their affiliates (including Group Inc. and several affiliated funds), the original petition also alleges that they breached their fiduciary duties by selling Cobalt securities in the common stock offerings described above on the basis of inside information. The petitions seek, among other things, unspecified monetary damages and disgorgement of proceeds from the sale of Cobalt common stock. On March 6, 2017, the court denied defendants' motion to dismiss the May petition as to the shareholder defendants and their affiliates (including Group Inc. and its affiliated funds). Defendants moved to dismiss the November petition on January 30, 2017.



**Adeptus Health.** GS&Co. is among the underwriters named as defendants in several putative securities class actions, filed beginning in October 2016 and consolidated in the U.S. District Court for the Eastern District of Texas. In addition to the underwriters, the defendants include certain of Adeptus Health Inc.'s (Adeptus) past and present directors and officers as well as its principal private equity investor. As to the underwriters, the consolidated amended complaint, filed on November 21, 2017, relates to the \$124 million June 2014 initial public offering, the \$154 million May 2015 secondary equity offering, the \$411 million July 2015 secondary equity offering, and the \$175 million June 2016 secondary equity offering. GS&Co. underwrote 1.69 million shares of common stock in the June 2014 initial public offering representing an aggregate offering price of approximately \$37 million, 962,378 shares of common stock in the May 2015 offering representing an aggregate offering price of approximately \$61 million, 1.76 million shares of common stock in the July 2015 offering representing an aggregate offering price of approximately \$184 million, and all the shares of common stock in the June 2016 offering representing an aggregate offering price of approximately \$175 million. On April 19, 2017, Adeptus filed for Chapter 11 bankruptcy. The defendants filed motions to dismiss on February 5, 2018.

**TerraForm Global.** GS&Co. is among the underwriters, placement agents and initial purchasers named as defendants in several putative class actions and individual actions filed beginning in October 2015 relating to the \$675 million July 2015 initial public offering of the common stock of TerraForm Global, Inc. (TerraForm Global), the June 2015 private placement of \$335 million of TerraForm Global Class D units, and the August 2015 Rule 144A offering of \$810 million principal amount of TerraForm Global senior notes. On December 20, 2017, the parties reached a definitive settlement in the individual actions relating to TerraForm Global's offerings, which resolved all claims without any contribution by GS&Co. On the same date, the U.S. District Court for the Southern District of New York preliminarily approved a settlement funded by TerraForm Global in the class action relating to TerraForm Global's initial public offering, which would resolve the litigation.

GS&Co., as underwriter, sold 2,340,000 shares of TerraForm Global common stock in the initial public offering representing an aggregate offering price of approximately \$35 million. GS&Co., as initial purchaser, sold approximately \$49 million principal amount of TerraForm Global senior notes in the Rule 144A offering.

**SunEdison.** GS&Co. is among the underwriters named as defendants in several putative class actions and individual actions filed beginning in March 2016 relating to the August 2015 public offering of \$650 million of SunEdison, Inc. (SunEdison) convertible preferred stock. On April 21, 2016, SunEdison filed for Chapter 11 bankruptcy. The pending cases were transferred to the U.S. District Court for the Southern District of New York and on March 17, 2017, certain plaintiffs filed an amended complaint. The defendants also include certain of SunEdison's directors and officers. GS&Co., as underwriter, sold 138,890 shares of SunEdison convertible preferred stock in the offering, representing an aggregate offering price of approximately \$139 million.

**Valeant Pharmaceuticals International.** GS&Co. and Goldman Sachs Canada Inc. (GS Canada) are among the underwriters and initial purchasers named as defendants in a putative class action filed on March 2, 2016 in the Superior Court of Quebec, Canada. In addition to the underwriters and initial purchasers, the defendants include Valeant Pharmaceuticals International, Inc. (Valeant), certain directors and officers of Valeant and Valeant's auditor. As to GS&Co. and GS Canada, the complaint relates to the June 2013 public offering of \$2.3 billion of common stock, the June 2013 Rule 144A offering of \$3.2 billion principal amount of senior notes, and the November 2013 Rule 144A offering of \$900 million principal amount of senior notes. The complaint asserts claims under the Quebec Securities Act and the Civil Code of Quebec. On August 29, 2017, the court certified a class that includes only non-U.S. purchasers in the offerings. Defendant's motion for leave to appeal the certification was denied on November 30, 2017.

GS&Co. and GS Canada, as sole underwriters, sold 5,334,897 shares of common stock in the June 2013 offering to non-U.S. purchasers representing an aggregate offering price of approximately \$453 million and, as initial purchasers, had a proportional share of sales to non-U.S. purchasers of approximately CAD14.2 million in principal amount of senior notes in the June 2013 and November 2013 Rule 144A offerings.

**Snap Inc.** GS&Co. is among the underwriters named as defendants in putative securities class actions pending in California Superior Court, County of Los Angeles, California Superior Court, County of San Mateo and the U.S. District Court for the Central District of California beginning in May 2017, relating to Snap Inc.'s \$3.91 billion March 2017 initial public offering. In addition to the underwriters, the defendants include Snap Inc. and certain of its officers and directors. GS&Co. underwrote 57,040,000 shares of common stock representing an aggregate offering price of approximately \$970 million. Defendants moved to dismiss the federal court action on December 1, 2017.

### **Investment Management Services**

Group Inc. and certain of its affiliates are parties to various civil litigation and arbitration proceedings and other disputes with clients relating to losses allegedly sustained as a result of the firm's investment management services. These claims generally seek, among other things, restitution or other compensatory damages and, in some cases, punitive damages.

### **Interest Rate Swap Antitrust Litigation**

Group Inc., GS&Co., GSI, GS Bank USA and Goldman Sachs Financial Markets, L.P. (GSFM) are among the defendants named in a putative antitrust class action relating to the trading of interest rate swaps, filed in November 2015 and consolidated in the U.S. District Court for the Southern District of New York. The same Goldman Sachs entities also are among the defendants named in an antitrust action relating to the trading of interest rate swaps filed in the U.S. District Court for the Southern District of New York in April 2016 by two operators of swap execution facilities and certain of their affiliates. These actions have been consolidated for pretrial proceedings. The second consolidated amended complaint in both actions, filed on December 9, 2016, generally asserts claims under federal antitrust law and state common law in connection with an alleged conspiracy among the defendants to preclude exchange trading of interest rate swaps. The complaint in the individual action also asserts claims under state antitrust law. The complaints seek declaratory and injunctive relief, as well as treble damages in an unspecified amount. Defendants moved to dismiss both actions on January 20, 2017. On July 28, 2017, the district court issued a decision dismissing the state common law claims asserted by the plaintiffs in the individual action and otherwise limiting the antitrust claims in both actions and the state common law claim in the putative class action to the period from 2013 to 2016.

### **Securities Lending Antitrust Litigation**

Group Inc. and GS&Co. are among the defendants named in a putative antitrust class action and an individual action relating to securities lending practices filed in the U.S. District Court for the Southern District of New York beginning in August 2017. The complaints generally assert claims under federal antitrust law and state common law in connection with an alleged conspiracy among the defendants to preclude the development of electronic platforms for securities lending transactions. The individual complaint also asserts claims for tortious interference with business relations and under state trade practices law. The complaints seek declaratory and injunctive relief, as well as treble damages and restitution in unspecified amounts. Group Inc. was voluntarily dismissed from the putative class action on January 26, 2018. Defendants moved to dismiss the class action complaint on January 26, 2018.

### **Credit Default Swap Antitrust Litigation**

Group Inc., GS&Co., GSI, GS Bank USA and GSFM are among the defendants named in an antitrust action relating to the trading of credit default swaps filed in the U.S. District Court for the Southern District of New York on June 8, 2017 by the operator of a swap execution facility and certain of its affiliates. The complaint generally asserts claims under federal and state antitrust laws and state common law in connection with an alleged conspiracy among the defendants to preclude trading of credit default swaps on the plaintiffs' swap execution facility. The complaint seeks declaratory and injunctive relief, as well as treble damages in an unspecified amount. Defendants moved to dismiss on September 11, 2017.

### **Commodities-Related Litigation**

GSI is among the defendants named in putative class actions relating to trading in platinum and palladium, filed beginning on November 25, 2014 and most recently amended on May 15, 2017, in the U.S. District Court for the Southern District of New York. The amended complaint generally alleges that the defendants violated federal antitrust laws and the Commodity Exchange Act in connection with an alleged conspiracy to manipulate a benchmark for physical platinum and palladium prices and seek declaratory and injunctive relief, as well as treble damages in an unspecified amount. Defendants moved to dismiss the third consolidated amended complaint on July 21, 2017.

### **U.S. Treasury Securities Litigation**

GS&Co. is among the primary dealers named as defendants in several putative class actions relating to the market for U.S. Treasury securities, filed beginning in July 2015 and consolidated in the U.S. District Court for the Southern District of New York. GS&Co. is also among the primary dealers named as defendants in a similar individual action filed in the U.S. District Court for the Southern District of New York on August 25, 2017. The consolidated class action complaint, filed on December 29, 2017, generally alleges that the defendants violated antitrust laws in connection with an alleged conspiracy to manipulate the when-issued market and auctions for U.S. Treasury securities and that certain defendants, including GS&Co., colluded to preclude trading of U.S. Treasury securities on electronic trading platforms in order to impede competition in the bidding process. The individual action alleges a similar conspiracy regarding manipulation of the when-issued market and auctions, as well as related futures and options in violation of the Commodity Exchange Act. The complaints seek declaratory and injunctive relief, treble damages in an unspecified amount and restitution.

### **Employment-Related Matters**

On September 15, 2010, a putative class action was filed in the U.S. District Court for the Southern District of New York by three female former employees alleging that Group Inc. and GS&Co. have systematically discriminated against female employees in respect of compensation, promotion, assignments, mentoring and performance evaluations. The complaint alleges a class consisting of all female employees employed at specified levels in specified areas by Group Inc. and GS&Co. since July 2002, and asserts claims under federal and New York City discrimination laws. The complaint seeks class action status, injunctive relief and unspecified amounts of compensatory, punitive and other damages.

On July 17, 2012, the district court issued a decision granting in part Group Inc.'s and GS&Co.'s motion to strike certain of plaintiffs' class allegations on the ground that plaintiffs lacked standing to pursue certain equitable remedies and denying Group Inc.'s and GS&Co.'s motion to strike plaintiffs' class allegations in their entirety as premature. On March 21, 2013, the U.S. Court of Appeals for the Second Circuit held that arbitration should be compelled with one of the named plaintiffs, who as a managing director was a party to an arbitration agreement with the firm. On March 10, 2015, the magistrate judge to whom the district judge assigned the remaining plaintiffs' May 2014 motion for class certification recommended that the motion be denied in all respects. On August 3, 2015, the magistrate judge granted the plaintiffs' motion to intervene two female individuals, one of whom was employed by the firm as of September 2010 and the other of whom ceased to be an employee of the firm subsequent to the magistrate judge's decision. On August 30, 2017, the district court vacated that portion of the magistrate judge's March 10, 2015 decision that recommended denial of plaintiffs' motion for certification of an injunctive and declaratory judgment class.

### **1Malaysia Development Berhad (1MDB)-Related Matters**

The firm has received subpoenas and requests for documents and information from various governmental and regulatory bodies and self-regulatory organizations as part of investigations and reviews relating to financing transactions and other matters involving 1MDB, a sovereign wealth fund in Malaysia. The firm is cooperating with all such governmental and regulatory investigations and reviews.

### **Regulatory Investigations and Reviews and Related Litigation**

Group Inc. and certain of its affiliates are subject to a number of other investigations and reviews by, and in some cases have received subpoenas and requests for documents and information from, various governmental and regulatory bodies and self-regulatory organizations and litigation and shareholder requests relating to various matters relating to the firm's businesses and operations, including:

- The 2008 financial crisis;
- The public offering process;
- The firm's investment management and financial advisory services;
- Conflicts of interest;
- Research practices, including research independence and interactions between research analysts and other firm personnel, including investment banking personnel, as well as third parties;
- Transactions involving government-related financings and other matters, municipal securities, including wall-cross procedures and conflict of interest disclosure with respect to state and municipal clients, the trading and structuring of municipal derivative instruments in connection with municipal offerings, political contribution rules, municipal advisory services and the possible impact of credit default swap transactions on municipal issuers;

- The offering, auction, sales, trading and clearance of corporate and government securities, currencies, commodities and other financial products and related sales and other communications and activities, as well as the firm's supervision and controls relating to such activities, including compliance with the SEC's short sale rule, algorithmic, high-frequency and quantitative trading, the firm's U.S. alternative trading system (dark pool), futures trading, options trading, when-issued trading, transaction reporting, technology systems and controls, securities lending practices, trading and clearance of credit derivative instruments and interest rate swaps, commodities activities and metals storage, private placement practices, allocations of and trading in securities, and trading activities and communications in connection with the establishment of benchmark rates, such as currency rates;
- Compliance with the U.S. Foreign Corrupt Practices Act;
- The firm's hiring and compensation practices;
- The firm's system of risk management and controls; and
- Insider trading, the potential misuse and dissemination of material nonpublic information regarding corporate and governmental developments and the effectiveness of the firm's insider trading controls and information barriers.

The firm is cooperating with all such governmental and regulatory investigations and reviews.

#### **Note 28.**

### **Employee Benefit Plans**

The firm sponsors various pension plans and certain other postretirement benefit plans, primarily healthcare and life insurance. The firm also provides certain benefits to former or inactive employees prior to retirement.

#### **Defined Benefit Pension Plans and Postretirement Plans**

Employees of certain non-U.S. subsidiaries participate in various defined benefit pension plans. These plans generally provide benefits based on years of credited service and a percentage of the employee's eligible compensation. The firm maintains a defined benefit pension plan for certain U.K. employees. As of April 2008, the U.K. defined benefit plan was closed to new participants and frozen for existing participants as of March 31, 2016. The non-U.S. plans do not have a material impact on the firm's consolidated results of operations.

The firm also maintains a defined benefit pension plan for substantially all U.S. employees hired prior to November 1, 2003. As of November 2004, this plan was closed to new participants and frozen for existing participants. In addition, the firm maintains unfunded postretirement benefit plans that provide medical and life insurance for eligible retirees and their dependents covered under these programs. These plans do not have a material impact on the firm's consolidated results of operations.

The firm recognizes the funded status of its defined benefit pension and postretirement plans, measured as the difference between the fair value of the plan assets and the benefit obligation, in the consolidated statements of financial condition. As of December 2017, other assets and other liabilities and accrued expenses included \$346 million (related to overfunded pension plans) and \$606 million, respectively, related to these plans. As of December 2016, other assets and other liabilities and accrued expenses included \$72 million (related to overfunded pension plans) and \$592 million, respectively, related to these plans.

### **Defined Contribution Plans**

The firm contributes to employer-sponsored U.S. and non-U.S. defined contribution plans. The firm's contribution to these plans was \$257 million for 2017, \$236 million for 2016 and \$231 million for 2015.

#### **Note 29.**

### **Employee Incentive Plans**

The cost of employee services received in exchange for a share-based award is generally measured based on the grant-date fair value of the award. Share-based awards that do not require future service (i.e., vested awards, including awards granted to retirement-eligible employees) are expensed immediately. Share-based awards that require future service are amortized over the relevant service period. Effective January 2017, forfeitures are recorded when they occur. Prior to January 2017, expected forfeitures were estimated and recorded over the vesting period. See Note 3 for information about the adoption of ASU No. 2016-09.

Cash dividend equivalents paid on outstanding RSUs are charged to retained earnings. If RSUs that require future service are forfeited, the related dividend equivalents originally charged to retained earnings are reclassified to compensation expense in the period in which forfeiture occurs.

The firm generally issues new shares of common stock upon delivery of share-based awards. In certain cases, primarily related to conflicted employment (as outlined in the applicable award agreements), the firm may cash settle share-based compensation awards accounted for as equity instruments. For these awards, whose terms allow for cash settlement, additional paid-in capital is adjusted to the extent of the difference between the value of the award at the time of cash settlement and the grant-date value of the award.

### **Stock Incentive Plan**

The firm sponsors a stock incentive plan, The Goldman Sachs Amended and Restated Stock Incentive Plan (2015) (2015 SIP), which provides for grants of RSUs, restricted stock, dividend equivalent rights, incentive stock options, nonqualified stock options, stock appreciation rights, and other share-based awards, each of which may be subject to performance conditions. On May 21, 2015, shareholders approved the 2015 SIP. The 2015 SIP replaced The Goldman Sachs Amended and Restated Stock Incentive Plan (2013) (2013 SIP) previously in effect, and applies to awards granted on or after the date of approval.

As of December 2017, 73.0 million shares were available for grant under the 2015 SIP. If any shares of common stock underlying awards granted under the 2015 SIP or 2013 SIP are not delivered due to forfeiture, termination or cancellation or are surrendered or withheld, those shares will again become available to be delivered under the 2015 SIP. Shares available for grant are also subject to adjustment for certain changes in corporate structure as permitted under the 2015 SIP. The 2015 SIP is scheduled to terminate on the date of the annual meeting of shareholders that occurs in 2019.

### **Restricted Stock Units**

The firm grants RSUs (including RSUs subject to performance conditions) to employees under the 2015 SIP, which are generally valued based on the closing price of the underlying shares on the date of grant after taking into account a liquidity discount for any applicable post-vesting and delivery transfer restrictions. RSUs generally vest and underlying shares of common stock deliver (net of required withholding tax) as outlined in the applicable award agreements. Employee award agreements generally provide that vesting is accelerated in certain circumstances, such as on retirement, death, disability and conflicted employment. Delivery of the underlying shares of common stock, which generally occurs over a three-year period, is conditioned on the grantees satisfying certain vesting and other requirements outlined in the award agreements.

The table below presents the activity related to RSUs.

	Restricted Stock Units Outstanding		Weighted Average Grant-Date Fair Value of Restricted Stock Units Outstanding	
	Future Service Required	No Future Service Required	Future Service Required	No Future Service Required
Outstanding, December 2016	5,623,239	22,202,431	\$147.25	\$145.97
Granted	<b>3,764,395</b>	<b>5,235,283</b>	<b>\$208.24</b>	<b>\$205.91</b>
Forfeited	<b>(466,715)</b>	<b>(260,762)</b>	<b>\$167.02</b>	<b>\$164.06</b>
Delivered	-	<b>(17,811,461)</b>	\$-	<b>\$151.72</b>
Vested	<b>(4,797,337)</b>	<b>4,797,337</b>	<b>\$162.88</b>	<b>\$162.88</b>
<b>Outstanding, December 2017</b>	<b>4,123,582</b>	<b>14,162,828</b>	<b>\$182.50</b>	<b>\$166.30</b>

In the table above:

- The weighted average grant-date fair value of RSUs granted during 2017, 2016 and 2015 was \$206.88, \$135.92 and \$160.19, respectively. The fair value of the RSUs granted during 2017, 2016 and 2015 includes a liquidity discount of 10.7%, 10.5% and 9.2%, respectively, to reflect post-vesting and delivery transfer restrictions, generally of up to 4 years.
- The aggregate fair value of awards that vested during 2017, 2016 and 2015 was \$2.14 billion, \$2.26 billion and \$2.40 billion, respectively.
- Delivered RSUs include RSUs that were cash settled.
- RSUs outstanding include restricted stock subject to future service requirements as of December 2017 and December 2016 of 3,298 and 39,957 shares, respectively.
- RSUs outstanding include 62,023 RSUs subject to performance conditions and not subject to future service requirements as of December 2017. There were no such RSUs outstanding as of December 2016.

In relation to 2017 year-end, during the first quarter of 2018, the firm granted to its employees 5.7 million RSUs (of which 2.9 million require future service as a condition of delivery for the related shares of common stock) and delivered, net of required withholding tax, 1.2 million shares of restricted stock (which do not require future service). Both RSU and restricted stock awards are subject to additional conditions as outlined in the award agreements, including post-vesting and delivery transfer restrictions through January 2023. These awards are not included in the table above.

## Stock Options

Stock options generally vest as outlined in the applicable stock option agreement. In general, options expire on the tenth anniversary of the grant date, although they may be subject to earlier termination or cancellation under certain circumstances in accordance with the terms of the applicable stock option agreement and the SIP in effect at the time of grant.

As of December 2017 and December 2016, there were 2.10 million and 7.96 million options outstanding, respectively, all of which were exercisable. The options outstanding as of December 2017, all of which were granted in 2008 with an exercise price of \$78.78, had an aggregate intrinsic value of \$370 million and a remaining life of 1 year. The options outstanding as of December 2016 had a weighted average exercise price of \$123.36, an aggregate intrinsic value of \$924 million and a weighted average remaining life of 1.61 years. Options outstanding as of December 2016 consisted of 5.13 million options with an exercise price of \$78.78 and a remaining life of 2.00 years, and 2.83 million options with an exercise price of \$204.16 and a remaining life of 0.92 years.

During 2017, 5.86 million options were exercised with a weighted average exercise price of \$139.35. The total intrinsic value of options exercised during 2017, 2016 and 2015 was \$589 million, \$436 million and \$531 million, respectively.

The table below presents the share-based compensation and the related excess tax benefit.

\$ in millions	Year Ended December		
	2017	2016	2015
Share-based compensation	<b>\$1,812</b>	\$2,170	\$2,304
Excess net tax benefit for options exercised	<b>\$ 139</b>	\$ 79	\$ 134
Excess net tax benefit for share-based awards	<b>\$ 719</b>	\$ 147	\$ 406

In the table above, excess net tax benefit for share-based awards includes the net tax benefit on dividend equivalents paid on RSUs and the delivery of common stock underlying share-based awards, as well as the excess net tax benefit for options exercised. Following the adoption of ASU No. 2016-09 in January 2017, such amounts were recognized prospectively in income tax expense. In prior years, such amounts were recognized in additional paid-in capital. See Note 3 for further information about this ASU.

As of December 2017, there was \$386 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements. This cost is expected to be recognized over a weighted average period of 1.82 years.

**Note 30.**

**Parent Company**

**Group Inc. — Condensed Statements of Earnings**

<i>\$ in millions</i>	Year Ended December		
	2017	2016	2015
<b>Revenues</b>			
Dividends from subsidiaries and other affiliates:			
Bank	\$ 550	\$ 53	\$ 32
Nonbank	11,016	5,465	3,181
Other revenues	(384)	155	(132)
Total non-interest revenues	11,182	5,673	3,081
Interest income	4,638	4,140	3,519
Interest expense	5,978	4,543	4,165
Net interest loss	(1,340)	(403)	(646)
Net revenues, including net interest loss	9,842	5,270	2,435
<b>Operating expenses</b>			
Compensation and benefits	330	343	498
Other expenses	428	332	188
Total operating expenses	758	675	686
Pre-tax earnings	9,084	4,595	1,749
Provision/(benefit) for taxes	3,404	(518)	(828)
Undistributed earnings/(loss) of subsidiaries and other affiliates	(1,394)	2,285	3,506
Net earnings	4,286	7,398	6,083
Preferred stock dividends	601	311	515
<b>Net earnings applicable to common shareholders</b>	<b>\$ 3,685</b>	<b>\$7,087</b>	<b>\$5,568</b>

**Supplemental Disclosures:**

Dividends from bank subsidiaries included cash dividends of \$525 million, \$32 million and \$14 million for 2017, 2016 and 2015, respectively.

Dividends from nonbank subsidiaries and other affiliates included cash dividends of \$7.98 billion, \$3.46 billion and \$2.29 billion for 2017, 2016 and 2015, respectively.

Interest expense included \$1.05 billion, \$201 million and \$187 million of interest expense with subsidiaries for 2017, 2016 and 2015, respectively.

Group Inc.'s provision/(benefit) for taxes for 2017 included substantially all of the firm's \$4.40 billion estimated income tax expense related to Tax Legislation. See Note 24 for further information on Tax Legislation.

**Group Inc. — Condensed Statements of Financial Condition**

<i>\$ in millions</i>	As of December	
	2017	2016
<b>Assets</b>		
Cash and cash equivalents:		
With third-party banks	\$ 38	\$ 81
With subsidiary bank	—	3,000
Loans to and receivables from subsidiaries:		
Bank	721	9,131
Nonbank	236,050	179,899
Investments in subsidiaries and other affiliates:		
Bank	26,599	25,571
Nonbank	67,279	67,203
Financial instruments owned (at fair value)	10,248	4,524
Other assets	5,898	6,273
<b>Total assets</b>	<b>\$346,833</b>	<b>\$295,682</b>
<b>Liabilities and shareholders' equity</b>		
Payables to subsidiaries	\$ 1,005	\$ 875
Financial instruments sold, but not yet purchased (at fair value)	254	775
Unsecured short-term borrowings:		
With third parties (includes \$2,484 and \$3,256 at fair value)	31,871	27,159
With subsidiaries	25,699	999
Unsecured long-term borrowings:		
With third parties (includes \$18,207 and \$17,591 at fair value)	190,502	172,164
With subsidiaries	11,068	5,233
Other liabilities and accrued expenses	4,191	1,584
Total liabilities	264,590	208,789
<b>Commitments, contingencies and guarantees</b>		
<b>Shareholders' equity</b>		
Preferred stock	11,853	11,203
Common stock	9	9
Share-based awards	2,777	3,914
Additional paid-in capital	53,357	52,638
Retained earnings	91,519	89,039
Accumulated other comprehensive loss	(1,880)	(1,216)
Stock held in treasury, at cost	(75,392)	(68,694)
Total shareholders' equity	82,243	86,893
<b>Total liabilities and shareholders' equity</b>	<b>\$346,833</b>	<b>\$295,682</b>

**Supplemental Disclosures:**

Goldman Sachs Funding LLC (Funding IHC), a wholly-owned, direct subsidiary of Group Inc., has provided Group Inc. with a committed line of credit that allows Group Inc. to draw sufficient funds to meet its cash needs in the ordinary course of business.

Financial instruments owned included \$570 million and \$1.08 billion of derivative contracts with subsidiaries as of December 2017 and December 2016, respectively.

As of December 2017, unsecured long-term borrowings with subsidiaries by maturity date are \$10.55 billion in 2019, \$121 million in 2020, \$58 million in 2021, \$21 million in 2022, and \$323 million in 2023-thereafter.

THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements**

**Group Inc. — Condensed Statements of Cash Flows**

<i>\$ in millions</i>	Year Ended December		
	2017	2016	2015
<b>Cash flows from operating activities</b>			
Net earnings	\$ 4,286	\$ 7,398	\$ 6,083
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Undistributed (earnings)/loss of subsidiaries and other affiliates	1,394	(2,285)	(3,506)
Depreciation and amortization	56	52	50
Deferred income taxes	4,358	134	86
Share-based compensation	152	193	178
Loss/(gain) related to extinguishment of subordinated borrowings	(114)	3	(34)
Changes in operating assets and liabilities:			
Financial instruments owned (excluding available-for-sale securities)	(309)	(1,580)	(620)
Financial instruments sold, but not yet purchased	(521)	332	274
Other, net	(757)	337	1,555
Net cash provided by operating activities	<b>8,545</b>	4,584	4,066
<b>Cash flows from investing activities</b>			
Purchase of property, leasehold improvements and equipment	(66)	(79)	(33)
Issuances of short-term loans to subsidiaries, net	(14,415)	(3,994)	(24,417)
Issuance of term loans to subsidiaries	(42,234)	(28,498)	(8,632)
Repayments of term loans by subsidiaries	22,039	32,265	24,196
Purchase of investments	(6,491)	—	—
Capital distributions from/(contributions to) subsidiaries, net	388	(3,265)	(1,500)
Net cash used for investing activities	<b>(40,779)</b>	(3,571)	(10,386)
<b>Cash flows from financing activities</b>			
Unsecured short-term borrowings, net:			
With third parties	(424)	(178)	(1,570)
With subsidiaries	23,078	2,290	(1,114)
Proceeds from issuance of long-term borrowings	43,917	40,708	42,795
Repayment of long-term borrowings, including the current portion	(27,028)	(33,314)	(27,726)
Purchase of APEX, senior guaranteed securities and trust preferred securities	(237)	(1,171)	(1)
Preferred stock redemption	(850)	—	—
Common stock repurchased	(6,772)	(6,078)	(4,135)
Settlement of share-based awards in satisfaction of withholding tax requirements	(2,223)	(1,128)	(1,204)
Dividends and dividend equivalents paid on common stock, preferred stock and share-based awards	(1,769)	(1,706)	(1,681)
Proceeds from issuance of preferred stock, net of issuance costs	1,495	1,303	1,993
Proceeds from issuance of common stock, including exercise of share-based awards	7	6	259
Cash settlement of share-based awards	(3)	—	(2)
Net cash provided by financing activities	<b>29,191</b>	732	7,614
Net increase/(decrease) in cash and cash equivalents	<b>(3,043)</b>	1,745	1,294
Cash and cash equivalents, beginning balance	<b>3,081</b>	1,336	42
<b>Cash and cash equivalents, ending balance \$</b>	<b>38</b>	<b>\$ 3,081</b>	<b>\$ 1,336</b>

**Supplemental Disclosures:**

Cash payments for interest, net of capitalized interest, were \$6.31 billion, \$4.91 billion and \$3.70 billion for 2017, 2016 and 2015, respectively.

Cash payments for income taxes, net of refunds, were \$297 million, \$61 million and \$1.28 billion for 2017, 2016 and 2015, respectively.

Cash flows related to common stock repurchased includes common stock repurchased in the prior period for which settlement occurred during the current period and excludes common stock repurchased during the current period for which settlement occurred in the following period.

*Non-cash activities during the year ended December 2017:*

- Group Inc. exchanged \$84.00 billion of certain loans to and receivables from subsidiaries for an \$84.00 billion unsecured subordinated note from Funding IHC (included in loans to and receivables from subsidiaries).
- Group Inc. exchanged \$750 million of its equity interest in Goldman Sachs (UK) L.L.C. (GS UK), a wholly-owned subsidiary of Group Inc., for a \$750 million loan to GS UK.
- Group Inc. exchanged \$237 million of Trust Preferred Securities and common beneficial interests for \$248 million of Group Inc.'s junior subordinated debt.

*Non-cash activities during the year ended December 2016:*

- Group Inc. exchanged \$1.04 billion of APEX for \$1.31 billion of Series E and Series F Preferred Stock. See Note 19 for further information.
- Group Inc. exchanged \$127 million of senior guaranteed trust securities for \$124 million of Group Inc.'s junior subordinated debt.

*Non-cash activities during the year ended December 2015:*

- Group Inc. exchanged \$6.12 billion in financial instruments owned, at fair value, held by Group Inc. for \$5.20 billion of loans to and \$918 million of equity in certain of its subsidiaries.
- Group Inc. exchanged \$262 million of Trust Preferred Securities and common beneficial interests held by Group Inc. for \$296 million of Group Inc.'s junior subordinated debt.



## Quarterly Results (unaudited)

The tables below present the firm's unaudited quarterly results for 2017 and 2016. These quarterly results were prepared in accordance with U.S. GAAP and reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results. These adjustments are of a normal, recurring nature. The timing and magnitude of changes in the firm's discretionary compensation accruals (included in operating expenses) can have a significant effect on results in a given quarter.

\$ in millions, except per share amounts	Three Months Ended			
	December 2017	September 2017	June 2017	March 2017
Non-interest revenues	\$ 6,936	\$ 7,596	\$ 7,099	\$ 7,510
Interest income	3,736	3,411	3,220	2,746
Interest expense	2,838	2,681	2,432	2,230
Net interest income	898	730	788	516
Net revenues, including net interest income	7,834	8,326	7,887	8,026
Operating expenses	4,726	5,350	5,378	5,487
Pre-tax earnings	3,108	2,976	2,509	2,539
Provision for taxes	5,036	848	678	284
Net earnings/(loss)	(1,928)	2,128	1,831	2,255
Preferred stock dividends	215	93	200	93
<b>Net earnings/(loss) applicable to common shareholders</b>	<b>\$(2,143)</b>	<b>\$2,035</b>	<b>\$1,631</b>	<b>\$2,162</b>
Earnings/(loss) per common share:				
Basic	\$ (5.51)	\$ 5.09	\$ 4.00	\$ 5.23
Diluted	\$ (5.51)	\$ 5.02	\$ 3.95	\$ 5.15
Dividends declared per common share	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.65

\$ in millions, except per share amounts	Three Months Ended			
	December 2016	September 2016	June 2016	March 2016
Non-interest revenues	\$ 7,834	\$ 7,554	\$ 7,178	\$ 5,455
Interest income	2,424	2,389	2,530	2,348
Interest expense	2,088	1,775	1,776	1,465
Net interest income	336	614	754	883
Net revenues, including net interest income	8,170	8,168	7,932	6,338
Operating expenses	4,773	5,300	5,469	4,762
Pre-tax earnings	3,397	2,868	2,463	1,576
Provision for taxes	1,050	774	641	441
Net earnings	2,347	2,094	1,822	1,135
Preferred stock dividends	194	(6)	188	(65)
Net earnings applicable to common shareholders	\$ 2,153	\$ 2,100	\$ 1,634	\$ 1,200
Earnings per common share:				
Basic	\$ 5.17	\$ 4.96	\$ 3.77	\$ 2.71
Diluted	\$ 5.08	\$ 4.88	\$ 3.72	\$ 2.68
Dividends declared per common share	\$ 0.65	\$ 0.65	\$ 0.65	\$ 0.65

## Common Stock Price Range

The table below presents the high and low sales prices per share of the firm's common stock.

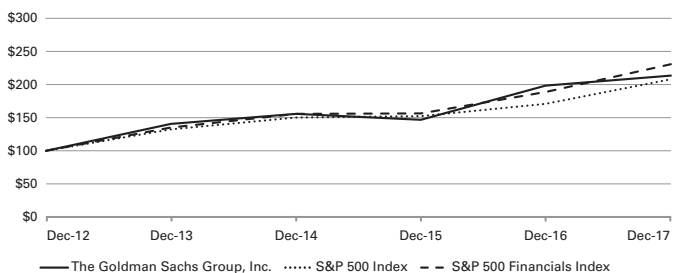
	Year Ended December					
	2017		2016		2015	
	High	Low	High	Low	High	Low
First quarter	\$255.15	\$220.85	\$177.50	\$139.05	\$195.73	\$172.26
Second quarter	\$232.89	\$209.62	\$168.90	\$138.20	\$218.77	\$186.96
Third quarter	\$237.60	\$214.64	\$172.42	\$142.62	\$214.61	\$167.49
Fourth quarter	\$262.14	\$233.55	\$245.57	\$160.25	\$199.90	\$169.87

As of February 9, 2018, there were 7,652 holders of record of the firm's common stock.

On February 9, 2018, the last reported sales price for the firm's common stock on the New York Stock Exchange was \$249.30 per share.

## Common Stock Performance

The graph and table below compare the performance of an investment in the firm's common stock from December 31, 2012 (the last trading day before the firm's 2013 fiscal year) through December 31, 2017, with the S&P 500 Index and the S&P 500 Financials Index. The graph and table assume \$100 was invested on December 31, 2012 in each of the firm's common stock, the S&P 500 Index and the S&P 500 Financials Index, and the dividends were reinvested on the date of payment without payment of any commissions. The performance shown represents past performance and should not be considered an indication of future performance.



	As of December					
	2012	2013	2014	2015	2016	2017
The Goldman Sachs Group, Inc.	\$100.00	\$140.78	\$155.96	\$146.93	\$198.22	<b>\$213.56</b>
S&P 500 Index	\$100.00	\$132.37	\$150.48	\$152.54	\$170.77	<b>\$208.03</b>
S&P 500 Financials Index	\$100.00	\$135.59	\$156.17	\$153.74	\$188.71	<b>\$230.49</b>

## Selected Financial Data

	Year Ended or as of December				
	2017	2016	2015	2014	2013
<b>Income statement data</b> (\$ in millions)					
Non-interest revenues	\$ 29,141	\$ 28,021	\$ 30,756	\$ 30,481	\$ 30,814
Interest income	13,113	9,691	8,452	9,604	10,060
Interest expense	10,181	7,104	5,388	5,557	6,668
Net interest income	2,932	2,587	3,064	4,047	3,392
Net revenues, including net interest income	32,073	30,608	33,820	34,528	34,206
Compensation and benefits	11,853	11,647	12,678	12,691	12,613
Non-compensation expenses	9,088	8,657	12,364	9,480	9,856
Pre-tax earnings	\$ 11,132	\$ 10,304	\$ 8,778	\$ 12,357	\$ 11,737
<b>Balance sheet data</b> (\$ in millions)					
Total assets	\$916,776	\$860,165	\$861,395	\$855,842	\$911,124
Deposits	\$138,604	\$124,098	\$ 97,519	\$ 82,880	\$ 70,696
Other secured financings (long-term)	\$ 9,892	\$ 8,405	\$ 10,520	\$ 7,249	\$ 7,524
Unsecured long-term borrowings	\$217,687	\$189,086	\$175,422	\$167,302	\$160,695
Total liabilities	\$834,533	\$773,272	\$774,667	\$773,045	\$832,657
Total shareholders' equity	\$ 82,243	\$ 86,893	\$ 86,728	\$ 82,797	\$ 78,467
<b>Common share data</b> (in millions, except per share amounts)					
Earnings per common share:					
Basic	\$ 9.12	\$ 16.53	\$ 12.35	\$ 17.55	\$ 16.34
Diluted	\$ 9.01	\$ 16.29	\$ 12.14	\$ 17.07	\$ 15.46
Dividends declared per common share	\$ 2.90	\$ 2.60	\$ 2.55	\$ 2.25	\$ 2.05
Book value per common share	\$ 181.00	\$ 182.47	\$ 171.03	\$ 163.01	\$ 152.48
Basic shares	388.9	414.8	441.6	451.5	467.4
Average common shares:					
Basic	401.6	427.4	448.9	458.9	471.3
Diluted	409.1	435.1	458.6	473.2	499.6
<b>Selected data</b> (unaudited)					
Return on average common shareholders' equity	4.9%	9.4%	7.4%	11.2%	11.0%
Total staff:					
Americas	19,100	18,100	19,000	17,400	16,600
Non-Americas	17,500	16,300	17,800	16,600	16,300
Total staff	36,600	34,400	36,800	34,000	32,900
AUS by asset class (\$ in billions)					
Alternative Equity	\$ 168	\$ 154	\$ 148	\$ 143	\$ 142
Fixed income	321	266	252	236	208
Long-term AUS	1,149	1,021	946	895	796
Liquidity products	345	358	306	283	246
Total AUS	\$ 1,494	\$ 1,379	\$ 1,252	\$ 1,178	\$ 1,042

In the table above:

- The impact of adopting ASU No. 2015-03 was a reduction to both total assets and total liabilities of \$398 million and \$383 million as of December 2014 and December 2013, respectively. See Note 3 to the consolidated financial statements in Part II, Item 8 of the firm's Annual Report on Form 10-K for the year ended December 31, 2015 for further information about ASU No. 2015-03.
- Basic shares represent common shares outstanding and restricted stock units granted to employees with no future service requirements.

## Statistical Disclosures

### Distribution of Assets, Liabilities and Shareholders' Equity

The tables below present a summary of average balances, interest and interest rates.

\$ in millions	Average Balance for the Year Ended December		
	2017	2016	2015
<b>Assets</b>			
U.S.	\$ 66,838	\$ 72,132	\$ 50,696
Non-U.S.	42,353	33,342	24,703
<b>Total deposits with banks</b>	<b>109,191</b>	105,474	75,399
U.S.	159,829	177,930	193,512
Non-U.S.	133,156	129,150	111,168
<b>Total collateralized agreements</b>	<b>292,985</b>	307,080	304,680
U.S.	163,344	147,862	167,727
Non-U.S.	112,299	102,387	97,152
<b>Total financial instruments owned</b>	<b>275,643</b>	250,249	264,879
U.S.	50,742	43,367	34,521
Non-U.S.	4,767	4,609	2,440
<b>Total loans receivable</b>	<b>55,509</b>	47,976	36,961
U.S.	40,642	37,525	41,022
Non-U.S.	40,314	32,732	45,235
<b>Total other interest-earning assets</b>	<b>80,956</b>	70,257	86,257
<b>Total interest-earning assets</b>	<b>814,284</b>	781,036	768,176
Cash and due from banks	11,056	13,985	13,803
Other non-interest-earning assets	84,264	91,875	91,970
<b>Total assets</b>	<b>\$909,604</b>	\$886,896	\$873,949
<b>Liabilities</b>			
U.S.	\$101,109	\$ 97,255	\$ 73,063
Non-U.S.	24,356	17,605	13,885
<b>Total interest-bearing deposits</b>	<b>125,465</b>	114,860	86,948
U.S.	56,614	52,388	59,885
Non-U.S.	39,029	31,936	29,777
<b>Total collateralized financings</b>	<b>95,643</b>	84,324	89,662
U.S.	34,422	36,273	36,609
Non-U.S.	41,507	35,797	36,066
<b>Total financial instruments sold, but not yet purchased</b>	<b>75,929</b>	72,070	72,675
U.S.	38,615	43,684	42,743
Non-U.S.	13,318	13,656	14,447
<b>Total short-term borrowings</b>	<b>51,933</b>	57,340	57,190
U.S.	199,569	182,808	172,160
Non-U.S.	15,000	10,488	8,843
<b>Total long-term borrowings</b>	<b>214,569</b>	193,296	181,003
U.S.	135,804	147,177	156,248
Non-U.S.	60,986	59,852	62,672
<b>Total other interest-bearing liabilities</b>	<b>196,790</b>	207,029	218,920
<b>Total interest-bearing liabilities</b>	<b>760,329</b>	728,919	706,398
Non-interest-bearing deposits	3,630	2,996	1,986
Other non-interest-bearing liabilities	59,686	68,323	79,251
<b>Total liabilities</b>	<b>823,645</b>	800,238	787,635
<b>Shareholders' equity</b>			
Preferred stock	11,238	11,304	10,585
Common stock	74,721	75,354	75,729
<b>Total shareholders' equity</b>	<b>85,959</b>	86,658	86,314
<b>Total liabilities and shareholders' equity</b>	<b>\$909,604</b>	\$886,896	\$873,949
<b>Percentage of interest-earning assets and interest-bearing liabilities attributable to non-U.S. operations</b>			
Assets	40.88%	38.69%	36.54%
Liabilities	25.54%	23.23%	23.46%

THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES  
**Supplemental Financial Information**

\$ in millions	Interest for the Year Ended December		
	2017	2016	2015
<b>Assets</b>			
U.S.	\$ 760	\$ 382	\$ 143
Non-U.S.	59	70	98
<b>Total deposits with banks</b>	<b>819</b>	452	241
U.S.	1,335	361	(369)
Non-U.S.	326	330	386
<b>Total collateralized agreements</b>	<b>1,661</b>	691	17
U.S.	3,958	3,762	4,083
Non-U.S.	1,946	1,682	1,779
<b>Total financial instruments owned</b>	<b>5,904</b>	5,444	5,862
U.S.	2,386	1,620	1,101
Non-U.S.	292	223	90
<b>Total loans receivable</b>	<b>2,678</b>	1,843	1,191
U.S.	1,523	914	754
Non-U.S.	528	347	387
<b>Total other interest-earning assets</b>	<b>2,051</b>	1,261	1,141
<b>Total interest-earning assets</b>	<b>\$13,113</b>	\$9,691	\$ 8,452
<b>Liabilities</b>			
U.S.	\$ 1,205	\$ 780	\$ 354
Non-U.S.	175	98	54
<b>Total interest-bearing deposits</b>	<b>1,380</b>	878	408
U.S.	735	325	221
Non-U.S.	128	117	109
<b>Total collateralized financings</b>	<b>863</b>	442	330
U.S.	682	607	644
Non-U.S.	706	644	675
<b>Total financial instruments sold, but not yet purchased</b>	<b>1,388</b>	1,251	1,319
U.S.	660	401	401
Non-U.S.	38	45	28
<b>Total short-term borrowings</b>	<b>698</b>	446	429
U.S.	4,539	4,175	3,722
Non-U.S.	60	67	156
<b>Total long-term borrowings</b>	<b>4,599</b>	4,242	3,878
U.S.	991	(658)	(1,378)
Non-U.S.	262	503	402
<b>Total other interest-bearing liabilities</b>	<b>1,253</b>	(155)	(976)
<b>Total interest-bearing liabilities</b>	<b>\$10,181</b>	\$7,104	\$ 5,388
<b>Net interest income</b>			
U.S.	\$ 1,150	\$1,409	\$ 1,748
Non-U.S.	1,782	1,178	1,316
<b>Net interest income</b>	<b>\$ 2,932</b>	\$2,587	\$ 3,064

	Average Rate for the Year Ended December		
	2017	2016	2015
<b>Assets</b>			
U.S.	1.14%	0.53%	0.28%
Non-U.S.	0.14%	0.21%	0.40%
<b>Total deposits with banks</b>	<b>0.75%</b>	0.43%	0.32%
U.S.	0.84%	0.20%	(0.19)%
Non-U.S.	0.24%	0.26%	0.35%
<b>Total collateralized agreements</b>	<b>0.57%</b>	0.23%	0.01%
U.S.	2.42%	2.54%	2.43%
Non-U.S.	1.73%	1.64%	1.83%
<b>Total financial instruments owned</b>	<b>2.14%</b>	2.18%	2.21%
U.S.	4.70%	3.74%	3.19%
Non-U.S.	6.13%	4.84%	3.69%
<b>Total loans receivable</b>	<b>4.82%</b>	3.84%	3.22%
U.S.	3.75%	2.44%	1.84%
Non-U.S.	1.31%	1.06%	0.86%
<b>Total other interest-earning assets</b>	<b>2.53%</b>	1.79%	1.32%
<b>Total interest-earning assets</b>	<b>1.61%</b>	1.24%	1.10%
<b>Liabilities</b>			
U.S.	1.19%	0.80%	0.48%
Non-U.S.	0.72%	0.56%	0.39%
<b>Total interest-bearing deposits</b>	<b>1.10%</b>	0.76%	0.47%
U.S.	1.30%	0.62%	0.37%
Non-U.S.	0.33%	0.37%	0.37%
<b>Total collateralized financings</b>	<b>0.90%</b>	0.52%	0.37%
U.S.	1.98%	1.67%	1.76%
Non-U.S.	1.70%	1.80%	1.87%
<b>Total financial instruments sold, but not yet purchased</b>	<b>1.83%</b>	1.74%	1.81%
U.S.	1.71%	0.92%	0.94%
Non-U.S.	0.29%	0.33%	0.19%
<b>Total short-term borrowings</b>	<b>1.34%</b>	0.78%	0.75%
U.S.	2.27%	2.28%	2.16%
Non-U.S.	0.40%	0.64%	1.76%
<b>Total long-term borrowings</b>	<b>2.14%</b>	2.19%	2.14%
U.S.	0.73%	(0.45)%	(0.88)%
Non-U.S.	0.43%	0.84%	0.64%
<b>Total other interest-bearing liabilities</b>	<b>0.64%</b>	(0.07)%	(0.45)%
<b>Total interest-bearing liabilities</b>	<b>1.34%</b>	0.97%	0.76%
<b>Interest rate spread</b>	<b>0.27%</b>	0.27%	0.34%
U.S.	0.24%	0.29%	0.36%
Non-U.S.	0.54%	0.39%	0.47%
<b>Net yield on interest-earning assets</b>	<b>0.36%</b>	0.33%	0.40%

In the tables above:

- Assets, liabilities and interest are classified as U.S. and non-U.S. based on the location of the entity in which the assets and liabilities are held. See the notes to the consolidated financial statements for further information about such assets and liabilities.
- Derivative instruments and commodities are included in other non-interest-earning assets and other non-interest-bearing liabilities.
- Total other interest-earning assets primarily consists of certain receivables from customers and counterparties.
- Collateralized financings consists of securities sold under agreements to repurchase and securities loaned.
- Substantially all of the total other interest-bearing liabilities consists of certain payables to customers and counterparties.
- Interest rates for borrowings include the effects of interest rate swaps accounted for as hedges.
- In December 2016, the firm reclassified amounts related to cash and securities segregated for regulatory and other purposes that were previously included in total other interest-earning assets to total deposits with banks, total collateralized agreements, and total financial instruments owned. The firm also reclassified amounts related to cash segregated for regulatory and other purposes that were previously included in other non-interest-earning assets to cash and due from banks. Previously reported amounts have been conformed to the current presentation. See Note 3 to the consolidated financial statements for further information about this reclassification.

### Changes in Net Interest Income, Volume and Rate Analysis

The tables below present an analysis of the effect on net interest income of volume and rate changes. In this analysis, changes due to volume/rate variance have been allocated to volume.

	Year Ended December 2017 versus December 2016		
	Increase (decrease) due to change in:		Net Change
<i>\$ in millions</i>	Volume	Rate	
<b>Interest-earning assets</b>			
U.S.	\$ (60)	\$ 438	\$ 378
Non-U.S.	13	(24)	(11)
<b>Total deposits with banks</b>	<b>(47)</b>	<b>414</b>	<b>367</b>
U.S.	(151)	1,125	974
Non-U.S.	10	(14)	(4)
<b>Total collateralized agreements</b>	<b>(141)</b>	<b>1,111</b>	<b>970</b>
U.S.	375	(179)	196
Non-U.S.	172	92	264
<b>Total financial instruments owned</b>	<b>547</b>	<b>(87)</b>	<b>460</b>
U.S.	347	419	766
Non-U.S.	10	59	69
<b>Total loans receivable</b>	<b>357</b>	<b>478</b>	<b>835</b>
U.S.	117	492	609
Non-U.S.	99	82	181
<b>Total other interest-earning assets</b>	<b>216</b>	<b>574</b>	<b>790</b>
<b>Change in interest income</b>	<b>932</b>	<b>2,490</b>	<b>3,422</b>
<b>Interest-bearing liabilities</b>			
U.S.	46	379	425
Non-U.S.	49	28	77
<b>Total interest-bearing deposits</b>	<b>95</b>	<b>407</b>	<b>502</b>
U.S.	55	355	410
Non-U.S.	23	(12)	11
<b>Total collateralized financings</b>	<b>78</b>	<b>343</b>	<b>421</b>
U.S.	(37)	112	75
Non-U.S.	97	(35)	62
<b>Total financial instruments sold, but not yet purchased</b>	<b>60</b>	<b>77</b>	<b>137</b>
U.S.	(87)	346	259
Non-U.S.	(1)	(6)	(7)
<b>Total short-term borrowings</b>	<b>(88)</b>	<b>340</b>	<b>252</b>
U.S.	381	(17)	364
Non-U.S.	18	(25)	(7)
<b>Total long-term borrowings</b>	<b>399</b>	<b>(42)</b>	<b>357</b>
U.S.	(83)	1,732	1,649
Non-U.S.	5	(246)	(241)
<b>Total other interest-bearing liabilities</b>	<b>(78)</b>	<b>1,486</b>	<b>1,408</b>
<b>Change in interest expense</b>	<b>466</b>	<b>2,611</b>	<b>3,077</b>
<b>Change in net interest income</b>	<b>\$ 466</b>	<b>\$ (121)</b>	<b>\$ 345</b>

THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES  
**Supplemental Financial Information**

Year Ended December 2016  
versus December 2015

Increase (decrease)  
due to change in:

<i>\$ in millions</i>	Volume	Rate	Net Change
<b>Interest-earning assets</b>			
U.S.	\$ 114	\$ 125	\$ 239
Non-U.S.	18	(46)	(28)
Total deposits with banks	132	79	211
U.S.	(32)	762	730
Non-U.S.	46	(102)	(56)
Total collateralized agreements	14	660	674
U.S.	(505)	184	(321)
Non-U.S.	86	(183)	(97)
Total financial instruments owned	(419)	1	(418)
U.S.	330	189	519
Non-U.S.	105	28	133
Total loans receivable	435	217	652
U.S.	(85)	245	160
Non-U.S.	(133)	93	(40)
Total other interest-earning assets	(218)	338	120
Change in interest income	(56)	1,295	1,239
<b>Interest-bearing liabilities</b>			
U.S.	194	232	426
Non-U.S.	21	23	44
Total interest-bearing deposits	215	255	470
U.S.	(47)	151	104
Non-U.S.	8	–	8
Total collateralized financings	(39)	151	112
U.S.	(6)	(31)	(37)
Non-U.S.	(5)	(26)	(31)
Total financial instruments sold, but not yet purchased	(11)	(57)	(68)
U.S.	9	(9)	–
Non-U.S.	(3)	20	17
Total short-term borrowings	6	11	17
U.S.	243	210	453
Non-U.S.	11	(100)	(89)
Total long-term borrowings	254	110	364
U.S.	41	679	720
Non-U.S.	(24)	125	101
Total other interest-bearing liabilities	17	804	821
Change in interest expense	442	1,274	1,716
Change in net interest income	\$(498)	\$ 21	\$ (477)

**Deposits**

The table below presents a summary of the firm's interest-bearing deposits.

<i>\$ in millions</i>	Year Ended December		
	2017	2016	2015
<b>Average balances</b>			
<b>U.S.</b>			
Savings and demand	\$ 68,819	\$ 59,357	\$44,486
Time	32,290	37,898	28,577
Total U.S.	101,109	97,255	73,063
<b>Non-U.S.</b>			
Demand	8,443	8,041	5,703
Time	15,913	9,564	8,182
Total non-U.S.	24,356	17,605	13,885
<b>Total</b>	<b>\$125,465</b>	<b>\$114,860</b>	<b>\$86,948</b>

**Average interest rates**

<b>U.S.</b>			
Savings and demand	0.98%	0.56%	0.27%
Time	1.64%	1.18%	0.83%
Total U.S.	1.19%	0.80%	0.48%
<b>Non-U.S.</b>			
Demand	0.68%	0.29%	0.19%
Time	0.75%	0.78%	0.53%
Total non-U.S.	0.72%	0.56%	0.39%
<b>Total</b>	<b>1.10%</b>	<b>0.76%</b>	<b>0.47%</b>

In the table above, deposits are classified as U.S. and non-U.S. based on the location of the entity in which such deposits are held.

As of December 2017, deposits in U.S. and non-U.S. offices include \$2.81 billion and \$11.66 billion, respectively, of time deposits that were greater than \$100,000. The table below presents maturities of these time deposits held in U.S. offices.

<i>\$ in millions</i>	As of December 2017
3 months or less	\$ 212
3 to 6 months	515
6 to 12 months	971
Greater than 12 months	1,113
<b>Total</b>	<b>\$2,811</b>

### Short-Term and Other Borrowed Funds

The table below presents a summary of the firm's securities loaned and securities sold under agreements to repurchase, and short-term borrowings.

\$ in millions	As of December		
	2017	2016	2015
<b>Securities loaned and securities sold under agreements to repurchase</b>			
Amounts outstanding at year-end	\$ 99,511	\$79,340	\$89,683
Average outstanding during the year	\$ 95,643	\$84,324	\$89,662
Maximum month-end outstanding	\$103,359	\$89,142	\$97,466
<b>Weighted average interest rate</b>			
During the year	0.90%	0.52%	0.37%
At year-end	1.16%	0.44%	0.39%
<b>Short-term borrowings</b>			
Amounts outstanding at year-end	\$ 61,818	\$52,383	\$57,020
Average outstanding during the year	\$ 51,933	\$57,340	\$57,190
Maximum month-end outstanding	\$ 61,818	\$61,840	\$60,522
<b>Weighted average interest rate</b>			
During the year	1.34%	0.78%	0.75%
At year-end	1.22%	0.94%	0.80%

In the table above:

- These borrowings generally mature within one year of the financial statement date and include borrowings that are redeemable at the option of the holder within one year of the financial statement date.
- Amounts outstanding at year-end for short-term borrowings includes short-term secured financings of \$14.90 billion, \$13.12 billion and \$14.23 billion as of December 2017, December 2016 and December 2015, respectively.
- The weighted average interest rates for these borrowings include the effect of hedging activities.

### Loan Portfolio

The table below presents a summary of the firm's loans receivable.

\$ in millions	As of December				
	2017	2016	2015	2014	2013
<b>U.S.</b>					
Corporate loans	\$28,622	\$23,821	\$19,909	\$14,020	\$ 6,910
Loans to PWM clients	14,489	12,386	12,824	10,989	6,545
Loans backed by:					
Commercial real estate	6,150	2,813	3,186	1,876	727
Residential real estate	6,176	3,777	2,187	311	–
Marcus loans	1,912	208	–	–	–
Other loans	3,233	2,664	3,495	821	–
<b>Total U.S.</b>	<b>60,582</b>	<b>45,669</b>	<b>41,601</b>	<b>28,017</b>	<b>14,182</b>
<b>Non-U.S.</b>					
Corporate loans	2,127	1,016	831	290	131
Loans to PWM clients	2,102	1,442	1,137	300	13
Loans backed by:					
Commercial real estate	1,837	1,948	2,085	549	708
Residential real estate	58	88	129	10	–
Other loans	30	18	38	–	–
<b>Total non-U.S.</b>	<b>6,154</b>	<b>4,512</b>	<b>4,220</b>	<b>1,149</b>	<b>852</b>
<b>Total loans receivable, gross</b>					
	<b>66,736</b>	<b>50,181</b>	<b>45,821</b>	<b>29,166</b>	<b>15,034</b>
<b>Allowance for loan losses</b>					
U.S.	604	476	381	205	115
Non-U.S.	199	33	33	23	24
<b>Total allowance for loan losses</b>					
	<b>803</b>	<b>509</b>	<b>414</b>	<b>228</b>	<b>139</b>
<b>Total loans receivable</b>	<b>\$65,933</b>	<b>\$49,672</b>	<b>\$45,407</b>	<b>\$28,938</b>	<b>\$14,895</b>

In the table above, loans receivable are classified as U.S. and non-U.S. based on the location of the entity in which such loans are held.

### Allowance for Loan Losses

The table below presents changes in the allowance for loan losses.

\$ in millions	As of December				
	2017	2016	2015	2014	2013
<b>Allowance for loan losses</b>					
Beginning balance	\$ 509	\$414	\$228	\$139	\$ 24
Charge-offs	(203)	(8)	(1)	(3)	–
Provision	574	138	187	92	115
Other	(77)	(35)	–	–	–
<b>Ending balance</b>	<b>\$ 803</b>	<b>\$509</b>	<b>\$414</b>	<b>\$228</b>	<b>\$139</b>

In the table above:

- Allowance for loan losses primarily related to corporate loans and loans extended to PWM clients that were held in entities located in the U.S.
- Substantially all charge-offs were related to corporate loans held in entities located in the U.S.

**Maturities and Sensitivity to Changes in Interest Rates**

The table below presents the firm's gross loans receivable by tenor and a distribution of such loans receivable between fixed and floating interest rates.

<b>Maturities and Sensitivity to Changes in Interest Rates as of December 2017</b>				
<i>\$ in millions</i>	<b>Less than 1 year</b>	<b>1 - 5 years</b>	<b>Greater than 5 years</b>	<b>Total</b>
<b>U.S.</b>				
Corporate loans	<b>\$ 1,988</b>	<b>\$21,957</b>	<b>\$4,677</b>	<b>\$28,622</b>
Loans to PWM clients	<b>11,324</b>	<b>3,165</b>	-	<b>14,489</b>
Loans backed by:				
Commercial real estate	<b>209</b>	<b>5,643</b>	<b>298</b>	<b>6,150</b>
Residential real estate	<b>388</b>	<b>2,085</b>	<b>3,703</b>	<b>6,176</b>
Marcus loans	<b>2</b>	<b>1,746</b>	<b>164</b>	<b>1,912</b>
Other loans	<b>933</b>	<b>1,495</b>	<b>805</b>	<b>3,233</b>
<b>Total U.S.</b>	<b>14,844</b>	<b>36,091</b>	<b>9,647</b>	<b>60,582</b>
<b>Non-U.S.</b>				
Corporate loans	<b>198</b>	<b>1,675</b>	<b>254</b>	<b>2,127</b>
Loans to PWM clients	<b>2,078</b>	<b>24</b>	-	<b>2,102</b>
Loans backed by:				
Commercial real estate	<b>369</b>	<b>1,400</b>	<b>68</b>	<b>1,837</b>
Residential real estate	<b>9</b>	<b>49</b>	-	<b>58</b>
Other loans	<b>2</b>	<b>8</b>	<b>20</b>	<b>30</b>
<b>Total non-U.S.</b>	<b>2,656</b>	<b>3,156</b>	<b>342</b>	<b>6,154</b>
<b>Total loans receivable, gross</b>	<b>\$17,500</b>	<b>\$39,247</b>	<b>\$9,989</b>	<b>\$66,736</b>
Loans at fixed interest rates	<b>\$ 181</b>	<b>\$ 2,979</b>	<b>\$3,569</b>	<b>\$ 6,729</b>
Loans at variable interest rates	<b>17,319</b>	<b>36,268</b>	<b>6,420</b>	<b>60,007</b>
<b>Total</b>	<b>\$17,500</b>	<b>\$39,247</b>	<b>\$9,989</b>	<b>\$66,736</b>

**Cross-border Outstandings**

Cross-border outstandings are based on the Federal Financial Institutions Examination Council's (FFIEC) guidelines for reporting cross-border information and represent the amounts that the firm may not be able to obtain from a foreign country due to country-specific events, including unfavorable economic and political conditions, economic and social instability, and changes in government policies.

Credit exposure represents the potential for loss due to the default or deterioration in credit quality of a counterparty or an issuer of securities or other instruments the firm holds and is measured based on the potential loss in an event of non-payment by a counterparty. Credit exposure is reduced through the effect of risk mitigants, such as netting agreements with counterparties that permit the firm to offset receivables and payables with such counterparties or obtaining collateral from counterparties. The table below does not include all the effects of such risk mitigants and does not represent the firm's credit exposure.

The table below presents cross-border outstandings and commitments for each country in which cross-border outstandings exceed 0.75% of consolidated assets in accordance with the FFIEC guidelines and include cash, receivables, collateralized agreements and cash financial instruments, but exclude derivative instruments.

<i>\$ in millions</i>	<b>Banks</b>	<b>Governments</b>	<b>Other</b>	<b>Total</b>	<b>Commitments</b>
<b>As of December 2017</b>					
Cayman Islands	<b>\$ 6</b>	<b>\$ -</b>	<b>\$34,624</b>	<b>\$34,630</b>	<b>\$ 4,940</b>
Germany	<b>\$ 4,241</b>	<b>\$22,765</b>	<b>\$ 6,916</b>	<b>\$33,922</b>	<b>\$ 7,015</b>
France	<b>\$ 3,569</b>	<b>\$ 1,574</b>	<b>\$19,048</b>	<b>\$24,191</b>	<b>\$14,549</b>
Canada	<b>\$ 2,562</b>	<b>\$ 311</b>	<b>\$17,358</b>	<b>\$20,231</b>	<b>\$ 2,388</b>
Japan	<b>\$ 8,827</b>	<b>\$ 69</b>	<b>\$ 7,220</b>	<b>\$16,116</b>	<b>\$18,079</b>
Ireland	<b>\$ 143</b>	<b>\$ 65</b>	<b>\$11,490</b>	<b>\$11,698</b>	<b>\$ 895</b>
China	<b>\$ 2,550</b>	<b>\$ 687</b>	<b>\$ 7,838</b>	<b>\$11,075</b>	\$ -
Italy	<b>\$ 2,306</b>	<b>\$ 3,986</b>	<b>\$ 2,586</b>	<b>\$ 8,878</b>	<b>\$ 1,649</b>
U.K.	<b>\$ 1,300</b>	\$ -	<b>\$ 7,480</b>	<b>\$ 8,780</b>	<b>\$14,966</b>
Singapore	<b>\$ 372</b>	<b>\$ 5,462</b>	<b>\$ 1,873</b>	<b>\$ 7,707</b>	<b>\$ 48</b>
Luxembourg	<b>\$ 59</b>	<b>\$ 324</b>	<b>\$ 7,320</b>	<b>\$ 7,703</b>	<b>\$ 2,438</b>
<b>As of December 2016</b>					
Cayman Islands	<b>\$ 3</b>	<b>\$ -</b>	<b>\$34,756</b>	<b>\$34,759</b>	<b>\$ 2,519</b>
France	<b>\$ 6,333</b>	<b>\$ 1,858</b>	<b>\$18,576</b>	<b>\$26,767</b>	<b>\$ 9,598</b>
Germany	<b>\$ 3,183</b>	<b>\$14,061</b>	<b>\$ 9,250</b>	<b>\$26,494</b>	<b>\$ 7,281</b>
Japan	<b>\$ 9,860</b>	<b>\$ 721</b>	<b>\$ 6,310</b>	<b>\$16,891</b>	<b>\$ 7,476</b>
Italy	<b>\$ 3,220</b>	<b>\$ 3,211</b>	<b>\$ 1,608</b>	<b>\$ 8,039</b>	<b>\$ 1,228</b>
Canada	<b>\$ 814</b>	<b>\$ 333</b>	<b>\$ 6,164</b>	<b>\$ 7,311</b>	<b>\$ 1,279</b>
China	<b>\$ 1,189</b>	<b>\$ 158</b>	<b>\$ 5,662</b>	<b>\$ 7,009</b>	\$ -
Singapore	<b>\$ 190</b>	<b>\$ 6,165</b>	<b>\$ 505</b>	<b>\$ 6,860</b>	<b>\$ 97</b>
South Korea	<b>\$ 107</b>	<b>\$ 3,563</b>	<b>\$ 2,847</b>	<b>\$ 6,517</b>	<b>\$ 4</b>
<b>As of December 2015</b>					
Cayman Islands	<b>\$ 1</b>	<b>\$ -</b>	<b>\$39,602</b>	<b>\$39,603</b>	<b>\$ 3,046</b>
France	<b>\$ 5,596</b>	<b>\$ 2,904</b>	<b>\$23,853</b>	<b>\$32,353</b>	<b>\$ 4,795</b>
Japan	<b>\$10,254</b>	<b>\$ 297</b>	<b>\$11,648</b>	<b>\$22,199</b>	<b>\$ 9,684</b>
Germany	<b>\$ 4,080</b>	<b>\$ 7,969</b>	<b>\$ 8,497</b>	<b>\$20,546</b>	<b>\$ 5,008</b>
Italy	<b>\$ 4,326</b>	<b>\$ 3,691</b>	<b>\$ 2,647</b>	<b>\$10,664</b>	<b>\$ 2,634</b>
Canada	<b>\$ 1,173</b>	<b>\$ 310</b>	<b>\$ 8,642</b>	<b>\$10,125</b>	<b>\$ 1,404</b>
U.K.	<b>\$ 2,170</b>	<b>\$ 42</b>	<b>\$ 7,138</b>	<b>\$ 9,350</b>	<b>\$15,075</b>
China	<b>\$ 2,189</b>	<b>\$ 424</b>	<b>\$ 6,068</b>	<b>\$ 8,681</b>	<b>\$ 111</b>
Singapore	<b>\$ 192</b>	<b>\$ 7,462</b>	<b>\$ 502</b>	<b>\$ 8,156</b>	<b>\$ 14</b>
South Korea	<b>\$ 79</b>	<b>\$ 5,545</b>	<b>\$ 1,914</b>	<b>\$ 7,538</b>	<b>\$ 2</b>

In the table above:

- Collateralized agreements are presented gross, without reduction for related securities collateral held.
- Margin loans (included in receivables) are presented based on the amount of collateral advanced by the counterparty.
- Substantially all commitments consist of commitments to extend credit and forward starting collateralized agreements.
- Beginning in December 2016, collateralized agreements with agency lenders are presented based on the country of the underlying counterparty rather than the country of the agency lender. Amounts as of December 2015 have been conformed to the current presentation.

## **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

There were no changes in or disagreements with accountants on accounting and financial disclosure during the last two years.

### **Item 9A. Controls and Procedures**

As of the end of the period covered by this report, an evaluation was carried out by Goldman Sachs' management, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of the end of the period covered by this report. In addition, no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) occurred during the fourth quarter of our year ended December 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting and the Report of Independent Registered Public Accounting Firm are set forth in Part II, Item 8 of this Form 10-K.

### **Item 9B. Other Information**

Not applicable.

## **PART III**

### **Item 10. Directors, Executive Officers and Corporate Governance**

Information relating to our executive officers is included on page 43 of this Form 10-K. Information relating to our directors, including our audit committee and audit committee financial experts and the procedures by which shareholders can recommend director nominees, and our executive officers will be in our definitive Proxy Statement for our 2018 Annual Meeting of Shareholders, which will be filed within 120 days of the end of 2017 (2018 Proxy Statement) and is incorporated in this Form 10-K by reference. Information relating to our Code of Business Conduct and Ethics, which applies to our senior financial officers, is included in "Business — Available Information" in Part I, Item 1 of this Form 10-K.

### **Item 11. Executive Compensation**

Information relating to our executive officer and director compensation and the compensation committee of the Board will be in the 2018 Proxy Statement and is incorporated in this Form 10-K by reference.



## Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information relating to security ownership of certain beneficial owners of our common stock and information relating to the security ownership of our management will be in the 2018 Proxy Statement and is incorporated in this Form 10-K by reference.

The following table provides information as of December 31, 2017 regarding securities to be issued on exercise of outstanding stock options or pursuant to outstanding restricted stock units (RSUs) and securities remaining available for issuance under our equity compensation plans that were in effect during 2017.

Plan Category	Securities to be Issued Upon Exercise of Outstanding Options and Rights (a)	Weighted Average Exercise Price of Outstanding Options (b)	Securities Available For Future Issuance Under Equity Compensation Plans (c)
Equity compensation plans approved by security holders	20,415,763	\$78.78	72,968,247
Equity compensation plans not approved by security holders	–	–	–
<b>Total</b>	<b>20,415,763</b>		<b>72,968,247</b>

In the table above:

- Securities to be Issued Upon Exercise of Outstanding Options and Rights includes: (i) 2,101,639 shares of common stock that may be issued upon exercise of outstanding options and (ii) 18,314,124 shares that may be issued pursuant to outstanding RSUs. These awards are subject to vesting and other conditions to the extent set forth in the respective award agreements, and the underlying shares will be delivered net of any required tax withholding.
- The Weighted Average Exercise Price of Outstanding Options relates only to the options described above. Shares underlying RSUs are deliverable without the payment of any consideration, and therefore these awards have not been taken into account in calculating the weighted average exercise price.

- Securities Available For Future Issuance Under Equity Compensation Plans represents shares remaining to be issued under our current stock incentive plan (SIP), excluding shares reflected in column (a). If any shares of common stock underlying awards granted under our current SIP or our SIP adopted in 2013 are not delivered due to forfeiture, termination or cancellation or are surrendered or withheld, those shares will again become available to be delivered under our current SIP. Shares available for grant are also subject to adjustment for certain changes in corporate structure as permitted under our current SIP.

## Item 13. Certain Relationships and Related Transactions, and Director Independence

Information regarding certain relationships and related transactions and director independence will be in the 2018 Proxy Statement and is incorporated in this Form 10-K by reference.

## Item 14. Principal Accounting Fees and Services

Information regarding principal accounting fees and services will be in the 2018 Proxy Statement and is incorporated in this Form 10-K by reference.

## PART IV

### Item 15. Exhibits, Financial Statement Schedules

#### (a) Documents filed as part of this Report:

##### 1. Consolidated Financial Statements

The consolidated financial statements required to be filed in this Form 10-K are included in Part II, Item 8 hereof.

##### 2. Exhibits

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| <p>2.1 Plan of Incorporation (incorporated by reference to Exhibit 2.1 to the Registrant's Registration Statement on Form S-1 (No. 333-74449)).</p> <p>3.1 Restated Certificate of Incorporation of The Goldman Sachs Group, Inc., amended as of January 24, 2018.</p> <p>3.2 Amended and Restated By-Laws of The Goldman Sachs Group, Inc., amended as of February 18, 2016 (incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015).</p> <p>4.1 Indenture, dated as of May 19, 1999, between The Goldman Sachs Group, Inc. and The Bank of New York, as trustee (incorporated by reference to Exhibit 6 to the Registrant's Registration Statement on Form 8-A, filed on June 29, 1999).</p> <p>4.2 Subordinated Debt Indenture, dated as of February 20, 2004, between The Goldman Sachs Group, Inc. and The Bank of New York, as trustee (incorporated by reference to Exhibit 4.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended November 28, 2003).</p> <p>4.3 Warrant Indenture, dated as of February 14, 2006, between The Goldman Sachs Group, Inc. and The Bank of New York, as trustee (incorporated by reference to Exhibit 4.34 to the Registrant's Post-Effective Amendment No. 3 to Form S-3, filed on March 1, 2006).</p> <p>4.4 Senior Debt Indenture, dated as of December 4, 2007, among GS Finance Corp., as issuer, The Goldman Sachs Group, Inc., as guarantor, and The Bank of New York, as trustee (incorporated by reference to Exhibit 4.69 to the Registrant's Post-Effective Amendment No. 10 to Form S-3, filed on December 4, 2007).</p> | <p>4.5 Senior Debt Indenture, dated as of July 16, 2008, between The Goldman Sachs Group, Inc. and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.82 to the Registrant's Post-Effective Amendment No. 11 to Form S-3 (No. 333-130074), filed on July 17, 2008).</p> <p>4.6 Fourth Supplemental Indenture, dated as of December 31, 2016, between The Goldman Sachs Group, Inc. and The Bank of New York Mellon, as trustee, with respect to the Senior Debt Indenture, dated as of July 16, 2008 (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K, filed on January 6, 2017).</p> <p>4.7 Senior Debt Indenture, dated as of October 10, 2008, among GS Finance Corp., as issuer, The Goldman Sachs Group, Inc., as guarantor, and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.70 to the Registrant's Registration Statement on Form S-3 (No. 333-154173), filed on October 10, 2008).</p> <p>4.8 First Supplemental Indenture, dated as of February 20, 2015, among GS Finance Corp., as issuer, The Goldman Sachs Group, Inc., as guarantor, and The Bank of New York Mellon, as trustee, with respect to the Senior Debt Indenture, dated as of October 10, 2008 (incorporated by reference to Exhibit 4.7 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014).</p> <p>4.9 Ninth Supplemental Subordinated Debt Indenture, dated as of May 20, 2015, between The Goldman Sachs Group, Inc. and The Bank of New York Mellon, as trustee, with respect to the Subordinated Debt Indenture, dated as of February 20, 2004 (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K, filed on May 22, 2015).</p> |
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- 4.10 Tenth Supplemental Subordinated Debt Indenture, dated as of July 7, 2017, between The Goldman Sachs Group, Inc. and The Bank of New York Mellon, as trustee, with respect to the Subordinated Debt Indenture, dated as of February 20, 2004 (incorporated by reference to Exhibit 4.89 to the Registrant's Registration Statement on Form S-3 (No. 333-219206), filed on July 10, 2017).
- Certain instruments defining the rights of holders of long-term debt securities of the Registrant and its subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. The Registrant hereby undertakes to furnish to the SEC, upon request, copies of any such instruments.*
- 10.1 The Goldman Sachs Amended and Restated Stock Incentive Plan (2015) (incorporated by reference to Annex B to the Registrant's Definitive Proxy Statement on Schedule 14A, filed on April 10, 2015). †
- 10.2 The Goldman Sachs Amended and Restated Restricted Partner Compensation Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the period ended February 24, 2006). †
- 10.3 Form of Employment Agreement for Participating Managing Directors (applicable to executive officers) (incorporated by reference to Exhibit 10.19 to the Registrant's Registration Statement on Form S-1 (No. 333-75213)). †
- 10.4 Form of Agreement Relating to Noncompetition and Other Covenants (incorporated by reference to Exhibit 10.20 to the Registrant's Registration Statement on Form S-1 (No. 333-75213)). †
- 10.5 Tax Indemnification Agreement, dated as of May 7, 1999, by and among The Goldman Sachs Group, Inc. and various parties (incorporated by reference to Exhibit 10.25 to the Registrant's Registration Statement on Form S-1 (No. 333-75213)).
- 10.6 Amended and Restated Shareholders' Agreement, effective as of January 15, 2015, among The Goldman Sachs Group, Inc. and various parties (incorporated by reference to Exhibit 10.6 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014).
- 10.7 Instrument of Indemnification (incorporated by reference to Exhibit 10.27 to the Registrant's Registration Statement on Form S-1 (No. 333-75213)).
- 10.8 Form of Indemnification Agreement (incorporated by reference to Exhibit 10.28 to the Registrant's Annual Report on Form 10-K for the fiscal year ended November 26, 1999).
- 10.9 Form of Indemnification Agreement (incorporated by reference to Exhibit 10.44 to the Registrant's Annual Report on Form 10-K for the fiscal year ended November 26, 1999).
- 10.10 Form of Indemnification Agreement, dated as of July 5, 2000 (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the period ended August 25, 2000).
- 10.11 Amendment No. 1, dated as of September 5, 2000, to the Tax Indemnification Agreement, dated as of May 7, 1999 (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the period ended August 25, 2000).
- 10.12 Letter, dated February 6, 2001, from The Goldman Sachs Group, Inc. to Mr. James A. Johnson (incorporated by reference to Exhibit 10.65 to the Registrant's Annual Report on Form 10-K for the fiscal year ended November 24, 2000). †
- 10.13 Letter, dated December 18, 2002, from The Goldman Sachs Group, Inc. to Mr. William W. George (incorporated by reference to Exhibit 10.39 to the Registrant's Annual Report on Form 10-K for the fiscal year ended November 29, 2002). †
- 10.14 Form of Amendment, dated November 27, 2004, to Agreement Relating to Noncompetition and Other Covenants, dated May 7, 1999 (incorporated by reference to Exhibit 10.32 to the Registrant's Annual Report on Form 10-K for the fiscal year ended November 26, 2004). †
- 10.15 The Goldman Sachs Group, Inc. Non-Qualified Deferred Compensation Plan for U.S. Participating Managing Directors (terminated as of December 15, 2008) (incorporated by reference to Exhibit 10.36 to the Registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 2007). †
- 10.16 Form of Year-End Option Award Agreement (incorporated by reference to Exhibit 10.36 to the Registrant's Annual Report on Form 10-K for the fiscal year ended November 28, 2008). †

- 10.17 Form of Non-Employee Director Option Award Agreement (incorporated by reference to Exhibit 10.34 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2009). †
- 10.18 Form of Non-Employee Director RSU Award Agreement (pre-2015) (incorporated by reference to Exhibit 10.21 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014). †
- 10.19 Ground Lease, dated August 23, 2005, between Battery Park City Authority d/b/a/ Hugh L. Carey Battery Park City Authority, as Landlord, and Goldman Sachs Headquarters LLC, as Tenant (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed on August 26, 2005).
- 10.20 General Guarantee Agreement, dated January 30, 2006, made by The Goldman Sachs Group, Inc. relating to certain obligations of Goldman Sachs & Co. LLC (incorporated by reference to Exhibit 10.45 to the Registrant's Annual Report on Form 10-K for the fiscal year ended November 25, 2005).
- 10.21 Goldman Sachs & Co. LLC Executive Life Insurance Policy and Certificate with Metropolitan Life Insurance Company for Participating Managing Directors (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the period ended August 25, 2006). †
- 10.22 Form of Goldman Sachs & Co. LLC Executive Life Insurance Policy with Pacific Life & Annuity Company for Participating Managing Directors, including policy specifications and form of restriction on Policy Owner's Rights (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the period ended August 25, 2006). †
- 10.23 Form of Second Amendment, dated November 25, 2006, to Agreement Relating to Noncompetition and Other Covenants, dated May 7, 1999, as amended effective November 27, 2004 (incorporated by reference to Exhibit 10.51 to the Registrant's Annual Report on Form 10-K for the fiscal year ended November 24, 2006). †
- 10.24 Description of PMD Retiree Medical Program (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the period ended February 29, 2008). †
- 10.25 Letter, dated June 28, 2008, from The Goldman Sachs Group, Inc. to Mr. Lakshmi N. Mittal (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K, filed on June 30, 2008). †
- 10.26 General Guarantee Agreement, dated December 1, 2008, made by The Goldman Sachs Group, Inc. relating to certain obligations of Goldman Sachs Bank USA (incorporated by reference to Exhibit 4.80 to the Registrant's Post-Effective Amendment No. 2 to Form S-3, filed on March 19, 2009).
- 10.27 Form of One-Time RSU Award Agreement (pre-2015) (incorporated by reference to Exhibit 10.32 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014). †
- 10.28 Amendments to Certain Non-Employee Director Equity Award Agreements (incorporated by reference to Exhibit 10.69 to the Registrant's Annual Report on Form 10-K for the fiscal year ended November 28, 2008). †
- 10.29 Form of Year-End RSU Award Agreement (not fully vested) (pre-2015) (incorporated by reference to Exhibit 10.36 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014). †
- 10.30 Form of Year-End RSU Award Agreement (fully vested) (pre-2015) (incorporated by reference to Exhibit 10.37 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014). †
- 10.31 Form of Year-End RSU Award Agreement (Base and/or Supplemental) (pre-2015) (incorporated by reference to Exhibit 10.38 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014). †
- 10.32 Form of Year-End Short-Term RSU Award Agreement (pre-2015) (incorporated by reference to Exhibit 10.39 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014). †
- 10.33 Form of Year-End Restricted Stock Award Agreement (fully vested) (pre-2015) (incorporated by reference to Exhibit 10.41 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2013). †
- 10.34 Form of Year-End Restricted Stock Award Agreement (Base and/or Supplemental) (pre-2015) (incorporated by reference to Exhibit 10.41 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014). †

- 10.35 Form of Year-End Short-Term Restricted Stock Award Agreement (pre-2015) (incorporated by reference to Exhibit 10.42 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014). †
- 10.36 Form of Fixed Allowance RSU Award Agreement (pre-2015) (incorporated by reference to Exhibit 10.43 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014). †
- 10.37 Form of Deed of Gift (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2010). †
- 10.38 The Goldman Sachs Long-Term Performance Incentive Plan, dated December 17, 2010 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed on December 23, 2010). †
- 10.39 Form of Performance-Based Restricted Stock Unit Award Agreement (pre-2015) (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K, filed on December 23, 2010). †
- 10.40 Form of Performance-Based Option Award Agreement (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K, filed on December 23, 2010). †
- 10.41 Form of Performance-Based Cash Compensation Award Agreement (pre-2015) (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K, filed on December 23, 2010). †
- 10.42 Amended and Restated General Guarantee Agreement, dated November 21, 2011, made by The Goldman Sachs Group, Inc. relating to certain obligations of Goldman Sachs Bank USA (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K, filed on November 21, 2011).
- 10.43 Form of Aircraft Time Sharing Agreement (incorporated by reference to Exhibit 10.61 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011). †
- 10.44 Description of Compensation Arrangements with Executive Officer (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2012). †
- 10.45 The Goldman Sachs Group, Inc. Clawback Policy, effective as of January 1, 2015 (incorporated by reference to Exhibit 10.53 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014).
- 10.46 Form of Non-Employee Director RSU Award Agreement. †
- 10.47 Form of One-Time RSU Award Agreement. †
- 10.48 Form of Year-End RSU Award Agreement (not fully vested). †
- 10.49 Form of Year-End RSU Award Agreement (fully vested). †
- 10.50 Form of Year-End RSU Award Agreement (Base (not fully vested) and/or Supplemental). †
- 10.51 Form of Year-End Short-Term RSU Award Agreement. †
- 10.52 Form of Year-End Restricted Stock Award Agreement (not fully vested). †
- 10.53 Form of Year-End Restricted Stock Award Agreement (fully vested). †
- 10.54 Form of Year-End Short-Term Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.57 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015). †
- 10.55 Form of Fixed Allowance RSU Award Agreement. †
- 10.56 Form of Fixed Allowance Restricted Stock Award Agreement. †
- 10.57 Form of Fixed Allowance Deferred Cash Award Agreement (incorporated by reference to Exhibit 10.59 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015). †
- 10.58 Form of Performance-Based Restricted Stock Unit Award Agreement. †
- 10.59 Form of Performance-Based Cash Compensation Award Agreement (incorporated by reference to Exhibit 10.61 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015). †

- 10.60 Form of Signature Card for Equity Awards. †
- 12.1 Statement re: Computation of Ratios of Earnings to Fixed Charges and Ratios of Earnings to Combined Fixed Charges and Preferred Stock Dividends.
- 21.1 List of significant subsidiaries of The Goldman Sachs Group, Inc.
- 23.1 Consent of Independent Registered Public Accounting Firm.
- 31.1 Rule 13a-14(a) Certifications.
- 32.1 Section 1350 Certifications (This information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934).
- 99.1 Report of Independent Registered Public Accounting Firm on Selected Financial Data.
- 99.2 Debt and trust securities registered under Section 12(b) of the Exchange Act.

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Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Statements of Earnings for the years ended December 31, 2017, December 31, 2016 and December 31, 2015, (ii) the Consolidated Statements of Comprehensive Income for the years ended December 31, 2017, December 31, 2016 and December 31, 2015, (iii) the Consolidated Statements of Financial Condition as of December 31, 2017 and December 31, 2016, (iv) the Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2017, December 31, 2016 and December 31, 2015, (v) the Consolidated Statements of Cash Flows for the years ended December 31, 2017, December 31, 2016 and December 31, 2015, and (vi) the notes to the Consolidated Financial Statements.

† This exhibit is a management contract or a compensatory plan or arrangement.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE GOLDMAN SACHS GROUP, INC.

By: /s/ R. Martin Chavez  
Name: R. Martin Chavez  
Title: Chief Financial Officer  
Date: February 23, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ Lloyd C. Blankfein  
Name: Lloyd C. Blankfein  
Capacity: Director, Chairman and Chief Executive Officer (Principal Executive Officer)  
Date: February 23, 2018

By: /s/ M. Michele Burns  
Name: M. Michele Burns  
Capacity: Director  
Date: February 23, 2018

By: /s/ Mark A. Flaherty  
Name: Mark A. Flaherty  
Capacity: Director  
Date: February 23, 2018

By: /s/ William W. George  
Name: William W. George  
Capacity: Director  
Date: February 23, 2018

By: /s/ James A. Johnson  
Name: James A. Johnson  
Capacity: Director  
Date: February 23, 2018

By: /s/ Ellen J. Kullman  
Name: Ellen J. Kullman  
Capacity: Director  
Date: February 23, 2018

By: /s/ Lakshmi N. Mittal  
Name: Lakshmi N. Mittal  
Capacity: Director  
Date: February 23, 2018

By: /s/ Adebayo O. Ogunlesi  
Name: Adebayo O. Ogunlesi  
Capacity: Director  
Date: February 23, 2018

By: /s/ Peter Oppenheimer  
Name: Peter Oppenheimer  
Capacity: Director  
Date: February 23, 2018

By: /s/ David A. Viniar  
Name: David A. Viniar  
Capacity: Director  
Date: February 23, 2018

By: /s/ Mark O. Winkelman  
Name: Mark O. Winkelman  
Capacity: Director  
Date: February 23, 2018

By: /s/ R. Martin Chavez  
Name: R. Martin Chavez  
Capacity: Chief Financial Officer (Principal Financial Officer)  
Date: February 23, 2018

By: /s/ Brian J. Lee  
Name: Brian J. Lee  
Capacity: Principal Accounting Officer  
Date: February 23, 2018

**RESTATED  
CERTIFICATE OF INCORPORATION  
OF  
THE GOLDMAN SACHS GROUP, INC.**

**THE GOLDMAN SACHS GROUP, INC.**, a corporation organized and existing under the Delaware General Corporation Law (the “Corporation”), DOES HEREBY CERTIFY:

1. The name of the Corporation is The Goldman Sachs Group, Inc. The date of filing of its original certificate of incorporation with the Secretary of State of the State of Delaware was July 21, 1998.
2. This Restated Certificate of Incorporation restates and integrates and does not further amend the provisions of the certificate of incorporation of the Corporation as heretofore amended or supplemented. There is no discrepancy between the provisions of this Restated Certificate of Incorporation and the provisions of the certificate of incorporation of the Corporation as heretofore amended or supplemented. This Restated Certificate of Incorporation has been duly adopted in accordance with the provisions of Section 245 of the General Corporation Law of the State of Delaware. The text of the certificate of incorporation is hereby restated to read herein as set forth in full:

FIRST. The name of the Corporation is The Goldman Sachs Group, Inc.

SECOND. The address of the Corporation’s registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street in the City of Wilmington, County of New Castle, 19801. The name of its registered agent at such address is The Corporation Trust Company.

THIRD. The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law. Without limiting the generality of the foregoing, the Corporation shall have all of the powers conferred on corporations by the Delaware General Corporation Law and other law, including the power and authority to make an initial charitable contribution (as defined in Section 170(c) of the Internal Revenue Code of 1986, as currently in effect or as the same may hereafter be amended) of up to an aggregate of \$200,000,000 to one or more entities (the “Contribution”), and to make other charitable contributions from time to time thereafter, in such amounts, on such terms and conditions and for such purposes as may be lawful.

FOURTH. The total number of shares of all classes of stock which the Corporation shall have authority to issue is 4,350,000,000, of which 4,000,000,000 shares of the par value of \$0.01 per share shall be a separate class designated as Common Stock, 200,000,000 shares of the par value of \$0.01 per share shall be a separate class designated as Nonvoting Common Stock and 150,000,000 shares of the par value of \$0.01 per share shall be a separate class designated as Preferred Stock.



## COMMON STOCK AND NONVOTING COMMON STOCK

Except as set forth in this Article FOURTH, the Common Stock and the Nonvoting Common Stock (together, the “Common Shares”) shall have the same rights and privileges and shall rank equally, share ratably and be identical in all respects as to all matters.

(i) Voting. Except as may be provided in this Restated Certificate of Incorporation or required by law, the Common Stock shall have voting rights in the election of directors and on all other matters presented to stockholders, with each holder of Common Stock being entitled to one vote for each share of Common Stock held of record by such holder on such matters. The Nonvoting Common Stock shall have no voting rights other than such rights as may be required by the first sentence of Section 242(b)(2) of the Delaware General Corporation Law or any similar provision hereafter enacted; provided that an amendment of this Restated Certificate of Incorporation to increase or decrease the number of authorized shares of Nonvoting Common Stock (but not below the number of shares thereof then outstanding) may be adopted by resolution adopted by the board of directors of the Corporation and approved by the affirmative vote of the holders of a majority of the voting power of all outstanding shares of Common Stock of the Corporation and all other outstanding shares of stock of the Corporation entitled to vote thereon irrespective of the provisions of Section 242(b)(2) of the Delaware General Corporation Law or any similar provision hereafter enacted, with such outstanding shares of Common Stock and other stock considered for this purpose as a single class, and no vote of the holders of any shares of Nonvoting Common Stock, voting separately as a class, shall be required therefor.

(ii) Dividends. Subject to the rights of the holders of any series of Preferred Stock, holders of Common Stock and holders of Nonvoting Common Stock shall be entitled to receive such dividends and distributions (whether payable in cash or otherwise) as may be declared on the Common Shares by the board of directors of the Corporation from time to time out of assets or funds of the Corporation legally available therefor; *provided* that the board of directors of the Corporation shall declare no dividend, and no dividend shall be paid, with respect to any outstanding share of Common Stock or Nonvoting Common Stock, whether in cash or otherwise (including any dividend in shares of Common Stock on or with respect to shares of Common Stock or any dividend in shares of Nonvoting Common Stock on or with respect to shares of Nonvoting Common Stock (collectively, “Stock Dividends”)), unless, simultaneously, the same dividend is declared or paid with respect to each share of Common Stock and Nonvoting Common Stock. If a Stock Dividend is declared or paid with respect to one class, then a Stock Dividend shall likewise be declared or paid with respect to the other class and shall consist of shares of such other class in a number that bears the same relationship to the total number of shares of such other class, issued and outstanding immediately prior to the payment of such dividend, as the number of shares comprising the Stock Dividend with respect to the first referenced class bears to the total number of

shares of such first referenced class, issued and outstanding immediately prior to the payment of such dividend. Stock Dividends with respect to Common Stock may be paid only with shares of Common Stock. Stock Dividends with respect to Nonvoting Common Stock may be paid only with shares of Nonvoting Common Stock. Notwithstanding the foregoing, in the case of any dividend in the form of capital stock of a subsidiary of the Corporation, the capital stock of the subsidiary distributed to holders of Common Stock shall be identical to the capital stock of the subsidiary distributed to holders of Nonvoting Common Stock, except that the capital stock distributed to holders of Common Stock may have full or any other voting rights and the capital stock distributed to holders of Nonvoting Common Stock shall be non-voting to the same extent as the Nonvoting Common Stock is non-voting.

(iii) Subdivisions, Combinations and Mergers. If the Corporation shall in any manner split, subdivide or combine the outstanding shares of Common Stock or the outstanding shares of Nonvoting Common Stock, the outstanding shares of the other such class of the Common Shares shall likewise be split, subdivided or combined in the same manner proportionately and on the same basis per share. In the event of any merger, statutory share exchange, consolidation or similar form of corporate transaction involving the Corporation (whether or not the Corporation is the surviving entity), the holders of Common Stock and the holders of Nonvoting Common Stock shall be entitled to receive the same per share consideration, if any, except that any securities received by holders of Common Stock in consideration of such stock may have full or any other voting rights and any securities received by holders of Nonvoting Common Stock in consideration of such stock shall be non-voting to the same extent as the Nonvoting Common Stock is non-voting.

(iv) Rights on Liquidation. Subject to the rights of the holders of any series of Preferred Stock, in the event of any liquidation, dissolution or winding-up of the Corporation (whether voluntary or involuntary), the assets of the Corporation available for distribution to stockholders shall be distributed in equal amounts per share to the holders of Common Stock and the holders of Nonvoting Common Stock, as if such classes constituted a single class. For purposes of this paragraph, a merger, statutory share exchange, consolidation or similar corporate transaction involving the Corporation (whether or not the Corporation is the surviving entity), or the sale, transfer or lease by the Corporation of all or substantially all its assets, shall not constitute or be deemed a liquidation, dissolution or winding-up of the Corporation.

## **PREFERRED STOCK**

Shares of Preferred Stock may be issued in one or more series from time to time as determined by the board of directors of the Corporation, and the board of directors of the Corporation is authorized to fix by resolution or resolutions the designations and the powers, preferences and rights, and the qualifications, limitations and restrictions thereof, of the shares of each series of Preferred Stock, including the following:

- (i) the distinctive serial designation of such series which shall distinguish it from other series;
- (ii) the number of shares included in such series;
- (iii) whether dividends shall be payable to the holders of the shares of such series and, if so, the basis on which such holders shall be entitled to receive dividends (which may include, without limitation, a right to receive such dividends or distributions as may be declared on the shares of such series by the board of directors of the Corporation, a right to receive such dividends or distributions, or any portion or multiple thereof, as may be declared on the Common Stock or any other class of stock or, in addition to or in lieu of any other right to receive dividends, a right to receive dividends at a particular rate or at a rate determined by a particular method, in which case such rate or method of determining such rate may be set forth), the form of such dividend, any conditions on which such dividends shall be payable and the date or dates, if any, on which such dividends shall be payable;
- (iv) whether dividends on the shares of such series shall be cumulative and, if so, the date or dates or method of determining the date or dates from which dividends on the shares of such series shall be cumulative;
- (v) the amount or amounts, if any, which shall be payable out of the assets of the Corporation to the holders of the shares of such series upon the voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, and the relative rights of priority, if any, of payment of the shares of such series;
- (vi) the price or prices (in cash, securities or other property or a combination thereof) at which, the period or periods within which and the terms and conditions upon which the shares of such series may be redeemed, in whole or in part, at the option of the Corporation or at the option of the holder or holders thereof or upon the happening of a specified event or events;
- (vii) the obligation, if any, of the Corporation to purchase or redeem shares of such series pursuant to a sinking fund or otherwise and the price or prices (in cash, securities or other property or a combination thereof) at which, the period or periods within which and the terms and conditions upon which the shares of such series shall be redeemed or purchased, in whole or in part, pursuant to such obligation;

(viii) whether or not the shares of such series shall be convertible or exchangeable, at any time or times at the option of the holder or holders thereof or at the option of the Corporation or upon the happening of a specified event or events, into shares of any other class or classes or any other series of the same or any other class or classes of stock of the Corporation or any other securities or property of the Corporation or any other entity, and the price or prices (in cash, securities or other property or a combination thereof) or rate or rates of conversion or exchange and any adjustments applicable thereto; and

(ix) whether or not the holders of the shares of such series shall have voting rights, in addition to the voting rights provided by law, and if so the terms of such voting rights, which may provide, among other things and subject to the other provisions of this Restated Certificate of Incorporation, that each share of such series shall carry one vote or more or less than one vote per share, that the holders of such series shall be entitled to vote on certain matters as a separate class (which for such purpose may be comprised solely of such series or of such series and one or more other series or classes of stock of the Corporation) and that all the shares of such series entitled to vote on a particular matter shall be deemed to be voted on such matter in the manner that a specified portion of the voting power of the shares of such series or separate class are voted on such matter.

For all purposes, this Restated Certificate of Incorporation shall include each certificate of designations (if any) setting forth the terms of a series of Preferred Stock.

Subject to the rights, if any, of the holders of any series of Preferred Stock set forth in a certificate of designations, an amendment of this Restated Certificate of Incorporation to increase or decrease the number of authorized shares of any class of Preferred Stock (but not below the number of shares thereof then outstanding) may be adopted by resolution adopted by the board of directors of the Corporation and approved by the affirmative vote of the holders of a majority of the voting power of all outstanding shares of Common Stock of the Corporation and all other outstanding shares of stock of the Corporation entitled to vote thereon irrespective of the provisions of Section 242(b)(2) of the Delaware General Corporation Law or any similar provision hereafter enacted, with such outstanding shares of Common Stock and other stock considered for this purpose as a single class, and no vote of the holders of Preferred Stock, voting as a separate class, shall be required therefor.

Except as otherwise required by law or provided in the certificate of designations for the relevant series, holders of Common Shares, as such, shall not be entitled to vote on any amendment of this Restated Certificate of Incorporation that alters or changes the powers, preferences, rights or other terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other series of Preferred Stock, to vote thereon as a separate class pursuant to this Restated Certificate of Incorporation or pursuant to the Delaware General Corporation Law as then in effect.

Pursuant to the authority conferred by this Article FOURTH upon the board of directors of the Corporation and authority delegated by the board of directors to the Securities Issuance Committee of the board of directors of the Corporation (the "Securities Issuance Committee"), the Securities Issuance Committee created a series of shares of Preferred Stock designated as Floating Rate Non-Cumulative Preferred Stock, Series A, by filing a certificate of designations of the Corporation with the Secretary of State of the State of Delaware on April 22, 2005, and the voting powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's Floating Rate Non-Cumulative Preferred Stock, Series A, are set forth in Appendix A hereto and are incorporated herein by reference.

Pursuant to the authority conferred by this Article FOURTH upon the board of directors of the Corporation and authority delegated by the board of directors to the Securities Issuance Committee, the Securities Issuance Committee created a series of shares of Preferred Stock designated as 6.20% Non-Cumulative Preferred Stock, Series B, by filing a certificate of designations of the Corporation with the Secretary of State of the State of Delaware on October 28, 2005, and the voting powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's 6.20% Non-Cumulative Preferred Stock, Series B, are set forth in Appendix B hereto and are incorporated herein by reference.

Pursuant to the authority conferred by this Article FOURTH upon the board of directors of the Corporation and authority delegated by the board of directors to the Securities Issuance Committee, the Securities Issuance Committee created a series of shares of Preferred Stock designated as Floating Rate Non-Cumulative Preferred Stock, Series C, by filing a certificate of designations of the Corporation with the Secretary of State of the State of Delaware on October 28, 2005, and the voting powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's Floating Rate Non-Cumulative Preferred Stock, Series C, are set forth in Appendix C hereto and are incorporated herein by reference.

Pursuant to the authority conferred by this Article FOURTH upon the board of directors of the Corporation and authority delegated by the board of directors to the Securities Issuance Committee, the Securities Issuance Committee created a series of shares of Preferred Stock designated as Floating Rate Non-Cumulative Preferred Stock, Series D, by filing a certificate of designations of the Corporation with the Secretary of State of the State of Delaware on May 23, 2006, and the voting powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's Floating Rate Non-Cumulative Preferred Stock, Series D, are set forth in Appendix D hereto and are incorporated herein by reference.

Pursuant to the authority conferred by this Article FOURTH upon the board of directors of the Corporation and authority delegated by the board of directors to the

Securities Issuance Committee, the Securities Issuance Committee created a series of shares of Preferred Stock designated as Perpetual Non-Cumulative Preferred Stock, Series E, by filing a certificate of designations of the Corporation with the Secretary of State of the State of Delaware on May 14, 2007, and the voting powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's Perpetual Non-Cumulative Preferred Stock, Series E, are set forth in Appendix E hereto and are incorporated herein by reference.

Pursuant to the authority conferred by this Article FOURTH upon the board of directors of the Corporation and authority delegated by the board of directors to the Securities Issuance Committee, the Securities Issuance Committee created a series of shares of Preferred Stock designated as Perpetual Non-Cumulative Preferred Stock, Series F, by filing a certificate of designations of the Corporation with the Secretary of State of the State of Delaware on May 14, 2007, and the voting powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's Perpetual Non-Cumulative Preferred Stock, Series F, are set forth in Appendix F hereto and are incorporated herein by reference.

Pursuant to the authority conferred by this Article FOURTH upon the board of directors of the Corporation and authority delegated by the board of directors to the Securities Issuance Committee, the Securities Issuance Committee created a series of shares of Preferred Stock designated as 5.50% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series J, by filing a certificate of designations of the Corporation with the Secretary of State of the State of Delaware on April 23, 2013, and the voting powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's 5.50% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series J, are set forth in Appendix G hereto and are incorporated herein by reference.

Pursuant to the authority conferred by this Article FOURTH upon the board of directors of the Corporation and authority delegated by the board of directors to the Securities Issuance Committee, the Securities Issuance Committee created a series of shares of Preferred Stock designated as 6.375% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series K, by filing a certificate of designations of the Corporation with the Secretary of State of the State of Delaware on April 24, 2014, and the voting powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's 6.375% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series K, are set forth in Appendix H hereto and are incorporated herein by reference.

Pursuant to the authority conferred by this Article FOURTH upon the board of directors of the Corporation and authority delegated by the board of directors to the Securities Issuance Committee, the Securities Issuance Committee created a series of shares of Preferred Stock designated as 5.70% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series L, by filing a certificate of designations of the Corporation with

the Secretary of State of the State of Delaware on April 24, 2014, and the voting powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's 5.70% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series L, are set forth in Appendix I hereto and are incorporated herein by reference.

Pursuant to the authority conferred by this Article FOURTH upon the board of directors of the Corporation and authority delegated by the board of directors to the Securities Issuance Committee, the Securities Issuance Committee created a series of shares of Preferred Stock designated as 5.375% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series M, by filing a certificate of designations of the Corporation with the Secretary of State of the State of Delaware on April 20, 2015, and the voting powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's 5.375% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series M, are set forth in Appendix J hereto and are incorporated herein by reference.

Pursuant to the authority conferred by this Article FOURTH upon the board of directors of the Corporation and authority delegated by the board of directors to the Securities Issuance Committee, the Securities Issuance Committee created a series of shares of Preferred Stock designated as 6.30% Non-Cumulative Preferred Stock, Series N, by filing a certificate of designations of the Corporation with the Secretary of State of the State of Delaware on February 19, 2016, and the voting powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's 6.30% Non-Cumulative Preferred Stock, Series N, are set forth in Appendix K hereto and are incorporated herein by reference.

Pursuant to the authority conferred by this Article FOURTH upon the board of directors of the Corporation and authority delegated by the board of directors to the Securities Issuance Committee, the Securities Issuance Committee created a series of shares of Preferred Stock designated as 5.30% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series O, by filing a certificate of designations of the Corporation with the Secretary of State of the State of Delaware on July 26, 2016, and the voting powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's 5.30% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series O, are set forth in Appendix L hereto and are incorporated herein by reference.

Pursuant to the authority conferred by this Article FOURTH upon the board of directors of the Corporation and authority delegated by the board of directors to the Securities Issuance Committee, the Securities Issuance Committee created a series of shares of Preferred Stock designated as 5.00% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series P, by filing a certificate of designations of the Corporation with the Secretary of State of the State of Delaware on October 27, 2017, and the voting powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's 5.00% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series P, are set forth in Appendix M hereto and are incorporated herein by reference.

## **OPTIONS, WARRANTS AND OTHER RIGHTS**

The board of directors of the Corporation is authorized to create and issue options, warrants and other rights from time to time entitling the holders thereof to purchase securities or other property of the Corporation or any other entity, including any class or series of stock of the Corporation or any other entity and whether or not in connection with the issuance or sale of any securities or other property of the Corporation, for such consideration (if any), at such times and upon such other terms and conditions as may be determined or authorized by the board of directors of the Corporation and set forth in one or more agreements or instruments. Among other things and without limitation, such terms and conditions may provide for the following:

- (i) adjusting the number or exercise price of such options, warrants or other rights or the amount or nature of the securities or other property receivable upon exercise thereof in the event of a subdivision or combination of any securities, or a recapitalization, of the Corporation, the acquisition by any person of beneficial ownership of securities representing more than a designated percentage of the voting power of any outstanding series, class or classes of securities, a change in ownership of the Corporation's securities or a merger, statutory share exchange, consolidation, reorganization, sale of assets or other occurrence relating to the Corporation or any of its securities, and restricting the ability of the Corporation to enter into an agreement with respect to any such transaction absent an assumption by another party or parties thereto of the obligations of the Corporation under such options, warrants or other rights;
- (ii) restricting, precluding or limiting the exercise, transfer or receipt of such options, warrants or other rights by any person that becomes the beneficial owner of a designated percentage of the voting power of any outstanding series, class or classes of securities of the Corporation or any direct or indirect transferee of such a person, or invalidating or voiding such options, warrants or other rights held by any such person or transferee; and
- (iii) permitting the board of directors (or certain directors specified or qualified by the terms of the governing instruments of such options, warrants or other rights) to redeem, terminate or exchange such options, warrants or other rights.

This paragraph shall not be construed in any way to limit the power of the board of directors of the Corporation to create and issue options, warrants or other rights.

FIFTH. [Reserved]

SIXTH. All corporate powers shall be exercised by the board of directors of the Corporation, except as otherwise specifically required by law or as otherwise provided in this Restated Certificate of Incorporation. Any meeting of stockholders may be postponed by action of the board of directors at any time in advance of such meeting. The board of directors of the Corporation shall have the power to adopt such rules and regulations for the conduct of the meetings and management of the affairs of the



Corporation as they may deem proper and the power to adjourn any meeting of stockholders without a vote of the stockholders, which powers may be delegated by the board of directors to the chairman of such meeting either in such rules and regulations or pursuant to the by-laws of the Corporation.

Special meetings of stockholders of the Corporation may be called at any time by, but only by, the board of directors of the Corporation or, as and to the extent required by the by-laws of the Corporation, by the Secretary of the Corporation upon the written request of the holders of record of not less than 25% of the voting power of all outstanding shares of Common Stock of the Corporation, such voting power to be calculated and determined in the manner specified, and with any limitations as may be set forth, in the Corporation's by-laws (the "Requisite Percent"). Each special meeting shall be held at such date, time and place either within or without the State of Delaware as may be stated in the notice of the meeting.

The board of directors of the Corporation is authorized to adopt, amend or repeal by-laws of the Corporation. No adoption, amendment or repeal of a by-law by action of stockholders shall be effective unless approved by the affirmative vote of not less than a majority of shares present in person or represented by proxy at the meeting and entitled to vote on such matter, with all shares of Common Stock of the Corporation and other stock of the Corporation entitled to vote on such matter considered for this purpose as a single class; for purposes of this sentence votes cast "for" or "against" and "abstentions" with respect to such matter shall be counted as shares of stock of the Corporation entitled to vote on such matter, while "broker nonvotes" (or other shares of stock of the Corporation similarly not entitled to vote) shall not be counted as shares entitled to vote on such matter. Any vote of stockholders required by this Article SIXTH shall be in addition to any other vote of stockholders that may be required by law, this Restated Certificate of Incorporation, the by-laws of the Corporation, any agreement with a national securities exchange or otherwise.

SEVENTH. Elections of directors need not be by written ballot except and to the extent provided in the by-laws of the Corporation.

EIGHTH. The number of directors of the Corporation shall be fixed only by resolution of the board of directors of the Corporation from time to time. Each director who is serving as a director on the date of this Restated Certificate of Incorporation shall hold office until the next annual meeting of stockholders after such date and until his or her successor has been duly elected and qualified, notwithstanding that such director may have been elected for a term that extended beyond the date of such next annual meeting of stockholders. At each annual meeting of stockholders after the date of this Restated Certificate of Incorporation, directors elected at such annual meeting shall hold office until the next annual meeting of stockholders and until their successors have been duly elected and qualified.

Vacancies and newly created directorships resulting from any increase in the authorized number of directors or from any other cause (other than vacancies and newly created directorships which the holders of any class or classes of stock or series

thereof are expressly entitled by this Restated Certificate of Incorporation to fill) shall be filled by, and only by, a majority of the directors then in office, although less than a quorum, or by the sole remaining director. Any director appointed to fill a vacancy or a newly created directorship shall hold office until the next annual meeting of stockholders, and until his or her successor is elected and qualified or until his or her earlier resignation or removal.

Notwithstanding the foregoing, in the event that the holders of any class or series of Preferred Stock of the Corporation shall be entitled, voting separately as a class, to elect any directors of the Corporation, then the number of directors that may be elected by such holders voting separately as a class shall be in addition to the number fixed pursuant to a resolution of the board of directors of the Corporation. Except as otherwise provided in the terms of such class or series, (i) the terms of the directors elected by such holders voting separately as a class shall expire at the annual meeting of stockholders next succeeding their election and (ii) any director or directors elected by such holders voting separately as a class may be removed, with or without cause, by the holders of a majority of the voting power of all outstanding shares of stock of the Corporation entitled to vote separately as a class in an election of such directors.

NINTH. In taking any action, including action that may involve or relate to a change or potential change in the control of the Corporation, a director of the Corporation may consider, among other things, both the long-term and short-term interests of the Corporation and its stockholders and the effects that the Corporation's actions may have in the short term or long term upon any one or more of the following matters:

- (i) the prospects for potential growth, development, productivity and profitability of the Corporation;
- (ii) the Corporation's current employees;
- (iii) the retired former partners of The Goldman Sachs Group, L.P. ("GS Group") and the Corporation's employees and other beneficiaries receiving or entitled to receive retirement, welfare or similar benefits from or pursuant to any plan sponsored, or agreement entered into, by the Corporation;
- (iv) the Corporation's customers and creditors;
- (v) the ability of the Corporation to provide, as a going concern, goods, services, employment opportunities and employment benefits and otherwise to contribute to the communities in which it does business; and
- (vi) such other additional factors as a director may consider appropriate in such circumstances.

Nothing in this Article NINTH shall create any duty owed by any director of the Corporation to any person or entity to consider, or afford any particular weight to, any of the foregoing matters or to limit his or her consideration to the foregoing matters. No such employee, retired former partner of GS Group, former employee, beneficiary, customer, creditor or community or member thereof shall have any rights against any director of the Corporation or the Corporation under this Article NINTH.

TENTH. From and after the consummation of the initial public offering of the shares of Common Stock of the Corporation, no action of stockholders of the Corporation required or permitted to be taken at any annual or special meeting of stockholders of the Corporation may be taken without a meeting of stockholders, without prior notice and without a vote, and the power of stockholders of the Corporation to consent in writing to the taking of any action without a meeting is specifically denied. Notwithstanding this Article TENTH, the holders of any series of Preferred Stock of the Corporation shall be entitled to take action by written consent to such extent, if any, as may be provided in the terms of such series.

ELEVENTH. [Reserved]

TWELFTH. A director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director of the Corporation, except to the extent that such exemption from liability or limitation thereof is not permitted under the Delaware General Corporation Law as currently in effect or as the same may hereafter be amended.

Pursuant to the Plan of Incorporation of GS Group, dated as of March 8, 1999, as currently in effect or as the same may hereafter be amended (the "Plan"), the Corporation has the right, but not the obligation, to make special arrangements with any person who was a partner of GS Group participating in the Plan to ameliorate, in whole or in part, certain significantly disproportionate tax or other burdens. The board of directors of the Corporation is authorized to cause the Corporation to make such arrangements (which may include special payments) as the board of directors of the Corporation may, in its sole discretion, deem appropriate to effectuate the intent of the relevant provision of the Plan and the Corporation and each stockholder of the Corporation shall, to the fullest extent permitted by law, be deemed to have approved and ratified any such determination and to have waived any claim or objection on behalf of the Corporation or any such stockholder arising out of the making of such arrangements.

Pursuant to the Plan, the Corporation has the right, but not the obligation, to register with the Securities and Exchange Commission the resale of certain securities of the Corporation by directors, employees and former directors and employees of the Corporation and its subsidiaries and affiliates and former partners and employees of GS Group and its subsidiaries and affiliates and to undertake various actions and to enter into agreements and arrangements in connection therewith (collectively, the "Registration Arrangements"). The board of directors of the Corporation is authorized to cause the Corporation to undertake such Registration Arrangements as the board of directors of the Corporation may, in its sole discretion, deem appropriate and the Corporation and each stockholder of the Corporation shall, to the fullest extent permitted by law, be deemed to have approved and ratified any such determination and to have waived any claim or objection on behalf of the Corporation or any such stockholder arising out of the undertaking of such Registration Arrangements.

The Corporation and each stockholder of the Corporation shall, to the fullest extent permitted by law, be deemed to have approved and ratified any decision by the board of directors of the Corporation to make the Contribution referred to in Article THIRD, including the amount thereof (up to the limit specified in Article THIRD) and to have waived any claim or objection on behalf of the Corporation or any such stockholder arising out of any such decision to make, or the making of, the Contribution.

The authorizations, approvals and ratifications contained in the second, third and fourth paragraphs of this Article TWELFTH shall not be construed to indicate that any other arrangements or contributions not specifically referred to in such paragraphs are, by reason of such omission, not within the power and authority of the board of directors of the Corporation or that the determination of the board of directors of the Corporation with respect thereto should be judged by any legal standard other than that which would have applied but for the inclusion of the second, third and fourth paragraphs of this Article TWELFTH.

No amendment, modification or repeal of this Article TWELFTH shall adversely affect any right or protection of a director of the Corporation that exists at the time of such amendment, modification or repeal.

IN WITNESS WHEREOF, the Corporation has caused this Restated Certificate of Incorporation to be signed and attested by its duly authorized officer on this 24th day of January, 2018.

By: /s/ Gregory K. Palm  
Name: Gregory K. Palm  
Title: Executive Vice President and General  
Counsel

**CERTIFICATE OF DESIGNATIONS**  
**OF**  
**FLOATING RATE NON-CUMULATIVE PREFERRED STOCK, SERIES A**  
**OF**  
**THE GOLDMAN SACHS GROUP, INC.**

**THE GOLDMAN SACHS GROUP, INC.**, a corporation organized and existing under the General Corporation Law of the State of Delaware (the “Corporation”), in accordance with the provisions of Sections 103 and 151 thereof, DOES HEREBY CERTIFY:

The Securities Issuance Committee (the “Committee”) of the board of directors of the Corporation (the “Board of Directors”), in accordance with the resolutions of the Board of Directors dated April 6, 2005, the provisions of the amended and restated certificate of incorporation and bylaws of the Corporation and applicable law, by unanimous written consent dated April 18, 2005, adopted the following resolution creating a series of 50,000 shares of Preferred Stock of the Corporation designated as “Floating Rate Non-Cumulative Preferred Stock, Series A”.

**RESOLVED**, that pursuant to the authority vested in the Committee and in accordance with the resolutions of the Board of Directors dated April 6, 2005, the provisions of the amended and restated certificate of incorporation and bylaws of the Corporation and applicable law, a series of Preferred Stock, par value \$.01 per share, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

**Section 1. Designation.** The distinctive serial designation of such series of Preferred Stock is “Floating Rate Non-Cumulative Preferred Stock, Series A” (“Series A”). Each share of Series A shall be identical in all respects to every other share of Series A, except as to the respective dates from which dividends thereon shall accrue, to the extent such dates may differ as permitted pursuant to Section 4(a) below.

**Section 2. Number of Shares.** The authorized number of shares of Series A shall be 50,000. Shares of Series A that are redeemed, purchased or otherwise acquired by the Corporation, or converted into another series of Preferred Stock, shall be cancelled and shall revert to authorized but unissued shares of Series A.

**Section 3. Definitions.** As used herein with respect to Series A:

(a) “Board of Directors” means the board of directors of the Corporation.

(b) “ByLaws” means the amended and restated bylaws of the Corporation, as they may be amended from time to time.

(c) “Business Day” means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is not a day on which banking institutions in New York City generally are authorized or obligated by law, regulation or executive order to close.

(d) “Calculation Agent” means, at any time, the person or entity appointed by the Corporation and serving as such agent at such time. The Corporation may terminate any such appointment and may appoint a successor agent at any time and from time to time, *provided* that the Corporation shall use its best efforts to ensure that there is, at all relevant times when the Series A is outstanding, a person or entity appointed and serving as such agent. The Calculation Agent may be a person or entity affiliated with the Corporation.

(e) “Certificate of Designations” means this Certificate of Designations relating to the Series A, as it may be amended from time to time.

(f) “Certification of Incorporation” shall mean the amended and restated certificate of incorporation of the Corporation, as it may be amended from time to time, and shall include this Certificate of Designations.

(g) “Common Stock” means the common stock, par value \$0.01 per share, of the Corporation.

(h) “Junior Stock” means the Common Stock and any other class or series of stock of the Corporation (other than Series A) that ranks junior to Series A either or both as to the payment of dividends and/or as to the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(i) “London Business Day” means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is a day on which dealings in U.S. dollars are transacted in the London interbank market.

(j) “Moneyline Telerate Page” means the display on Moneyline Telerate, Inc., or any successor service, on the page or pages specified in Section 4 below or any replacement page or pages on that service.

(k) “Parity Stock” means any class or series of stock of the Corporation (other than Series A) that ranks equally with Series A both in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(l) “Preferred Stock” means any and all series of Preferred Stock, having a par value of \$0.01 per share, of the Corporation, including the Series A.

(m) “Representative Amount” means, at any time, an amount that, in the Calculation Agent’s judgment, is representative of a single transaction in the relevant market at the relevant time.

(n) “Voting Preferred Stock” means, with regard to any election or removal of a Preferred Stock Director (as defined in Section 8(b) below) or any other matter as to which the holders of Series A are entitled to vote as specified in Section 8 of this Certificate of Designations, any and all series of Preferred Stock (other than Series A) that rank equally with Series A either as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation and upon which like voting rights have been conferred and are exercisable with respect to such matter.

#### **Section 4. Dividends.**

(a) **Rate.** Holders of Series A shall be entitled to receive, when, as and if declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) out of funds legally available for the payment of dividends under Delaware law, non-cumulative cash dividends at the rate determined as set forth below in this Section (4) applied to the liquidation preference amount of \$25,000 per share of Series A. Such dividends shall be payable quarterly in arrears (as provided below in this Section 4(a)), but only when, as and if declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors), on February 10, May 10, August 10 and November 10 (“Dividend Payment Dates”), commencing on August 10, 2005; *provided* that if any such Dividend Payment Date would otherwise occur on a day that is not a Business Day, such Dividend Payment Date shall instead be (and any dividend payable on Series A on such Dividend Payment Date shall instead be payable on) the immediately succeeding Business Day, unless such immediately succeeding Business Day falls in the next calendar month, in which case such Dividend Payment Date shall instead be (and any such dividend shall instead be payable on) the immediately preceding Business Day. Dividends on Series A shall not be cumulative; holders of Series A shall not be entitled to receive any dividends not declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) and no interest, or sum of money in lieu of interest, shall be payable in respect of any dividend not so declared.

Dividends that are payable on Series A on any Dividend Payment Date will be payable to holders of record of Series A as they appear on the stock register of the Corporation on the applicable record date, which shall be the 15th calendar day before such Dividend Payment Date or such other record date fixed by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) that is not more than 60 nor less than 10 days prior to such Dividend Payment Date (each, a “Dividend Record Date”). Any such day that is a Dividend Record Date shall be a Dividend Record Date whether or not such day is a Business Day.

Each dividend period (a “Dividend Period”) shall commence on and include a Dividend Payment Date (other than the initial Dividend Period, which shall commence



on and include the date of original issue of the Series A, *provided* that, for any share of Series A issued after such original issue date, the initial Dividend Period for such shares may commence on and include such other date as the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) shall determine and publicly disclose) and shall end on and include the calendar day next preceding the next Dividend Payment Date. Dividends payable on the Series A in respect of any Dividend Period shall be computed by the Calculation Agent on the basis of a 360-day year and the actual number of days elapsed in such Dividend Period. Dividends payable in respect of a Dividend Period shall be payable in arrears – i.e., on the first Dividend Payment Date after such Dividend Period.

The dividend rate on the Series A, for each Dividend Period, shall be a rate per annum equal to the greater of (1) 0.75% above LIBOR (as defined below) for such Dividend Period and (2) 3.75%. LIBOR, with respect to any Dividend Period, means the offered rate expressed as a percentage per annum for three-month deposits in U.S. dollars on the first day of such Dividend Period, as that rate appears on Moneyline Telerate Page 3750 as of 11:00 A.M., London time, on the second London Business Day immediately preceding the first day of such Dividend Period.

If the rate described in the preceding paragraph does not appear on Moneyline Telerate Page 3750, LIBOR shall be determined on the basis of the rates, at approximately 11:00 A.M., London time, on the second London Business Day immediately preceding the first day of such Dividend Period, at which deposits of the following kind are offered to prime banks in the London interbank market by four major banks in that market selected by the Calculation Agent: three-month deposits in U.S. dollars, beginning on the first day of such Dividend Period, and in a Representative Amount. The Calculation Agent shall request the principal London office of each of these banks to provide a quotation of its rate at approximately 11:00 A.M., London time. If at least two quotations are provided, LIBOR for such Dividend Period shall be the arithmetic mean of such quotations.

If fewer than two quotations are provided as described in the preceding paragraph, LIBOR for such Dividend Period shall be the arithmetic mean of the rates for loans of the following kind to leading European banks quoted, at approximately 11:00 A.M. New York City time, on the second London Business Day immediately preceding the first day of such Dividend Period, by three major banks in New York City selected by the Calculation Agent: three-month loans of U.S. dollars, beginning on the first day of such Dividend Period, and in a Representative Amount.

If fewer than three banks selected by the Calculation Agent are quoting as described in the preceding paragraph, LIBOR for such Dividend Period shall be LIBOR in effect for the prior Dividend Period.

The Calculation Agent's determination of any dividend rate, and its calculation of the amount of dividends for any Dividend Period, will be maintained on file at the Corporation's principal offices and will be available to any stockholder upon request and will be final and binding in the absence of manifest error.

Holders of Series A shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on the Series A as specified in this Section 4 (subject to the other provisions of this Certificate of Designations).

(b) **Priority of Dividends.** So long as any share of Series A remains outstanding, no dividend shall be declared or paid on the Common Stock or any other shares of Junior Stock (other than a dividend payable solely in Junior Stock), and no Common Stock or other Junior Stock shall be purchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into other Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock and other than through the use of the proceeds of a substantially contemporaneous sale of Junior Stock) during a Dividend Period, unless the full dividends for the latest completed Dividend Period on all outstanding shares of Series A have been declared and paid (or declared and a sum sufficient for the payment thereof has been set aside). The foregoing provision shall not restrict the ability of Goldman, Sachs & Co., or any other affiliate of the Corporation, to engage in any market-making transactions in Junior Stock in the ordinary course of business.

When dividends are not paid (or declared and a sum sufficient for payment thereof set aside) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period) in full upon the Series A and any shares of Parity Stock, all dividends declared on the Series A and all such Parity Stock and payable on such Dividend Payment Date (or, in the case of parity stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) shall be declared pro rata so that the respective amounts of such dividends shall bear the same ratio to each other as all accrued but unpaid dividends per share on the Series A and all Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) bear to each other.

Subject to the foregoing, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) may be declared and paid on any securities, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment, and the Series A shall not be entitled to participate in any such dividends.

#### **Section 5. Liquidation Rights.**

(a) **Voluntary or Involuntary Liquidation.** In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, holders of Series A shall be entitled to receive, out of the assets of the Corporation or proceeds thereof (whether capital or surplus) available for distribution to

stockholders of the Corporation, and after satisfaction of all liabilities and obligations to creditors of the Corporation, before any distribution of such assets or proceeds is made to or set aside for the holders of Common Stock and any other stock of the Corporation ranking junior to the Series A as to such distribution, in full an amount equal to \$25,000 per share (the "Series A Liquidation Amount"), together with an amount equal to all dividends (if any) that have been declared but not paid prior to the date of payment of such distribution (but without any amount in respect of dividends that have not been declared prior to such payment date).

(b) **Partial Payment.** If in any distribution described in Section 5(a) above the assets of the Corporation or proceeds thereof are not sufficient to pay the Liquidation Preferences (as defined below) in full to all holders of Series A and all holders of any stock of the Corporation ranking equally with the Series A as to such distribution, the amounts paid to the holders of Series A and to the holders of all such other stock shall be paid pro rata in accordance with the respective aggregate Liquidation Preferences of the holders of Series A and the holders of all such other stock. In any such distribution, the "Liquidation Preference" of any holder of stock of the Corporation shall mean the amount otherwise payable to such holder in such distribution (assuming no limitation on the assets of the Corporation available for such distribution), including an amount equal to any declared but unpaid dividends (and, in the case of any holder of stock other than Series A and on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not declared, as applicable).

(c) **Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series A, the holders of other stock of the Corporation shall be entitled to receive all remaining assets of the Corporation (or proceeds thereof) according to their respective rights and preferences.

(d) **Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the merger or consolidation of the Corporation with any other corporation or other entity, including a merger or consolidation in which the holders of Series A receive cash, securities or other property for their shares, or the sale, lease or exchange (for cash, securities or other property) of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation.

#### **Section 6. Redemption.**

(a) **Optional Redemption.** The Series A may not be redeemed by the Corporation prior to April 25, 2010. On or after April 25, 2010, the Corporation, at its option, may redeem, in whole at any time or in part from time to time, the shares of Series A at the time outstanding, upon notice given as provided in Section 6(c) below, at a redemption price equal to \$25,000 per share, together (except as otherwise provided herein below) with an amount equal to any dividends that have been declared but not paid prior to the redemption date (but with no amount in respect of any dividends that have not been declared prior to such date). The redemption price for any shares of Series A shall be payable on the redemption date to the holder of such shares against surrender of the

certificate(s) evidencing such shares to the Corporation or its agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the Dividend Record Date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Dividend Record Date relating to the Dividend Payment Date as provided in Section 4 above.

(b) **No Sinking Fund.** The Series A will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series A will have no right to require redemption of any shares of Series A.

(c) **Notice of Redemption.** Notice of every redemption of shares of Series A shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series A designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series A. Notwithstanding the foregoing, if the Series A or any depository shares representing interests in the Series A are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the holders of Series A at such time and in any manner permitted by such facility. Each such notice given to a holder shall state: (1) the redemption date; (2) the number of shares of Series A to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; and (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

(d) **Partial Redemption.** In case of any redemption of only part of the shares of Series A at the time outstanding, the shares to be redeemed shall be selected either pro rata or in such other manner as the Corporation may determine to be fair and equitable. Subject to the provisions hereof, the Corporation shall have full power and authority to prescribe the terms and conditions upon which shares of Series A shall be redeemed from time to time. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof.

(e) **Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed

outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

**Section 7. Conversion Upon Regulatory Changes.** If both (i) and (ii) below occur:

(i) after the date of the issuance of the Series A, the Corporation (by election or otherwise) becomes subject to any law, rule, regulation or guidance (together, “Regulations”) relating to its capital adequacy, which Regulation (x) modifies the existing requirements for treatment as Allowable Capital (as defined under the Securities and Exchange Commission rules relating to consolidated supervised entities as in effect from time to time), (y) provides for a type or level of capital characterized as “Tier 1” or its equivalent pursuant to Regulations of any governmental agency, authority or other body having regulatory jurisdiction over the Corporation (or any of its subsidiaries or consolidated affiliates) and implementing the capital standards published by the Basel Committee on Banking Supervision, the Securities and Exchange Commission, the Board of Governors of the Federal Reserve System or any other United States national governmental agency, authority or other body, or any other applicable regime based on capital standards published by the Basel Committee on Banking Supervision or its successor, or (z) provides for a type or level of capital that in the judgment of the Corporation (after consultation with legal counsel of recognized standing) is substantially equivalent to such “Tier 1” capital (such capital described in either (y) or (z) above is referred to below as “Tier 1 Capital Equivalent”), and

(ii) the Corporation affirmatively elects to qualify the Series A for treatment as Allowable Capital or Tier 1 Capital Equivalent without any sublimit or other quantitative restriction on the inclusion of the Series A in Allowable Capital or Tier 1 Capital Equivalent (other than any limitation the Corporation elects to accept and any limitation requiring that common equity or a specified form of common equity constitute the dominant form of Allowable Capital or Tier 1 Capital Equivalent) under such Regulations,

then, upon such affirmative election, the Series A shall be convertible at the Corporation’s option into a new series of Preferred Stock having terms and provisions substantially identical to those of the Series A, except that such new series may have such additional or modified rights, preferences, privileges and voting powers, and limitations and restrictions thereof, as are necessary in the judgment of the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) (after consultation with legal counsel of recognized standing) to comply with the Required Unrestricted Capital Provisions (as defined below), *provided* that the Corporation will not cause any such conversion unless the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) determines that the rights, preferences, privileges and

voting powers, and the qualifications, limitations and restrictions thereof, of such new series of Preferred Stock, taken as a whole, are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and the qualifications, limitations and restrictions thereof, of the Series A, taken as a whole.

As used above, the term “Required Unrestricted Capital Provisions” means such terms and provisions as are, in the judgment of the Corporation (after consultation with counsel of recognized standing), required for preferred stock to be treated as Allowable Capital or Tier 1 Capital Equivalent, as applicable, without any sublimit or other quantitative restriction on the inclusion of such preferred stock in Allowable Capital or Tier 1 Capital Equivalent, as applicable (other than any limitation the Corporation elects to accept and any limitation requiring that common equity or a specified form of common equity constitute the dominant form of Allowable Capital or Tier 1 Capital Equivalent) pursuant to the applicable Regulations.

The Corporation shall provide notice to the holders of Series A of any election to qualify the Series A for Allowable Capital or Tier 1 Capital Equivalent treatment and of any determination to convert the Series A into a new series of Preferred Stock pursuant to the terms of this Section 7, promptly upon the effectiveness of any such election or determination. A copy of such notice and of the relevant Regulations shall be maintained on file at the principal offices of the Corporation and, upon request, will be made available to any stockholder of the Corporation. Any conversion of the Series A pursuant to this Section 7 shall be effected pursuant to such procedures as the Corporation may determine and publicly disclose.

Except as specified in this Section 7, holders of Series A shares shall have no right to exchange or convert such shares into any other securities.

#### **Section 8. Voting Rights.**

(a) **General.** The holders of Series A shall not have any voting rights except as set forth below or as otherwise from to time required by law.

(b) **Right To Elect Two Directors Upon Nonpayment Events.** If and whenever dividends on any shares of Series A shall not have been declared and paid for at least six Dividend Periods, whether or not consecutive (a “Nonpayment Event”), the number of directors then constituting the Board of Directors shall automatically be increased by two and the holders of Series A, together with the holders of any outstanding shares of Voting Preferred Stock, voting together as a single class, shall be entitled to elect the two additional directors (the “Preferred Stock Directors”), *provided* that it shall be a qualification for election for any such Preferred Stock Director that the election of such director shall not cause the Corporation to violate the corporate governance requirement of the New York Stock Exchange (or any other securities exchange or other trading facility on which securities of the Corporation may then be listed or traded) that listed or traded companies must have a majority of independent directors.

In the event that the holders of the Series A, and such other holders of Voting Preferred Stock, shall be entitled to vote for the election of the Preferred Stock

Directors following a Nonpayment Event, such directors shall be initially elected following such Nonpayment Event only at a special meeting called at the request of the holders of record of at least 20% of the Series A or of any other series of Voting Preferred Stock then outstanding (unless such request for a special meeting is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders of the Corporation, in which event such election shall be held only at such next annual or special meeting of stockholders), and at each subsequent annual meeting of stockholders of the Corporation. Such request to call a special meeting for the initial election of the Preferred Stock Directors after a Nonpayment Event shall be made by written notice, signed by the requisite holders of Series A or Voting Preferred Stock, and delivered to the Secretary of the Corporation in such manner as provided for in Section 10 below, or as may otherwise be required by law.

When dividends have been paid (or declared and a sum sufficient for payment thereof set aside) in full on the Series A for at least four Dividend Periods (whether or not consecutive) after a Nonpayment Event, then the right of the holders of Series A to elect the Preferred Stock Directors shall cease (but subject always to reversion of such voting rights in the case of any future Nonpayment Event), and, if and when any rights of holders of Series A and Voting Preferred Stock to elect the Preferred Stock Directors shall have ceased, the terms of office of all the Preferred Stock Directors shall forthwith terminate and the number of directors constituting the Board of Directors shall automatically be reduced accordingly.

Any Preferred Stock Director may be removed at any time without cause by the holders of record of a majority of the outstanding shares of the Series A and Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). So long as a Nonpayment Event shall continue, any vacancy in the office of a Preferred Stock Director (other than prior to the initial election of Preferred Stock Directors after a Nonpayment Event) may be filled by the written consent of the Preferred Stock Director remaining in office, or if none remains in office, by a vote of the holders of record of a majority of the outstanding shares of the Series A and all Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). Any such vote of stockholders to remove, or to fill a vacancy in the office of, a Preferred Stock Director may be taken only at a special meeting of such stockholders, called as provided above for an initial election of Preferred Stock Director after a Nonpayment Event (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders). The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Each Preferred Stock Director elected at any special meeting of stockholders or by written consent of the other Preferred Stock Director shall hold office until the next annual meeting of the stockholders if such office shall not have previously terminated as above provided.

(c) **Other Voting Rights.** So long as any shares of Series A are outstanding, in addition to any other vote or consent of stockholders required by law or by the Certificate of Incorporation, the vote or consent of the holders of at least 66 $\frac{2}{3}$ % of the

shares of Series A and any Voting Preferred Stock at the time outstanding and entitled to vote thereon, voting together as a single class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) **Authorization of Senior Stock.** Any amendment or alteration of the Certificate of Incorporation to authorize or create, or increase the authorized amount of, any shares of any class or series of capital stock of the Corporation ranking senior to the Series A with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up of the Corporation;

(ii) **Amendment of Series A.** Any amendment, alteration or repeal of any provision of the Certificate of Incorporation so as to materially and adversely affect the special rights, preferences, privileges or voting powers of the Series A, taken as a whole; or

(iii) **Share Exchanges, Reclassifications, Mergers and Consolidations.** Any consummation of a binding share exchange or reclassification involving the Series A, or of a merger or consolidation of the Corporation with another corporation or other entity, unless in each case (x) the shares of Series A remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (y) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series A immediately prior to such consummation, taken as a whole;

*provided, however,* that for all purposes of this Section 8(c), any increase in the amount of the authorized or issued Series A or authorized Preferred Stock, or the creation and issuance, or an increase in the authorized or issued amount, of any other series of Preferred Stock ranking equally with and/or junior to the Series A with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and/or the distribution of assets upon liquidation, dissolution or winding up of the Corporation will not be deemed to adversely affect the special rights, preferences, privileges or voting powers of the Series A. In addition, any conversion of the Series A pursuant to Section 7 above shall not be deemed to adversely affect the rights, preferences, privileges and voting powers of the Series A.

If any amendment, alteration, repeal, share exchange, reclassification, merger or consolidation specified in this Section 8(c) would adversely affect the Series A and one or more but not all other series of Preferred Stock, then only the Series A and such series of Preferred Stock as are adversely affected by and entitled to vote on the matter shall vote on the matter together as a single class (in lieu of all other series of Preferred Stock).



(d) **Changes for Clarification.** Without the consent of the holders of the Series A, so long as such action does not adversely affect the special rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series A, the Corporation may amend, alter, supplement or repeal any terms of the Series A:

(i) to cure any ambiguity, or to cure, correct or supplement any provision contained in this Certificate of Designations that may be defective or inconsistent; or

(ii) to make any provision with respect to matters or questions arising with respect to the Series A that is not inconsistent with the provisions of this Certificate of Designations.

(e) **Changes after Provision for Redemption.** No vote or consent of the holders of Series A shall be required pursuant to Section 8(b), (c) or (d) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding shares of Series A shall have been redeemed, or shall have been called for redemption upon proper notice and sufficient funds shall have been set aside for such redemption, in each case pursuant to Section 6 above.

(f) **Procedures for Voting and Consents.** The rules and procedures for calling and conducting any meeting of the holders of Series A (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors), in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Certificate of Incorporation, the Bylaws, applicable law and any national securities exchange or other trading facility on which the Series A is listed or traded at the time. Whether the vote or consent of the holders of a plurality, majority or other portion of the shares of Series A and any Voting Preferred Stock has been cast or given on any matter on which the holders of shares of Series A are entitled to vote shall be determined by the Corporation by reference to the specified liquidation amounts of the shares voted or covered by the consent.

**Section 9. Record Holders.** To the fullest extent permitted by applicable law, the Corporation and the transfer agent for the Series A may deem and treat the record holder of any share of Series A as the true and lawful owner thereof for all purposes, and neither the Corporation nor such transfer agent shall be affected by any notice to the contrary.

**Section 10. Notices.** All notices or communications in respect of Series A shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designations, in the Certificate of Incorporation or Bylaws or by applicable law.

**Section 11. No Preemptive Rights.** No share of Series A shall have any rights of preemption whatsoever as to any securities of the Corporation, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

**Section 12. Other Rights.** The shares of Series A shall not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation or as provided by applicable law.

**CERTIFICATE OF DESIGNATIONS**

**OF**

**6.20% NON-CUMULATIVE PREFERRED STOCK, SERIES B**

**OF**

**THE GOLDMAN SACHS GROUP, INC.**

**THE GOLDMAN SACHS GROUP, INC.**, a corporation organized and existing under the General Corporation Law of the State of Delaware (the “Corporation”), in accordance with the provisions of Sections 103 and 151 thereof, DOES HEREBY CERTIFY:

The Securities Issuance Committee (the “Committee”) of the board of directors of the Corporation (the “Board of Directors”), in accordance with the resolutions of the Board of Directors dated September 16, 2005, the provisions of the amended and restated certificate of incorporation and bylaws of the Corporation and applicable law, by unanimous written consent dated October 25, 2005, adopted the following resolution creating a series of 50,000 shares of Preferred Stock of the Corporation designated as “6.20% Non-Cumulative Preferred Stock, Series B”.

**RESOLVED**, that pursuant to the authority vested in the Committee and in accordance with the resolutions of the Board of Directors dated September 16, 2005, the provisions of the amended and restated certificate of incorporation and bylaws of the Corporation and applicable law, a series of Preferred Stock, par value \$.01 per share, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

**Section 1. Designation.** The distinctive serial designation of such series of Preferred Stock is “6.20% Non-Cumulative Preferred Stock, Series B” (“Series B”). Each share of Series B shall be identical in all respects to every other share of Series B, except as to the respective dates from which dividends thereon shall accrue, to the extent such dates may differ as permitted pursuant to Section 4(a) below.

**Section 2. Number of Shares.** The authorized number of shares of Series B shall be 50,000. Shares of Series B that are redeemed, purchased or otherwise acquired by the Corporation, or converted into another series of Preferred Stock, shall be cancelled and shall revert to authorized but unissued shares of Series B.

**Section 3. Definitions.** As used herein with respect to Series B:

(a) “Board of Directors” means the board of directors of the Corporation.

(b) “ByLaws” means the amended and restated bylaws of the Corporation, as they may be amended from time to time.

(c) “Business Day” means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is not a day on which banking institutions in New York City generally are authorized or obligated by law, regulation or executive order to close.

(d) “Certificate of Designations” means this Certificate of Designations relating to the Series B, as it may be amended from time to time.

(e) “Certification of Incorporation” shall mean the amended and restated certificate of incorporation of the Corporation, as it may be amended from time to time, and shall include this Certificate of Designations.

(f) “Common Stock” means the common stock, par value \$0.01 per share, of the Corporation.

(g) “Junior Stock” means the Common Stock and any other class or series of stock of the Corporation (other than Series B) that ranks junior to Series B either or both as to the payment of dividends and/or as to the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(h) “Parity Stock” means any class or series of stock of the Corporation (other than Series B) that ranks equally with Series B both in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(i) “Preferred Stock” means any and all series of Preferred Stock, having a par value of \$0.01 per share, of the Corporation, including the Series B.

(j) “Voting Preferred Stock” means, with regard to any election or removal of a Preferred Stock Director (as defined in Section 8(b) below) or any other matter as to which the holders of Series B are entitled to vote as specified in Section 8 of this Certificate of Designations, any and all series of Preferred Stock (other than Series B) that rank equally with Series B either as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation and upon which like voting rights have been conferred and are exercisable with respect to such matter.

#### **Section 4. Dividends.**

(a) **Rate.** Holders of Series B shall be entitled to receive, when, as and if declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) out of funds legally available for the payment of dividends under Delaware law, non-cumulative cash dividends at a rate per annum of 6.20% applied to the liquidation preference amount of \$25,000 per share of Series B. Such dividends shall be payable quarterly in arrears (as provided below in this Section 4(a)), but

only when, as and if declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors), on February 10, May 10, August 10 and November 10 (“Dividend Payment Dates”), commencing on February 10, 2006; *provided* that if any such Dividend Payment Date would otherwise occur on a day that is not a Business Day, such Dividend Payment Date shall instead be (and any dividend payable on Series B on such Dividend Payment Date shall instead be payable on) the immediately succeeding Business Day. Dividends on Series B shall not be cumulative; holders of Series B shall not be entitled to receive any dividends not declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) and no interest, or sum of money in lieu of interest, shall be payable in respect of any dividend not so declared.

Dividends that are payable on Series B on any Dividend Payment Date will be payable to holders of record of Series B as they appear on the stock register of the Corporation on the applicable record date, which shall be the 15th calendar day before such Dividend Payment Date or such other record date fixed by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) that is not more than 60 nor less than 10 days prior to such Dividend Payment Date (each, a “Dividend Record Date”). Any such day that is a Dividend Record Date shall be a Dividend Record Date whether or not such day is a Business Day.

Each dividend period (a “Dividend Period”) shall commence on and include a Dividend Payment Date (other than the initial Dividend Period, which shall commence on and include the date of original issue of the Series B, *provided* that, for any share of Series B issued after such original issue date, the initial Dividend Period for such shares may commence on and include such other date as the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) shall determine and publicly disclose) and shall end on and include the calendar day next preceding the next Dividend Payment Date. Dividends payable on the Series B in respect of any Dividend Period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends payable in respect of a Dividend Period shall be payable in arrears – i.e., on the first Dividend Payment Date after such Dividend Period.

Holders of Series B shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on the Series B as specified in this Section 4 (subject to the other provisions of this Certificate of Designations).

(b) **Priority of Dividends.** So long as any share of Series B remains outstanding, no dividend shall be declared or paid on the Common Stock or any other shares of Junior Stock (other than a dividend payable solely in Junior Stock), and no Common Stock or other Junior Stock shall be purchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into other Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock and other than through the use of the proceeds of a substantially contemporaneous sale of Junior Stock) during a Dividend Period, unless the full dividends for the latest completed

Dividend Period on all outstanding shares of Series B have been declared and paid (or declared and a sum sufficient for the payment thereof has been set aside). The foregoing provision shall not restrict the ability of Goldman, Sachs & Co., or any other affiliate of the Corporation, to engage in any market-making transactions in Junior Stock in the ordinary course of business.

When dividends are not paid (or declared and a sum sufficient for payment thereof set aside) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period) in full upon the Series B and any shares of Parity Stock, all dividends declared on the Series B and all such Parity Stock and payable on such Dividend Payment Date (or, in the case of parity stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) shall be declared pro rata so that the respective amounts of such dividends shall bear the same ratio to each other as all accrued but unpaid dividends per share on the Series B and all Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) bear to each other.

Subject to the foregoing, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) may be declared and paid on any securities, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment, and the Series B shall not be entitled to participate in any such dividends.

### **Section 5. Liquidation Rights.**

(a) **Voluntary or Involuntary Liquidation.** In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, holders of Series B shall be entitled to receive, out of the assets of the Corporation or proceeds thereof (whether capital or surplus) available for distribution to stockholders of the Corporation, and after satisfaction of all liabilities and obligations to creditors of the Corporation, before any distribution of such assets or proceeds is made to or set aside for the holders of Common Stock and any other stock of the Corporation ranking junior to the Series B as to such distribution, in full an amount equal to \$25,000 per share (the "Series B Liquidation Amount"), together with an amount equal to all dividends (if any) that have been declared but not paid prior to the date of payment of such distribution (but without any amount in respect of dividends that have not been declared prior to such payment date).

(b) **Partial Payment.** If in any distribution described in Section 5(a) above the assets of the Corporation or proceeds thereof are not sufficient to pay the Liquidation Preferences (as defined below) in full to all holders of Series B and all holders of any stock of the Corporation ranking equally with the Series B as to such distribution, the amounts paid to the holders of Series B and to the holders of all such other stock shall

be paid pro rata in accordance with the respective aggregate Liquidation Preferences of the holders of Series B and the holders of all such other stock. In any such distribution, the "Liquidation Preference" of any holder of stock of the Corporation shall mean the amount otherwise payable to such holder in such distribution (assuming no limitation on the assets of the Corporation available for such distribution), including an amount equal to any declared but unpaid dividends (and, in the case of any holder of stock other than Series B and on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not declared, as applicable).

(c) **Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series B, the holders of other stock of the Corporation shall be entitled to receive all remaining assets of the Corporation (or proceeds thereof) according to their respective rights and preferences.

(d) **Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the merger or consolidation of the Corporation with any other corporation or other entity, including a merger or consolidation in which the holders of Series B receive cash, securities or other property for their shares, or the sale, lease or exchange (for cash, securities or other property) of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation.

#### **Section 6. Redemption.**

(a) **Optional Redemption.** The Series B may not be redeemed by the Corporation prior to October 31, 2010. On or after October 31, 2010, the Corporation, at its option, may redeem, in whole at any time or in part from time to time, the shares of Series B at the time outstanding, upon notice given as provided in Section 6(c) below, at a redemption price equal to \$25,000 per share, together (except as otherwise provided herein below) with an amount equal to any dividends that have been declared but not paid prior to the redemption date (but with no amount in respect of any dividends that have not been declared prior to such date). The redemption price for any shares of Series B shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Corporation or its agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the Dividend Record Date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Dividend Record Date relating to the Dividend Payment Date as provided in Section 4 above.

(b) **No Sinking Fund.** The Series B will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series B will have no right to require redemption of any shares of Series B.

(c) **Notice of Redemption.** Notice of every redemption of shares of Series B shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the

books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series B designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series B. Notwithstanding the foregoing, if the Series B or any depositary shares representing interests in the Series B are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the holders of Series B at such time and in any manner permitted by such facility. Each such notice given to a holder shall state: (1) the redemption date; (2) the number of shares of Series B to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; and (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

(d) **Partial Redemption.** In case of any redemption of only part of the shares of Series B at the time outstanding, the shares to be redeemed shall be selected either pro rata or in such other manner as the Corporation may determine to be fair and equitable. Subject to the provisions hereof, the Corporation shall have full power and authority to prescribe the terms and conditions upon which shares of Series B shall be redeemed from time to time. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof.

(e) **Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

**Section 7. Conversion Upon Regulatory Changes.** If both (i) and (ii) below occur:

(i) after the date of the issuance of the Series B, the Corporation (by election or otherwise) becomes subject to any law, rule, regulation or guidance (together, "Regulations") relating to its capital adequacy, which Regulation (x) modifies the existing requirements for treatment as Allowable Capital (as defined



under the Securities and Exchange Commission rules relating to consolidated supervised entities as in effect from time to time), (y) provides for a type or level of capital characterized as “Tier 1” or its equivalent pursuant to Regulations of any governmental agency, authority or other body having regulatory jurisdiction over the Corporation (or any of its subsidiaries or consolidated affiliates) and implementing the capital standards published by the Basel Committee on Banking Supervision, the Securities and Exchange Commission, the Board of Governors of the Federal Reserve System or any other United States national governmental agency, authority or other body, or any other applicable regime based on capital standards published by the Basel Committee on Banking Supervision or its successor, or (z) provides for a type or level of capital that in the judgment of the Corporation (after consultation with legal counsel of recognized standing) is substantially equivalent to such “Tier 1” capital (such capital described in either (y) or (z) above is referred to below as “Tier 1 Capital Equivalent”), and

(ii) the Corporation affirmatively elects to qualify the Series B for treatment as Allowable Capital or Tier 1 Capital Equivalent without any sublimit or other quantitative restriction on the inclusion of the Series B in Allowable Capital or Tier 1 Capital Equivalent (other than any limitation the Corporation elects to accept and any limitation requiring that common equity or a specified form of common equity constitute the dominant form of Allowable Capital or Tier 1 Capital Equivalent) under such Regulations,

then, upon such affirmative election, the Series B shall be convertible at the Corporation’s option into a new series of Preferred Stock having terms and provisions substantially identical to those of the Series B, except that such new series may have such additional or modified rights, preferences, privileges and voting powers, and limitations and restrictions thereof, as are necessary in the judgment of the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) (after consultation with legal counsel of recognized standing) to comply with the Required Unrestricted Capital Provisions (as defined below), *provided* that the Corporation will not cause any such conversion unless the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) determines that the rights, preferences, privileges and voting powers, and the qualifications, limitations and restrictions thereof, of such new series of Preferred Stock, taken as a whole, are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and the qualifications, limitations and restrictions thereof, of the Series B, taken as a whole.

As used above, the term “Required Unrestricted Capital Provisions” means such terms and provisions as are, in the judgment of the Corporation (after consultation with counsel of recognized standing), required for preferred stock to be treated as Allowable Capital or Tier 1 Capital Equivalent, as applicable, without any sublimit or other quantitative restriction on the inclusion of such preferred stock in Allowable Capital or Tier 1 Capital Equivalent, as applicable (other than any limitation the Corporation elects to accept and any limitation requiring that common equity or a specified form of common equity constitute the dominant form of Allowable Capital or Tier 1 Capital Equivalent) pursuant to the applicable Regulations.

The Corporation shall provide notice to the holders of Series B of any election to qualify the Series B for Allowable Capital or Tier 1 Capital Equivalent treatment and of any determination to convert the Series B into a new series of Preferred Stock pursuant to the terms of this Section 7, promptly upon the effectiveness of any such election or determination. A copy of such notice and of the relevant Regulations shall be maintained on file at the principal offices of the Corporation and, upon request, will be made available to any stockholder of the Corporation. Any conversion of the Series B pursuant to this Section 7 shall be effected pursuant to such procedures as the Corporation may determine and publicly disclose.

Except as specified in this Section 7, holders of Series B shares shall have no right to exchange or convert such shares into any other securities.

#### **Section 8. Voting Rights.**

(a) **General.** The holders of Series B shall not have any voting rights except as set forth below or as otherwise from time required by law.

(b) **Right To Elect Two Directors Upon Nonpayment Events.** If and whenever dividends on any shares of Series B shall not have been declared and paid for at least six Dividend Periods, whether or not consecutive (a “Nonpayment Event”), the number of directors then constituting the Board of Directors shall automatically be increased by two and the holders of Series B, together with the holders of any outstanding shares of Voting Preferred Stock, voting together as a single class, shall be entitled to elect the two additional directors (the “Preferred Stock Directors”), *provided* that it shall be a qualification for election for any such Preferred Stock Director that the election of such director shall not cause the Corporation to violate the corporate governance requirement of the New York Stock Exchange (or any other securities exchange or other trading facility on which securities of the Corporation may then be listed or traded) that listed or traded companies must have a majority of independent directors and *provided further* that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Preferred Stock are entitled to elect pursuant to like voting rights).

In the event that the holders of the Series B, and such other holders of Voting Preferred Stock, shall be entitled to vote for the election of the Preferred Stock Directors following a Nonpayment Event, such directors shall be initially elected following such Nonpayment Event only at a special meeting called at the request of the holders of record of at least 20% of the Series B or of any other series of Voting Preferred Stock then outstanding (unless such request for a special meeting is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders of the Corporation, in which event such election shall be held only at such next annual or special meeting of stockholders), and at each subsequent annual meeting of stockholders of the Corporation. Such request to call a special meeting for the initial election of the Preferred Stock Directors after a Nonpayment Event shall be made by written notice, signed by the requisite holders of Series B or Voting Preferred Stock, and delivered to the Secretary of the Corporation in such manner as provided for in Section 10 below, or as may otherwise be required by law.

When dividends have been paid (or declared and a sum sufficient for payment thereof set aside) in full on the Series B for at least four Dividend Periods (whether or not consecutive) after a Nonpayment Event, then the right of the holders of Series B to elect the Preferred Stock Directors shall cease (but subject always to reversion of such voting rights in the case of any future Nonpayment Event), and, if and when any rights of holders of Series B and Voting Preferred Stock to elect the Preferred Stock Directors shall have ceased, the terms of office of all the Preferred Stock Directors shall forthwith terminate and the number of directors constituting the Board of Directors shall automatically be reduced accordingly.

Any Preferred Stock Director may be removed at any time without cause by the holders of record of a majority of the outstanding shares of the Series B and Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). So long as a Nonpayment Event shall continue, any vacancy in the office of a Preferred Stock Director (other than prior to the initial election of Preferred Stock Directors after a Nonpayment Event) may be filled by the written consent of the Preferred Stock Director remaining in office, or if none remains in office, by a vote of the holders of record of a majority of the outstanding shares of the Series B and all Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). Any such vote of stockholders to remove, or to fill a vacancy in the office of, a Preferred Stock Director may be taken only at a special meeting of such stockholders, called as provided above for an initial election of Preferred Stock Director after a Nonpayment Event (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders). The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Each Preferred Stock Director elected at any special meeting of stockholders or by written consent of the other Preferred Stock Director shall hold office until the next annual meeting of the stockholders if such office shall not have previously terminated as above provided.

(c) **Other Voting Rights.** So long as any shares of Series B are outstanding, in addition to any other vote or consent of stockholders required by law or by the Certificate of Incorporation, the vote or consent of the holders of at least 66  $\frac{2}{3}$ % of the shares of Series B and any Voting Preferred Stock at the time outstanding and entitled to vote thereon, voting together as a single class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) **Authorization of Senior Stock.** Any amendment or alteration of the Certificate of Incorporation to authorize or create, or increase the authorized amount of, any shares of any class or series of capital stock of the Corporation ranking senior to the Series B with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up of the Corporation;

(ii) **Amendment of Series B.** Any amendment, alteration or repeal of any provision of the Certificate of Incorporation so as to materially and adversely affect the special rights, preferences, privileges or voting powers of the Series B, taken as a whole; or

(iii) **Share Exchanges, Reclassifications, Mergers and Consolidations.** Any consummation of a binding share exchange or reclassification involving the Series B, or of a merger or consolidation of the Corporation with another corporation or other entity, unless in each case (x) the shares of Series B remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (y) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series B immediately prior to such consummation, taken as a whole;

*provided, however,* that for all purposes of this Section 8(c), any increase in the amount of the authorized or issued Series B or authorized Preferred Stock, or the creation and issuance, or an increase in the authorized or issued amount, of any other series of Preferred Stock ranking equally with and/or junior to the Series B with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and/or the distribution of assets upon liquidation, dissolution or winding up of the Corporation will not be deemed to adversely affect the rights, preferences, privileges or voting powers of the Series B. In addition, any conversion of the Series B pursuant to Section 7 above shall not be deemed to adversely affect the rights, preferences, privileges and voting powers of the Series B.

If any amendment, alteration, repeal, share exchange, reclassification, merger or consolidation specified in this Section 8(c) would adversely affect the Series B and one or more but not all other series of Preferred Stock, then only the Series B and such series of Preferred Stock as are adversely affected by and entitled to vote on the matter shall vote on the matter together as a single class (in lieu of all other series of Preferred Stock).

(d) **Changes for Clarification.** Without the consent of the holders of the Series B, so long as such action does not adversely affect the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series B, the Corporation may amend, alter, supplement or repeal any terms of the Series B:

(i) to cure any ambiguity, or to cure, correct or supplement any provision contained in this Certificate of Designations that may be defective or inconsistent; or

(ii) to make any provision with respect to matters or questions arising with respect to the Series B that is not inconsistent with the provisions of this Certificate of Designations.

(e) **Changes after Provision for Redemption.** No vote or consent of the holders of Series B shall be required pursuant to Section 8(b), (c) or (d) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding shares of Series B shall have been redeemed, or shall have been called for redemption upon proper notice and sufficient funds shall have been set aside for such redemption, in each case pursuant to Section 6 above.

(f) **Procedures for Voting and Consents.** The rules and procedures for calling and conducting any meeting of the holders of Series B (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors), in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Certificate of Incorporation, the Bylaws, applicable law and any national securities exchange or other trading facility on which the Series B is listed or traded at the time. Whether the vote or consent of the holders of a plurality, majority or other portion of the shares of Series B and any Voting Preferred Stock has been cast or given on any matter on which the holders of shares of Series B are entitled to vote shall be determined by the Corporation by reference to the specified liquidation amounts of the shares voted or covered by the consent.

**Section 9. Record Holders.** To the fullest extent permitted by applicable law, the Corporation and the transfer agent for the Series B may deem and treat the record holder of any share of Series B as the true and lawful owner thereof for all purposes, and neither the Corporation nor such transfer agent shall be affected by any notice to the contrary.

**Section 10. Notices.** All notices or communications in respect of Series B shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designations, in the Certificate of Incorporation or Bylaws or by applicable law.

**Section 11. No Preemptive Rights.** No share of Series B shall have any rights of preemption whatsoever as to any securities of the Corporation, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

**Section 12. Other Rights.** The shares of Series B shall not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation or as provided by applicable law.

**CERTIFICATE OF DESIGNATIONS**  
**OF**  
**FLOATING RATE NON-CUMULATIVE PREFERRED STOCK, SERIES C**  
**OF**  
**THE GOLDMAN SACHS GROUP, INC.**

**THE GOLDMAN SACHS GROUP, INC.**, a corporation organized and existing under the General Corporation Law of the State of Delaware (the “Corporation”), in accordance with the provisions of Sections 103 and 151 thereof, DOES HEREBY CERTIFY:

The Securities Issuance Committee (the “Committee”) of the board of directors of the Corporation (the “Board of Directors”), in accordance with the resolutions of the Board of Directors dated September 16, 2005, the provisions of the amended and restated certificate of incorporation and bylaws of the Corporation and applicable law, by unanimous written consent dated October 25, 2005, adopted the following resolution creating a series of 25,000 shares of Preferred Stock of the Corporation designated as “Floating Rate Non-Cumulative Preferred Stock, Series C”.

**RESOLVED**, that pursuant to the authority vested in the Committee and in accordance with the resolutions of the Board of Directors dated September 16, 2005, the provisions of the amended and restated certificate of incorporation and bylaws of the Corporation and applicable law, a series of Preferred Stock, par value \$.01 per share, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

**Section 1.** Designation. The distinctive serial designation of such series of Preferred Stock is “Floating Rate Non-Cumulative Preferred Stock, Series C” (“Series C”). Each share of Series C shall be identical in all respects to every other share of Series C, except as to the respective dates from which dividends thereon shall accrue, to the extent such dates may differ as permitted pursuant to Section 4(a) below.

**Section 2.** Number of Shares. The authorized number of shares of Series C shall be 25,000. Shares of Series C that are redeemed, purchased or otherwise acquired by the Corporation, or converted into another series of Preferred Stock, shall be cancelled and shall revert to authorized but unissued shares of Series C.

**Section 3.** Definitions. As used herein with respect to Series C:

(a) “Board of Directors” means the board of directors of the Corporation.

(b) “ByLaws” means the amended and restated bylaws of the Corporation, as they may be amended from time to time.

(c) “Business Day” means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is not a day on which banking institutions in New York City generally are authorized or obligated by law, regulation or executive order to close.

(d) “Calculation Agent” means, at any time, the person or entity appointed by the Corporation and serving as such agent at such time. The Corporation may terminate any such appointment and may appoint a successor agent at any time and from time to time, *provided* that the Corporation shall use its best efforts to ensure that there is, at all relevant times when the Series C is outstanding, a person or entity appointed and serving as such agent. The Calculation Agent may be a person or entity affiliated with the Corporation.

(e) “Certificate of Designations” means this Certificate of Designations relating to the Series C, as it may be amended from time to time.

(f) “Certification of Incorporation” shall mean the amended and restated certificate of incorporation of the Corporation, as it may be amended from time to time, and shall include this Certificate of Designations.

(g) “Common Stock” means the common stock, par value \$0.01 per share, of the Corporation.

(h) “Junior Stock” means the Common Stock and any other class or series of stock of the Corporation (other than Series C) that ranks junior to Series C either or both as to the payment of dividends and/or as to the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(i) “London Business Day” means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is a day on which dealings in U.S. dollars are transacted in the London interbank market.

(j) “Moneyline Telerate Page” means the display on Moneyline Telerate, Inc., or any successor service, on the page or pages specified in Section 4 below or any replacement page or pages on that service.

(k) “Parity Stock” means any class or series of stock of the Corporation (other than Series C) that ranks equally with Series C both in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(l) “Preferred Stock” means any and all series of Preferred Stock, having a par value of \$0.01 per share, of the Corporation, including the Series C.

(m) “Representative Amount” means, at any time, an amount that, in the Calculation Agent’s judgment, is representative of a single transaction in the relevant market at the relevant time.

(n) “Voting Preferred Stock” means, with regard to any election or removal of a Preferred Stock Director (as defined in Section 8(b) below) or any other matter as to which the holders of Series C are entitled to vote as specified in Section 8 of this Certificate of Designations, any and all series of Preferred Stock (other than Series C) that rank equally with Series C either as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation and upon which like voting rights have been conferred and are exercisable with respect to such matter.

#### **Section 4. Dividends.**

(a) **Rate.** Holders of Series C shall be entitled to receive, when, as and if declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) out of funds legally available for the payment of dividends under Delaware law, non-cumulative cash dividends at the rate determined as set forth below in this Section (4) applied to the liquidation preference amount of \$25,000 per share of Series C. Such dividends shall be payable quarterly in arrears (as provided below in this Section 4(a)), but only when, as and if declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors), on February 10, May 10, August 10 and November 10 (“Dividend Payment Dates”), commencing on February 10, 2006; *provided* that if any such Dividend Payment Date would otherwise occur on a day that is not a Business Day, such Dividend Payment Date shall instead be (and any dividend payable on Series C on such Dividend Payment Date shall instead be payable on) the immediately succeeding Business Day, unless such immediately succeeding Business Day falls in the next calendar month, in which case such Dividend Payment Date shall instead be (and any such dividend shall instead be payable on) the immediately preceding Business Day. Dividends on Series C shall not be cumulative; holders of Series C shall not be entitled to receive any dividends not declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) and no interest, or sum of money in lieu of interest, shall be payable in respect of any dividend not so declared.

Dividends that are payable on Series C on any Dividend Payment Date will be payable to holders of record of Series C as they appear on the stock register of the Corporation on the applicable record date, which shall be the 15th calendar day before such Dividend Payment Date or such other record date fixed by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) that is not more than 60 nor less than 10 days prior to such Dividend Payment Date (each, a “Dividend Record Date”). Any such day that is a Dividend Record Date shall be a Dividend Record Date whether or not such day is a Business Day.

Each dividend period (a “Dividend Period”) shall commence on and include a Dividend Payment Date (other than the initial Dividend Period, which shall commence



on and include the date of original issue of the Series C, *provided* that, for any share of Series C issued after such original issue date, the initial Dividend Period for such shares may commence on and include such other date as the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) shall determine and publicly disclose) and shall end on and include the calendar day next preceding the next Dividend Payment Date. Dividends payable on the Series C in respect of any Dividend Period shall be computed by the Calculation Agent on the basis of a 360-day year and the actual number of days elapsed in such Dividend Period. Dividends payable in respect of a Dividend Period shall be payable in arrears – i.e., on the first Dividend Payment Date after such Dividend Period.

The dividend rate on the Series C, for each Dividend Period, shall be a rate per annum equal to the greater of (1) 0.75% above LIBOR (as defined below) for such Dividend Period and (2) 4.00%. LIBOR, with respect to any Dividend Period, means the offered rate expressed as a percentage per annum for three-month deposits in U.S. dollars on the first day of such Dividend Period, as that rate appears on Moneyline Telerate Page 3750 as of 11:00 A.M., London time, on the second London Business Day immediately preceding the first day of such Dividend Period.

If the rate described in the preceding paragraph does not appear on Moneyline Telerate Page 3750, LIBOR shall be determined on the basis of the rates, at approximately 11:00 A.M., London time, on the second London Business Day immediately preceding the first day of such Dividend Period, at which deposits of the following kind are offered to prime banks in the London interbank market by four major banks in that market selected by the Calculation Agent: three-month deposits in U.S. dollars, beginning on the first day of such Dividend Period, and in a Representative Amount. The Calculation Agent shall request the principal London office of each of these banks to provide a quotation of its rate at approximately 11:00 A.M., London time. If at least two quotations are provided, LIBOR for such Dividend Period shall be the arithmetic mean of such quotations.

If fewer than two quotations are provided as described in the preceding paragraph, LIBOR for such Dividend Period shall be the arithmetic mean of the rates for loans of the following kind to leading European banks quoted, at approximately 11:00 A.M. New York City time, on the second London Business Day immediately preceding the first day of such Dividend Period, by three major banks in New York City selected by the Calculation Agent: three-month loans of U.S. dollars, beginning on the first day of such Dividend Period, and in a Representative Amount.

If fewer than three banks selected by the Calculation Agent are quoting as described in the preceding paragraph, LIBOR for such Dividend Period shall be LIBOR in effect for the prior Dividend Period.

The Calculation Agent's determination of any dividend rate, and its calculation of the amount of dividends for any Dividend Period, will be maintained on file at the Corporation's principal offices and will be available to any stockholder upon request and will be final and binding in the absence of manifest error.

Holders of Series C shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on the Series C as specified in this Section 4 (subject to the other provisions of this Certificate of Designations).

(b) **Priority of Dividends.** So long as any share of Series C remains outstanding, no dividend shall be declared or paid on the Common Stock or any other shares of Junior Stock (other than a dividend payable solely in Junior Stock), and no Common Stock or other Junior Stock shall be purchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into other Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock and other than through the use of the proceeds of a substantially contemporaneous sale of Junior Stock) during a Dividend Period, unless the full dividends for the latest completed Dividend Period on all outstanding shares of Series C have been declared and paid (or declared and a sum sufficient for the payment thereof has been set aside). The foregoing provision shall not restrict the ability of Goldman, Sachs & Co., or any other affiliate of the Corporation, to engage in any market-making transactions in Junior Stock in the ordinary course of business.

When dividends are not paid (or declared and a sum sufficient for payment thereof set aside) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period) in full upon the Series C and any shares of Parity Stock, all dividends declared on the Series C and all such Parity Stock and payable on such Dividend Payment Date (or, in the case of parity stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) shall be declared pro rata so that the respective amounts of such dividends shall bear the same ratio to each other as all accrued but unpaid dividends per share on the Series C and all Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) bear to each other.

Subject to the foregoing, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) may be declared and paid on any securities, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment, and the Series C shall not be entitled to participate in any such dividends.

#### **Section 5. Liquidation Rights.**

(a) **Voluntary or Involuntary Liquidation.** In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, holders of Series C shall be entitled to receive, out of the assets of the Corporation or proceeds thereof (whether capital or surplus) available for distribution to

stockholders of the Corporation, and after satisfaction of all liabilities and obligations to creditors of the Corporation, before any distribution of such assets or proceeds is made to or set aside for the holders of Common Stock and any other stock of the Corporation ranking junior to the Series C as to such distribution, in full an amount equal to \$25,000 per share (the "Series C Liquidation Amount"), together with an amount equal to all dividends (if any) that have been declared but not paid prior to the date of payment of such distribution (but without any amount in respect of dividends that have not been declared prior to such payment date).

(b) **Partial Payment.** If in any distribution described in Section 5(a) above the assets of the Corporation or proceeds thereof are not sufficient to pay the Liquidation Preferences (as defined below) in full to all holders of Series C and all holders of any stock of the Corporation ranking equally with the Series C as to such distribution, the amounts paid to the holders of Series C and to the holders of all such other stock shall be paid pro rata in accordance with the respective aggregate Liquidation Preferences of the holders of Series C and the holders of all such other stock. In any such distribution, the "Liquidation Preference" of any holder of stock of the Corporation shall mean the amount otherwise payable to such holder in such distribution (assuming no limitation on the assets of the Corporation available for such distribution), including an amount equal to any declared but unpaid dividends (and, in the case of any holder of stock other than Series C and on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not declared, as applicable).

(c) **Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series C, the holders of other stock of the Corporation shall be entitled to receive all remaining assets of the Corporation (or proceeds thereof) according to their respective rights and preferences.

(d) **Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the merger or consolidation of the Corporation with any other corporation or other entity, including a merger or consolidation in which the holders of Series C receive cash, securities or other property for their shares, or the sale, lease or exchange (for cash, securities or other property) of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation.

#### **Section 6. Redemption.**

(a) **Optional Redemption.** The Series C may not be redeemed by the Corporation prior to October 31, 2010. On or after October 31, 2010, the Corporation, at its option, may redeem, in whole at any time or in part from time to time, the shares of Series C at the time outstanding, upon notice given as provided in Section 6(c) below, at a redemption price equal to \$25,000 per share, together (except as otherwise provided herein below) with an amount equal to any dividends that have been declared but not paid prior to the redemption date (but with no amount in respect of any dividends that have not been declared prior to such date). The redemption price for any shares of Series C shall be payable on the redemption date to the holder of such shares against surrender of the

certificate(s) evidencing such shares to the Corporation or its agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the Dividend Record Date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Dividend Record Date relating to the Dividend Payment Date as provided in Section 4 above.

(b) **No Sinking Fund.** The Series C will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series C will have no right to require redemption of any shares of Series C.

(c) **Notice of Redemption.** Notice of every redemption of shares of Series C shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series C designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series C. Notwithstanding the foregoing, if the Series C or any depositary shares representing interests in the Series C are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the holders of Series C at such time and in any manner permitted by such facility. Each such notice given to a holder shall state: (1) the redemption date; (2) the number of shares of Series C to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; and (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

(d) **Partial Redemption.** In case of any redemption of only part of the shares of Series C at the time outstanding, the shares to be redeemed shall be selected either pro rata or in such other manner as the Corporation may determine to be fair and equitable. Subject to the provisions hereof, the Corporation shall have full power and authority to prescribe the terms and conditions upon which shares of Series C shall be redeemed from time to time. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof.

(e) **Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed

outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

**Section 7. Conversion Upon Regulatory Changes.** If both (i) and (ii) below occur:

(i) after the date of the issuance of the Series C, the Corporation (by election or otherwise) becomes subject to any law, rule, regulation or guidance (together, "Regulations") relating to its capital adequacy, which Regulation (x) modifies the existing requirements for treatment as Allowable Capital (as defined under the Securities and Exchange Commission rules relating to consolidated supervised entities as in effect from time to time), (y) provides for a type or level of capital characterized as "Tier 1" or its equivalent pursuant to Regulations of any governmental agency, authority or other body having regulatory jurisdiction over the Corporation (or any of its subsidiaries or consolidated affiliates) and implementing the capital standards published by the Basel Committee on Banking Supervision, the Securities and Exchange Commission, the Board of Governors of the Federal Reserve System or any other United States national governmental agency, authority or other body, or any other applicable regime based on capital standards published by the Basel Committee on Banking Supervision or its successor, or (z) provides for a type or level of capital that in the judgment of the Corporation (after consultation with legal counsel of recognized standing) is substantially equivalent to such "Tier 1" capital (such capital described in either (y) or (z) above is referred to below as "Tier 1 Capital Equivalent"), and

(ii) the Corporation affirmatively elects to qualify the Series C for treatment as Allowable Capital or Tier 1 Capital Equivalent without any sublimit or other quantitative restriction on the inclusion of the Series C in Allowable Capital or Tier 1 Capital Equivalent (other than any limitation the Corporation elects to accept and any limitation requiring that common equity or a specified form of common equity constitute the dominant form of Allowable Capital or Tier 1 Capital Equivalent) under such Regulations,

then, upon such affirmative election, the Series C shall be convertible at the Corporation's option into a new series of Preferred Stock having terms and provisions substantially identical to those of the Series C, except that such new series may have such additional or modified rights, preferences, privileges and voting powers, and limitations and restrictions thereof, as are necessary in the judgment of the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) (after consultation with legal counsel of recognized standing) to comply with the Required Unrestricted Capital Provisions (as defined below), *provided* that the Corporation will not cause any such conversion unless the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) determines that the rights, preferences, privileges and

voting powers, and the qualifications, limitations and restrictions thereof, of such new series of Preferred Stock, taken as a whole, are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and the qualifications, limitations and restrictions thereof, of the Series C, taken as a whole.

As used above, the term “Required Unrestricted Capital Provisions” means such terms and provisions as are, in the judgment of the Corporation (after consultation with counsel of recognized standing), required for preferred stock to be treated as Allowable Capital or Tier 1 Capital Equivalent, as applicable, without any sublimit or other quantitative restriction on the inclusion of such preferred stock in Allowable Capital or Tier 1 Capital Equivalent, as applicable (other than any limitation the Corporation elects to accept and any limitation requiring that common equity or a specified form of common equity constitute the dominant form of Allowable Capital or Tier 1 Capital Equivalent) pursuant to the applicable Regulations.

The Corporation shall provide notice to the holders of Series C of any election to qualify the Series C for Allowable Capital or Tier 1 Capital Equivalent treatment and of any determination to convert the Series C into a new series of Preferred Stock pursuant to the terms of this Section 7, promptly upon the effectiveness of any such election or determination. A copy of such notice and of the relevant Regulations shall be maintained on file at the principal offices of the Corporation and, upon request, will be made available to any stockholder of the Corporation. Any conversion of the Series C pursuant to this Section 7 shall be effected pursuant to such procedures as the Corporation may determine and publicly disclose.

Except as specified in this Section 7, holders of Series C shares shall have no right to exchange or convert such shares into any other securities.

#### **Section 8. Voting Rights.**

(a) **General.** The holders of Series C shall not have any voting rights except as set forth below or as otherwise from time to time required by law.

(b) **Right To Elect Two Directors Upon Nonpayment Events.** If and whenever dividends on any shares of Series C shall not have been declared and paid for at least six Dividend Periods, whether or not consecutive (a “Nonpayment Event”), the number of directors then constituting the Board of Directors shall automatically be increased by two and the holders of Series C, together with the holders of any outstanding shares of Voting Preferred Stock, voting together as a single class, shall be entitled to elect the two additional directors (the “Preferred Stock Directors”), *provided* that it shall be a qualification for election for any such Preferred Stock Director that the election of such director shall not cause the Corporation to violate the corporate governance requirement of the New York Stock Exchange (or any other securities exchange or other trading facility on which securities of the Corporation may then be listed or traded) that listed or traded companies must have a majority of independent directors and *provided further* that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Preferred Stock are entitled to elect pursuant to like voting rights).

In the event that the holders of the Series C, and such other holders of Voting Preferred Stock, shall be entitled to vote for the election of the Preferred Stock Directors following a Nonpayment Event, such directors shall be initially elected following such Nonpayment Event only at a special meeting called at the request of the holders of record of at least 20% of the Series C or of any other series of Voting Preferred Stock then outstanding (unless such request for a special meeting is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders of the Corporation, in which event such election shall be held only at such next annual or special meeting of stockholders), and at each subsequent annual meeting of stockholders of the Corporation. Such request to call a special meeting for the initial election of the Preferred Stock Directors after a Nonpayment Event shall be made by written notice, signed by the requisite holders of Series C or Voting Preferred Stock, and delivered to the Secretary of the Corporation in such manner as provided for in Section 10 below, or as may otherwise be required by law.

When dividends have been paid (or declared and a sum sufficient for payment thereof set aside) in full on the Series C for at least four Dividend Periods (whether or not consecutive) after a Nonpayment Event, then the right of the holders of Series C to elect the Preferred Stock Directors shall cease (but subject always to revesting of such voting rights in the case of any future Nonpayment Event), and, if and when any rights of holders of Series C and Voting Preferred Stock to elect the Preferred Stock Directors shall have ceased, the terms of office of all the Preferred Stock Directors shall forthwith terminate and the number of directors constituting the Board of Directors shall automatically be reduced accordingly.

Any Preferred Stock Director may be removed at any time without cause by the holders of record of a majority of the outstanding shares of the Series C and Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). So long as a Nonpayment Event shall continue, any vacancy in the office of a Preferred Stock Director (other than prior to the initial election of Preferred Stock Directors after a Nonpayment Event) may be filled by the written consent of the Preferred Stock Director remaining in office, or if none remains in office, by a vote of the holders of record of a majority of the outstanding shares of the Series C and all Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). Any such vote of stockholders to remove, or to fill a vacancy in the office of, a Preferred Stock Director may be taken only at a special meeting of such stockholders, called as provided above for an initial election of Preferred Stock Director after a Nonpayment Event (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders). The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Each Preferred Stock Director elected at any special meeting of stockholders or by written consent of the other Preferred Stock Director shall hold office until the next annual meeting of the stockholders if such office shall not have previously terminated as above provided.

(c) **Other Voting Rights.** So long as any shares of Series C are outstanding, in addition to any other vote or consent of stockholders required by law or by the Certificate of Incorporation, the vote or consent of the holders of at least 66 2/3% of the shares of Series C and any Voting Preferred Stock at the time outstanding and entitled to vote thereon, voting together as a single class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) **Authorization of Senior Stock.** Any amendment or alteration of the Certificate of Incorporation to authorize or create, or increase the authorized amount of, any shares of any class or series of capital stock of the Corporation ranking senior to the Series C with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up of the Corporation;

(ii) **Amendment of Series C.** Any amendment, alteration or repeal of any provision of the Certificate of Incorporation so as to materially and adversely affect the special rights, preferences, privileges or voting powers of the Series C, taken as a whole; or

(iii) **Share Exchanges, Reclassifications, Mergers and Consolidations.** Any consummation of a binding share exchange or reclassification involving the Series C, or of a merger or consolidation of the Corporation with another corporation or other entity, unless in each case (x) the shares of Series C remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (y) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series C immediately prior to such consummation, taken as a whole;

*provided, however,* that for all purposes of this Section 8(c), any increase in the amount of the authorized or issued Series C or authorized Preferred Stock, or the creation and issuance, or an increase in the authorized or issued amount, of any other series of Preferred Stock ranking equally with and/or junior to the Series C with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and/or the distribution of assets upon liquidation, dissolution or winding up of the Corporation will not be deemed to adversely affect the rights, preferences, privileges or voting powers of the Series C. In addition, any conversion of the Series C pursuant to Section 7 above shall not be deemed to adversely affect the rights, preferences, privileges and voting powers of the Series C.

If any amendment, alteration, repeal, share exchange, reclassification, merger or consolidation specified in this Section 8(c) would adversely affect the Series C and one or more but not all other series of Preferred Stock, then only the Series C and such series of Preferred Stock as are adversely affected by and entitled to vote on the matter shall vote on the matter together as a single class (in lieu of all other series of Preferred Stock).



**(d) Changes for Clarification.** Without the consent of the holders of the Series C, so long as such action does not adversely affect the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series C, the Corporation may amend, alter, supplement or repeal any terms of the Series C:

(i) to cure any ambiguity, or to cure, correct or supplement any provision contained in this Certificate of Designations that may be defective or inconsistent; or

(ii) to make any provision with respect to matters or questions arising with respect to the Series C that is not inconsistent with the provisions of this Certificate of Designations.

**(e) Changes after Provision for Redemption.** No vote or consent of the holders of Series C shall be required pursuant to Section 8(b), (c) or (d) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding shares of Series C shall have been redeemed, or shall have been called for redemption upon proper notice and sufficient funds shall have been set aside for such redemption, in each case pursuant to Section 6 above.

**(f) Procedures for Voting and Consents.** The rules and procedures for calling and conducting any meeting of the holders of Series C (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors), in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Certificate of Incorporation, the Bylaws, applicable law and any national securities exchange or other trading facility on which the Series C is listed or traded at the time. Whether the vote or consent of the holders of a plurality, majority or other portion of the shares of Series C and any Voting Preferred Stock has been cast or given on any matter on which the holders of shares of Series C are entitled to vote shall be determined by the Corporation by reference to the specified liquidation amounts of the shares voted or covered by the consent.

**Section 9. Record Holders.** To the fullest extent permitted by applicable law, the Corporation and the transfer agent for the Series C may deem and treat the record holder of any share of Series C as the true and lawful owner thereof for all purposes, and neither the Corporation nor such transfer agent shall be affected by any notice to the contrary.

**Section 10. Notices.** All notices or communications in respect of Series C shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designations, in the Certificate of Incorporation or Bylaws or by applicable law.

**Section 11. No Preemptive Rights.** No share of Series C shall have any rights of preemption whatsoever as to any securities of the Corporation, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

**Section 12. Other Rights.** The shares of Series C shall not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation or as provided by applicable law.

**CERTIFICATE OF DESIGNATIONS**  
**OF**  
**FLOATING RATE NON-CUMULATIVE PREFERRED STOCK, SERIES D**  
**OF**  
**THE GOLDMAN SACHS GROUP, INC.**

**THE GOLDMAN SACHS GROUP, INC.**, a corporation organized and existing under the General Corporation Law of the State of Delaware (the “Corporation”), in accordance with the provisions of Sections 103 and 151 thereof, DOES HEREBY CERTIFY:

The Securities Issuance Committee (the “Committee”) of the board of directors of the Corporation (the “Board of Directors”), in accordance with the resolutions of the Board of Directors dated September 16, 2005, the provisions of the restated certificate of incorporation and the amended and restated bylaws of the Corporation and applicable law, by unanimous written consent dated May 16, 2005, adopted the following resolution creating a series of 60,000 shares of Preferred Stock of the Corporation designated as “Floating Rate Non-Cumulative Preferred Stock, Series D”.

**RESOLVED**, that pursuant to the authority vested in the Committee and in accordance with the resolutions of the Board of Directors dated September 16, 2005, the provisions of the restated certificate of incorporation and the amended and restated bylaws of the Corporation and applicable law, a series of Preferred Stock, par value \$.01 per share, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

**Section 1. Designation.** The distinctive serial designation of such series of Preferred Stock is “Floating Rate Non-Cumulative Preferred Stock, Series D” (“Series D”). Each share of Series D shall be identical in all respects to every other share of Series D, except as to the respective dates from which dividends thereon shall accrue, to the extent such dates may differ as permitted pursuant to Section 4(a) below.

**Section 2. Number of Shares.** The authorized number of shares of Series D shall be 60,000. Shares of Series D that are redeemed, purchased or otherwise acquired by the Corporation, or converted into another series of Preferred Stock, shall be cancelled and shall revert to authorized but unissued shares of Series D.

**Section 3. Definitions.** As used herein with respect to Series D:

(a) “Board of Directors” means the board of directors of the Corporation.

(b) “ByLaws” means the amended and restated bylaws of the Corporation, as they may be amended from time to time.

(c) “Business Day” means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is not a day on which banking institutions in New York City generally are authorized or obligated by law, regulation or executive order to close.

(d) “Calculation Agent” means, at any time, the person or entity appointed by the Corporation and serving as such agent at such time. The Corporation may terminate any such appointment and may appoint a successor agent at any time and from time to time, *provided* that the Corporation shall use its best efforts to ensure that there is, at all relevant times when the Series D is outstanding, a person or entity appointed and serving as such agent. The Calculation Agent may be a person or entity affiliated with the Corporation.

(e) “Certificate of Designations” means this Certificate of Designations relating to the Series D, as it may be amended from time to time.

(f) “Certification of Incorporation” shall mean the restated certificate of incorporation of the Corporation, as it may be amended from time to time, and shall include this Certificate of Designations.

(g) “Common Stock” means the common stock, par value \$0.01 per share, of the Corporation.

(h) “Junior Stock” means the Common Stock and any other class or series of stock of the Corporation (other than Series D) that ranks junior to Series D either or both as to the payment of dividends and/or as to the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(i) “London Business Day” means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is a day on which dealings in U.S. dollars are transacted in the London interbank market.

(j) “Moneyline Telerate Page” means the display on Moneyline Telerate, Inc., or any successor service, on the page or pages specified in Section 4 below or any replacement page or pages on that service.

(k) “Parity Stock” means any class or series of stock of the Corporation (other than Series D) that ranks equally with Series D both in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(l) “Preferred Stock” means any and all series of Preferred Stock, having a par value of \$0.01 per share, of the Corporation, including the Series D.

(m) “Representative Amount” means, at any time, an amount that, in the Calculation Agent’s judgment, is representative of a single transaction in the relevant market at the relevant time.

(n) “Voting Preferred Stock” means, with regard to any election or removal of a Preferred Stock Director (as defined in Section 8(b) below) or any other matter as to which the holders of Series D are entitled to vote as specified in Section 8 of this Certificate of Designations, any and all series of Preferred Stock (other than Series D) that rank equally with Series D either as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation and upon which like voting rights have been conferred and are exercisable with respect to such matter.

#### **Section 4. Dividends.**

(a) **Rate.** Holders of Series D shall be entitled to receive, when, as and if declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) out of funds legally available for the payment of dividends under Delaware law, non-cumulative cash dividends at the rate determined as set forth below in this Section (4) applied to the liquidation preference amount of \$25,000 per share of Series D. Such dividends shall be payable quarterly in arrears (as provided below in this Section 4(a)), but only when, as and if declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors), on February 10, May 10, August 10 and November 10 (“Dividend Payment Dates”), commencing on August 10, 2006; *provided* that if any such Dividend Payment Date would otherwise occur on a day that is not a Business Day, such Dividend Payment Date shall instead be (and any dividend payable on Series D on such Dividend Payment Date shall instead be payable on) the immediately succeeding Business Day, unless such immediately succeeding Business Day falls in the next calendar month, in which case such Dividend Payment Date shall instead be (and any such dividend shall instead be payable on) the immediately preceding Business Day. Dividends on Series D shall not be cumulative; holders of Series D shall not be entitled to receive any dividends not declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) and no interest, or sum of money in lieu of interest, shall be payable in respect of any dividend not so declared.

Dividends that are payable on Series D on any Dividend Payment Date will be payable to holders of record of Series D as they appear on the stock register of the Corporation on the applicable record date, which shall be the 15th calendar day before such Dividend Payment Date or such other record date fixed by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) that is not more than 60 nor less than 10 days prior to such Dividend Payment Date (each, a “Dividend Record Date”). Any such day that is a Dividend Record Date shall be a Dividend Record Date whether or not such day is a Business Day.

Each dividend period (a “Dividend Period”) shall commence on and include a Dividend Payment Date (other than the initial Dividend Period, which shall commence

on and include the date of original issue of the Series D, *provided* that, for any share of Series D issued after such original issue date, the initial Dividend Period for such shares may commence on and include such other date as the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) shall determine and publicly disclose) and shall end on and include the calendar day next preceding the next Dividend Payment Date. Dividends payable on the Series D in respect of any Dividend Period shall be computed by the Calculation Agent on the basis of a 360-day year and the actual number of days elapsed in such Dividend Period. Dividends payable in respect of a Dividend Period shall be payable in arrears – i.e., on the first Dividend Payment Date after such Dividend Period.

The dividend rate on the Series D, for each Dividend Period, shall be a rate per annum equal to the greater of (1) 0.67% above LIBOR (as defined below) for such Dividend Period and (2) 4.00%. LIBOR, with respect to any Dividend Period, means the offered rate expressed as a percentage per annum for three-month deposits in U.S. dollars on the first day of such Dividend Period, as that rate appears on Moneyline Telerate Page 3750 (or any successor or replacement page) as of 11:00 A.M., London time, on the second London Business Day immediately preceding the first day of such Dividend Period.

If the rate described in the preceding paragraph does not appear on Moneyline Telerate Page 3750 (or any successor or replacement page), LIBOR shall be determined on the basis of the rates, at approximately 11:00 A.M., London time, on the second London Business Day immediately preceding the first day of such Dividend Period, at which deposits of the following kind are offered to prime banks in the London interbank market by four major banks in that market selected by the Calculation Agent: three-month deposits in U.S. dollars, beginning on the first day of such Dividend Period, and in a Representative Amount. The Calculation Agent shall request the principal London office of each of these banks to provide a quotation of its rate at approximately 11:00 A.M., London time. If at least two quotations are provided, LIBOR for such Dividend Period shall be the arithmetic mean of such quotations.

If fewer than two quotations are provided as described in the preceding paragraph, LIBOR for such Dividend Period shall be the arithmetic mean of the rates for loans of the following kind to leading European banks quoted, at approximately 11:00 A.M. New York City time, on the second London Business Day immediately preceding the first day of such Dividend Period, by three major banks in New York City selected by the Calculation Agent: three-month loans of U.S. dollars, beginning on the first day of such Dividend Period, and in a Representative Amount.

If fewer than three banks selected by the Calculation Agent are quoting as described in the preceding paragraph, LIBOR for such Dividend Period shall be LIBOR in effect for the prior Dividend Period.

The Calculation Agent's determination of any dividend rate, and its calculation of the amount of dividends for any Dividend Period, will be maintained on file at the Corporation's principal offices and will be available to any stockholder upon request and will be final and binding in the absence of manifest error.

Holders of Series D shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on the Series D as specified in this Section 4 (subject to the other provisions of this Certificate of Designations).

(b) **Priority of Dividends.** So long as any share of Series D remains outstanding, no dividend shall be declared or paid on the Common Stock or any other shares of Junior Stock (other than a dividend payable solely in Junior Stock), and no Common Stock or other Junior Stock shall be purchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into other Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock and other than through the use of the proceeds of a substantially contemporaneous sale of Junior Stock) during a Dividend Period, unless the full dividends for the latest completed Dividend Period on all outstanding shares of Series D have been declared and paid (or declared and a sum sufficient for the payment thereof has been set aside). The foregoing provision shall not restrict the ability of Goldman, Sachs & Co., or any other affiliate of the Corporation, to engage in any market-making transactions in Junior Stock in the ordinary course of business.

When dividends are not paid (or declared and a sum sufficient for payment thereof set aside) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period) in full upon the Series D and any shares of Parity Stock, all dividends declared on the Series D and all such Parity Stock and payable on such Dividend Payment Date (or, in the case of parity stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) shall be declared pro rata so that the respective amounts of such dividends shall bear the same ratio to each other as all accrued but unpaid dividends per share on the Series D and all Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) bear to each other.

Subject to the foregoing, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) may be declared and paid on any securities, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment, and the Series D shall not be entitled to participate in any such dividends.

#### **Section 5. Liquidation Rights.**

(a) **Voluntary or Involuntary Liquidation.** In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, holders of Series D shall be entitled to receive, out of the assets of the Corporation or proceeds thereof (whether capital or surplus) available for distribution to

stockholders of the Corporation, and after satisfaction of all liabilities and obligations to creditors of the Corporation, before any distribution of such assets or proceeds is made to or set aside for the holders of Common Stock and any other stock of the Corporation ranking junior to the Series D as to such distribution, in full an amount equal to \$25,000 per share (the "Series D Liquidation Amount"), together with an amount equal to all dividends (if any) that have been declared but not paid prior to the date of payment of such distribution (but without any amount in respect of dividends that have not been declared prior to such payment date).

(b) **Partial Payment.** If in any distribution described in Section 5(a) above the assets of the Corporation or proceeds thereof are not sufficient to pay the Liquidation Preferences (as defined below) in full to all holders of Series D and all holders of any stock of the Corporation ranking equally with the Series D as to such distribution, the amounts paid to the holders of Series D and to the holders of all such other stock shall be paid pro rata in accordance with the respective aggregate Liquidation Preferences of the holders of Series D and the holders of all such other stock. In any such distribution, the "Liquidation Preference" of any holder of stock of the Corporation shall mean the amount otherwise payable to such holder in such distribution (assuming no limitation on the assets of the Corporation available for such distribution), including an amount equal to any declared but unpaid dividends (and, in the case of any holder of stock other than Series D and on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not declared, as applicable).

(c) **Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series D, the holders of other stock of the Corporation shall be entitled to receive all remaining assets of the Corporation (or proceeds thereof) according to their respective rights and preferences.

(d) **Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the merger or consolidation of the Corporation with any other corporation or other entity, including a merger or consolidation in which the holders of Series D receive cash, securities or other property for their shares, or the sale, lease or exchange (for cash, securities or other property) of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation.

#### **Section 6. Redemption.**

(a) **Optional Redemption.** The Series D may not be redeemed by the Corporation prior to May 24, 2011. On or after May 24, 2011, the Corporation, at its option, may redeem, in whole at any time or in part from time to time, the shares of Series D at the time outstanding, upon notice given as provided in Section 6(c) below, at a redemption price equal to \$25,000 per share, together (except as otherwise provided hereinbelow) with an amount equal to any dividends that have been declared but not paid prior to the redemption date (but with no amount in respect of any dividends that have not been declared prior to such date). The redemption price for any shares of Series D shall be payable on the redemption date to the holder of such shares against surrender of the



certificate(s) evidencing such shares to the Corporation or its agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the Dividend Record Date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Dividend Record Date relating to the Dividend Payment Date as provided in Section 4 above.

(b) **No Sinking Fund.** The Series D will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series D will have no right to require redemption of any shares of Series D.

(c) **Notice of Redemption.** Notice of every redemption of shares of Series D shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series D designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series D. Notwithstanding the foregoing, if the Series D or any depository shares representing interests in the Series D are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the holders of Series D at such time and in any manner permitted by such facility. Each such notice given to a holder shall state: (1) the redemption date; (2) the number of shares of Series D to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; and (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

(d) **Partial Redemption.** In case of any redemption of only part of the shares of Series D at the time outstanding, the shares to be redeemed shall be selected either pro rata or in such other manner as the Corporation may determine to be fair and equitable. Subject to the provisions hereof, the Corporation shall have full power and authority to prescribe the terms and conditions upon which shares of Series D shall be redeemed from time to time. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof.

(e) **Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed

outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

**Section 7. Conversion Upon Regulatory Changes.** If both (i) and (ii) below occur:

(i) after the date of the issuance of the Series D, the Corporation (by election or otherwise) becomes subject to any law, rule, regulation or guidance (together, "Regulations") relating to its capital adequacy, which Regulation (x) modifies the existing requirements for treatment as Allowable Capital (as defined under the Securities and Exchange Commission rules relating to consolidated supervised entities as in effect from time to time), (y) provides for a type or level of capital characterized as "Tier 1" or its equivalent pursuant to Regulations of any governmental agency, authority or other body having regulatory jurisdiction over the Corporation (or any of its subsidiaries or consolidated affiliates) and implementing the capital standards published by the Basel Committee on Banking Supervision, the Securities and Exchange Commission, the Board of Governors of the Federal Reserve System or any other United States national governmental agency, authority or other body, or any other applicable regime based on capital standards published by the Basel Committee on Banking Supervision or its successor, or (z) provides for a type or level of capital that in the judgment of the Corporation (after consultation with legal counsel of recognized standing) is substantially equivalent to such "Tier 1" capital (such capital described in either (y) or (z) above is referred to below as "Tier 1 Capital Equivalent"), and

(ii) the Corporation affirmatively elects to qualify the Series D for treatment as Allowable Capital or Tier 1 Capital Equivalent without any sublimit or other quantitative restriction on the inclusion of the Series D in Allowable Capital or Tier 1 Capital Equivalent (other than any limitation the Corporation elects to accept and any limitation requiring that common equity or a specified form of common equity constitute the dominant form of Allowable Capital or Tier 1 Capital Equivalent) under such Regulations,

then, upon such affirmative election, the Series D shall be convertible at the Corporation's option into a new series of Preferred Stock having terms and provisions substantially identical to those of the Series D, except that such new series may have such additional or modified rights, preferences, privileges and voting powers, and limitations and restrictions thereof, as are necessary in the judgment of the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) (after consultation with legal counsel of recognized standing) to comply with the Required Unrestricted Capital Provisions (as defined below), *provided* that the Corporation will not cause any such conversion unless the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) determines that the rights, preferences, privileges and

voting powers, and the qualifications, limitations and restrictions thereof, of such new series of Preferred Stock, taken as a whole, are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and the qualifications, limitations and restrictions thereof, of the Series D, taken as a whole.

As used above, the term “Required Unrestricted Capital Provisions” means such terms and provisions as are, in the judgment of the Corporation (after consultation with counsel of recognized standing), required for preferred stock to be treated as Allowable Capital or Tier 1 Capital Equivalent, as applicable, without any sublimit or other quantitative restriction on the inclusion of such preferred stock in Allowable Capital or Tier 1 Capital Equivalent, as applicable (other than any limitation the Corporation elects to accept and any limitation requiring that common equity or a specified form of common equity constitute the dominant form of Allowable Capital or Tier 1 Capital Equivalent) pursuant to the applicable Regulations.

The Corporation shall provide notice to the holders of Series D of any election to qualify the Series D for Allowable Capital or Tier 1 Capital Equivalent treatment and of any determination to convert the Series D into a new series of Preferred Stock pursuant to the terms of this Section 7, promptly upon the effectiveness of any such election or determination. A copy of such notice and of the relevant Regulations shall be maintained on file at the principal offices of the Corporation and, upon request, will be made available to any stockholder of the Corporation. Any conversion of the Series D pursuant to this Section 7 shall be effected pursuant to such procedures as the Corporation may determine and publicly disclose.

Except as specified in this Section 7, holders of Series D shares shall have no right to exchange or convert such shares into any other securities.

#### **Section 8. Voting Rights.**

(a) **General.** The holders of Series D shall not have any voting rights except as set forth below or as otherwise from time to time required by law.

(b) **Right To Elect Two Directors Upon Nonpayment Events.** If and whenever dividends on any shares of Series D shall not have been declared and paid for at least six Dividend Periods, whether or not consecutive (a “Nonpayment Event”), the number of directors then constituting the Board of Directors shall automatically be increased by two and the holders of Series D, together with the holders of any outstanding shares of Voting Preferred Stock, voting together as a single class, shall be entitled to elect the two additional directors (the “Preferred Stock Directors”), *provided* that it shall be a qualification for election for any such Preferred Stock Director that the election of such director shall not cause the Corporation to violate the corporate governance requirement of the New York Stock Exchange (or any other securities exchange or other trading facility on which securities of the Corporation may then be listed or traded) that listed or traded companies must have a majority of independent directors and *provided further* that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Preferred Stock are entitled to elect pursuant to like voting rights).

In the event that the holders of the Series D, and such other holders of Voting Preferred Stock, shall be entitled to vote for the election of the Preferred Stock Directors following a Nonpayment Event, such directors shall be initially elected following such Nonpayment Event only at a special meeting called at the request of the holders of record of at least 20% of the Series D or of any other series of Voting Preferred Stock then outstanding (unless such request for a special meeting is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders of the Corporation, in which event such election shall be held only at such next annual or special meeting of stockholders), and at each subsequent annual meeting of stockholders of the Corporation. Such request to call a special meeting for the initial election of the Preferred Stock Directors after a Nonpayment Event shall be made by written notice, signed by the requisite holders of Series D or Voting Preferred Stock, and delivered to the Secretary of the Corporation in such manner as provided for in Section 10 below, or as may otherwise be required by law.

When dividends have been paid (or declared and a sum sufficient for payment thereof set aside) in full on the Series D for at least four Dividend Periods (whether or not consecutive) after a Nonpayment Event, then the right of the holders of Series D to elect the Preferred Stock Directors shall cease (but subject always to revesting of such voting rights in the case of any future Nonpayment Event), and, if and when any rights of holders of Series D and Voting Preferred Stock to elect the Preferred Stock Directors shall have ceased, the terms of office of all the Preferred Stock Directors shall forthwith terminate and the number of directors constituting the Board of Directors shall automatically be reduced accordingly.

Any Preferred Stock Director may be removed at any time without cause by the holders of record of a majority of the outstanding shares of the Series D and Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). So long as a Nonpayment Event shall continue, any vacancy in the office of a Preferred Stock Director (other than prior to the initial election of Preferred Stock Directors after a Nonpayment Event) may be filled by the written consent of the Preferred Stock Director remaining in office, or if none remains in office, by a vote of the holders of record of a majority of the outstanding shares of the Series D and all Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). Any such vote of stockholders to remove, or to fill a vacancy in the office of, a Preferred Stock Director may be taken only at a special meeting of such stockholders, called as provided above for an initial election of Preferred Stock Director after a Nonpayment Event (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders). The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Each Preferred Stock Director elected at any special meeting of stockholders or by written consent of the other Preferred Stock Director shall hold office until the next annual meeting of the stockholders if such office shall not have previously terminated as above provided.

(c) **Other Voting Rights.** So long as any shares of Series D are outstanding, in addition to any other vote or consent of stockholders required by law or by the Certificate of Incorporation, the vote or consent of the holders of at least 66 2/3% of the shares of Series D and any Voting Preferred Stock at the time outstanding and entitled to vote thereon, voting together as a single class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) **Authorization of Senior Stock.** Any amendment or alteration of the Certificate of Incorporation to authorize or create, or increase the authorized amount of, any shares of any class or series of capital stock of the Corporation ranking senior to the Series D with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up of the Corporation;

(ii) **Amendment of Series D.** Any amendment, alteration or repeal of any provision of the Certificate of Incorporation so as to materially and adversely affect the special rights, preferences, privileges or voting powers of the Series D, taken as a whole; or

(iii) **Share Exchanges, Reclassifications, Mergers and Consolidations.** Any consummation of a binding share exchange or reclassification involving the Series D, or of a merger or consolidation of the Corporation with another corporation or other entity, unless in each case (x) the shares of Series D remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (y) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series D immediately prior to such consummation, taken as a whole;

*provided, however,* that for all purposes of this Section 8(c), any increase in the amount of the authorized or issued Series D or authorized Preferred Stock, or the creation and issuance, or an increase in the authorized or issued amount, of any other series of Preferred Stock ranking equally with and/or junior to the Series D with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and/or the distribution of assets upon liquidation, dissolution or winding up of the Corporation will not be deemed to adversely affect the rights, preferences, privileges or voting powers of the Series D. In addition, any conversion of the Series D pursuant to Section 7 above shall not be deemed to adversely affect the rights, preferences, privileges and voting powers of the Series D.

If any amendment, alteration, repeal, share exchange, reclassification, merger or consolidation specified in this Section 8(c) would adversely affect the Series D and one or more but not all other series of Preferred Stock, then only the Series D and such series of Preferred Stock as are adversely affected by and entitled to vote on the matter shall vote on the matter together as a single class (in lieu of all other series of Preferred Stock).

**(d) Changes for Clarification.** Without the consent of the holders of the Series D, so long as such action does not adversely affect the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series D, the Corporation may amend, alter, supplement or repeal any terms of the Series D:

(i) to cure any ambiguity, or to cure, correct or supplement any provision contained in this Certificate of Designations that may be defective or inconsistent; or

(ii) to make any provision with respect to matters or questions arising with respect to the Series D that is not inconsistent with the provisions of this Certificate of Designations.

**(e) Changes after Provision for Redemption.** No vote or consent of the holders of Series D shall be required pursuant to Section 8(b), (c) or (d) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding shares of Series D shall have been redeemed, or shall have been called for redemption upon proper notice and sufficient funds shall have been set aside for such redemption, in each case pursuant to Section 6 above.

**(f) Procedures for Voting and Consents.** The rules and procedures for calling and conducting any meeting of the holders of Series D (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors), in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Certificate of Incorporation, the Bylaws, applicable law and any national securities exchange or other trading facility on which the Series D is listed or traded at the time. Whether the vote or consent of the holders of a plurality, majority or other portion of the shares of Series D and any Voting Preferred Stock has been cast or given on any matter on which the holders of shares of Series D are entitled to vote shall be determined by the Corporation by reference to the specified liquidation amounts of the shares voted or covered by the consent.

**Section 9. Record Holders.** To the fullest extent permitted by applicable law, the Corporation and the transfer agent for the Series D may deem and treat the record holder of any share of Series D as the true and lawful owner thereof for all purposes, and neither the Corporation nor such transfer agent shall be affected by any notice to the contrary.

**Section 10. Notices.** All notices or communications in respect of Series D shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designations, in the Certificate of Incorporation or Bylaws or by applicable law.

**Section 11. No Preemptive Rights.** No share of Series D shall have any rights of preemption whatsoever as to any securities of the Corporation, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

**Section 12. Other Rights.** The shares of Series D shall not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation or as provided by applicable law.

**CERTIFICATE OF DESIGNATIONS**  
**OF**  
**PERPETUAL NON-CUMULATIVE PREFERRED STOCK, SERIES E**  
**OF**  
**THE GOLDMAN SACHS GROUP, INC.**

**THE GOLDMAN SACHS GROUP, INC.**, a corporation organized and existing under the General Corporation Law of the State of Delaware (the “Corporation”), in accordance with the provisions of Sections 103 and 151 thereof, DOES HEREBY CERTIFY:

The Securities Issuance Committee (the “Committee”) of the board of directors of the Corporation (the “Board of Directors”), in accordance with the resolutions of the Board of Directors dated September 16, 2005 and September 29, 2006, the provisions of the restated certificate of incorporation and the amended and restated bylaws of the Corporation and applicable law, by unanimous written consent dated May 14, 2007, adopted the following resolution creating a series of 17,500.1 shares of Preferred Stock of the Corporation designated as “Perpetual Non-Cumulative Preferred Stock, Series E”.

**RESOLVED**, that pursuant to the authority vested in the Committee and in accordance with the resolutions of the Board of Directors dated September 16, 2005 and September 29, 2006, the provisions of the restated certificate of incorporation and the amended and restated bylaws of the Corporation and applicable law, a series of Preferred Stock, par value \$.01 per share, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

**Section 1. Designation.** The distinctive serial designation of such series of Preferred Stock is “Perpetual Non-Cumulative Preferred Stock, Series E” (“Series E”). Each share of Series E shall be identical in all respects to every other share of Series E.

**Section 2. Number of Shares.** The authorized number of shares of Series E shall be 17,500.1. Shares of Series E that are redeemed, purchased or otherwise acquired by the Corporation, or converted into another series of Preferred Stock, shall be cancelled and shall revert to authorized but unissued shares of Series E.

**Section 3. Definitions.** As used herein with respect to Series E:

(a) “Board of Directors” means the board of directors of the Corporation.



(b) “ByLaws” means the amended and restated bylaws of the Corporation, as they may be amended from time to time.

(c) “Business Day” means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is not a day on which banking institutions in New York City generally are authorized or obligated by law, regulation or executive order to close.

(d) “Calculation Agent” means, at any time, the person or entity appointed by the Corporation and serving as such agent at such time. The Corporation may terminate any such appointment and may appoint a successor agent at any time and from time to time, *provided* that the Corporation shall use its best efforts to ensure that there is, at all relevant times when the Series E is outstanding, a person or entity appointed and serving as such agent. The Calculation Agent may be a person or entity affiliated with the Corporation.

(e) “Certificate of Designations” means this Certificate of Designations relating to the Series E, as it may be amended from time to time.

(f) “Certification of Incorporation” shall mean the restated certificate of incorporation of the Corporation, as it may be amended from time to time, and shall include this Certificate of Designations.

(g) “Common Stock” means the common stock, par value \$0.01 per share, of the Corporation.

(h) “Junior Stock” means the Common Stock and any other class or series of stock of the Corporation (other than Series E) that ranks junior to Series E either or both as to the payment of dividends and/or as to the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(i) “London Business Day” means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is a day on which dealings in U.S. dollars are transacted in the London interbank market.

(j) “Parity Stock” means any class or series of stock of the Corporation (other than Series E) that ranks equally with Series E both in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(k) “Preferred Stock” means any and all series of Preferred Stock, having a par value of \$0.01 per share, of the Corporation, including the Series E.

(l) “Representative Amount” means, at any time, an amount that, in the Calculation Agent’s judgment, is representative of a single transaction in the relevant market at the relevant time.

(m) “Reuters Screen LIBOR01” means the display designated on the Reuters 3000 Xtra (or such other page as may replace that page on that service or such other service as may be nominated by the British Bankers’ Association for the purpose of displaying London interbank offered rates for U.S. Dollar deposits).

(n) “Voting Preferred Stock” means, with regard to any election or removal of a Preferred Stock Director (as defined in Section 8(b) below) or any other matter as to which the holders of Series E are entitled to vote as specified in Section 8 of this Certificate of Designations, any and all series of Preferred Stock (other than Series E) that rank equally with Series E either as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation and upon which like voting rights have been conferred and are exercisable with respect to such matter.

#### **Section 4. Dividends.**

(a) **Rate.** Holders of Series E shall be entitled to receive, when, as and if declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) out of funds legally available for the payment of dividends under Delaware law, non-cumulative cash dividends at the rate determined as set forth below in this Section (4) applied to the liquidation preference amount of \$100,000 per share of Series E. Such dividends shall be payable in arrears (as provided below in this Section 4(a)), but only when, as and if declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors), (a) if the shares of Series E are issued prior to June 1, 2012 (or if such date is not a Business Day, the next Business Day), on June 1 and December 1 of each year until June 1, 2012, and (b) thereafter, on March 1, June 1, September 1 and December 1 of each year (each a “Dividend Payment Date”); *provided* that if any such Dividend Payment Date would otherwise occur on a day that is not a Business Day, such Dividend Payment Date shall instead be (and any dividend payable on Series E on such Dividend Payment Date shall instead be payable on) the immediately succeeding Business Day. If a Dividend Payment Date prior to June 1, 2012 is not a Business Day, the applicable dividend shall be paid on the first Business Day following that day without adjustment. Dividends on Series E shall not be cumulative; holders of Series E shall not be entitled to receive any dividends not declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) and no interest, or sum of money in lieu of interest, shall be payable in respect of any dividend not so declared.

Dividends that are payable on Series E on any Dividend Payment Date will be payable to holders of record of Series E as they appear on the stock register of the Corporation on the applicable record date, which shall be the 15th calendar day before such Dividend Payment Date or such other record date fixed by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) that is not more than 60 nor less than 10 days prior to such Dividend Payment Date (each, a “Dividend Record Date”). Any such day that is a Dividend Record Date shall be a Dividend Record Date whether or not such day is a Business Day.

Each dividend period (a “Dividend Period”) shall commence on and include a Dividend Payment Date (other than the initial Dividend Period, which shall commence on and include the date of original issue of the Series E) and shall end on and include the calendar day next preceding the next Dividend Payment Date. Dividends payable on the Series E in respect of a Dividend Period shall be computed by the Calculation Agent (i) if shares of Series E are issued prior to June 1, 2012, on the basis of a 360-day year consisting of twelve-30 day months until the Dividend Payment Date in June 2012 and (ii) thereafter, on the basis of a 360-day year and the actual number of days elapsed in such Dividend Period. Dividends payable in respect of a Dividend Period shall be payable in arrears – i.e., on the first Dividend Payment Date after such Dividend Period.

The dividend rate on the Series E, for each Dividend Period, shall be (a) if the shares of Series E are issued prior to June 1, 2012, a rate per annum equal to 5.793% until the Dividend Payment date in June 2012, and (b) thereafter, a rate per annum that will reset quarterly and shall be equal to the greater of (i) three-month LIBOR for such Dividend Period plus 0.7675% and (ii) 4.000%. Three-month LIBOR, with respect to any Dividend Period, means the offered rate expressed as a percentage per annum for three-month deposits in U.S. dollars on the first day of such Dividend Period, as that rate appears on Reuters Screen LIBOR01 (or any successor or replacement page) as of 11:00 A.M., London time, on the second London Business Day immediately preceding the first day of such Dividend Period.

If the rate described in the preceding paragraph does not appear on Reuters Screen LIBOR01 (or any successor or replacement page), LIBOR shall be determined on the basis of the rates, at approximately 11:00 A.M., London time, on the second London Business Day immediately preceding the first day of such Dividend Period, at which deposits of the following kind are offered to prime banks in the London interbank market by four major banks in that market selected by the Calculation Agent: three-month deposits in U.S. dollars, beginning on the first day of such Dividend Period, and in a Representative Amount. The Calculation Agent shall request the principal London office of each of these banks to provide a quotation of its rate at approximately 11:00 A.M., London time. If at least two quotations are provided, LIBOR for such Dividend Period shall be the arithmetic mean of such quotations.

If fewer than two quotations are provided as described in the preceding paragraph, LIBOR for such Dividend Period shall be the arithmetic mean of the rates for loans of the following kind to leading European banks quoted, at approximately 11:00 A.M. New York City time, on the second London Business Day immediately preceding the first day of such Dividend Period, by three major banks in New York City selected by the Calculation Agent: three-month loans of U.S. dollars, beginning on the first day of such Dividend Period, and in a Representative Amount.

If fewer than three banks selected by the Calculation Agent are quoting as described in the preceding paragraph, LIBOR for such Dividend Period shall be LIBOR in effect for the prior Dividend Period.

The Calculation Agent's determination of any dividend rate, and its calculation of the amount of dividends for any Dividend Period, will be maintained on file at the Corporation's principal offices and will be available to any stockholder upon request and will be final and binding in the absence of manifest error.

Holders of Series E shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on the Series E as specified in this Section 4 (subject to the other provisions of this Certificate of Designations).

**(b) Priority of Dividends.** So long as any share of Series E remains outstanding, no dividend shall be declared or paid on the Common Stock or any other shares of Junior Stock (other than a dividend payable solely in Junior Stock), and no Common Stock or other Junior Stock shall be purchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into other Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock and other than through the use of the proceeds of a substantially contemporaneous sale of Junior Stock) during a Dividend Period, unless the full dividends for the latest completed Dividend Period on all outstanding shares of Series E have been declared and paid (or declared and a sum sufficient for the payment thereof has been set aside). The foregoing provision shall not restrict the ability of Goldman, Sachs & Co., or any other affiliate of the Corporation, to engage in any market-making transactions in Junior Stock in the ordinary course of business.

When dividends are not paid (or declared and a sum sufficient for payment thereof set aside) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period) in full upon the Series E and any shares of Parity Stock, all dividends declared on the Series E and all such Parity Stock and payable on such Dividend Payment Date (or, in the case of parity stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) shall be declared pro rata so that the respective amounts of such dividends shall bear the same ratio to each other as all accrued but unpaid dividends per share on the Series E and all Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) bear to each other.

Subject to the foregoing, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) may be declared and paid on any securities, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment, and the Series E shall not be entitled to participate in any such dividends.

## **Section 5. Liquidation Rights.**

(a) **Voluntary or Involuntary Liquidation.** In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, holders of Series E shall be entitled to receive, out of the assets of the Corporation or proceeds thereof (whether capital or surplus) available for distribution to stockholders of the Corporation, and after satisfaction of all liabilities and obligations to creditors of the Corporation, before any distribution of such assets or proceeds is made to or set aside for the holders of Common Stock and any other stock of the Corporation ranking junior to the Series E as to such distribution, in full an amount equal to \$100,000 per share (the "Series E Liquidation Amount"), together with an amount equal to all dividends (if any) that have been declared but not paid prior to the date of payment of such distribution (but without any amount in respect of dividends that have not been declared prior to such payment date).

(b) **Partial Payment.** If in any distribution described in Section 5(a) above the assets of the Corporation or proceeds thereof are not sufficient to pay the Liquidation Preferences (as defined below) in full to all holders of Series E and all holders of any stock of the Corporation ranking equally with the Series E as to such distribution, the amounts paid to the holders of Series E and to the holders of all such other stock shall be paid pro rata in accordance with the respective aggregate Liquidation Preferences of the holders of Series E and the holders of all such other stock. In any such distribution, the "Liquidation Preference" of any holder of stock of the Corporation shall mean the amount otherwise payable to such holder in such distribution (assuming no limitation on the assets of the Corporation available for such distribution), including an amount equal to any declared but unpaid dividends (and, in the case of any holder of stock other than Series E and on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not declared, as applicable).

(c) **Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series E, the holders of other stock of the Corporation shall be entitled to receive all remaining assets of the Corporation (or proceeds thereof) according to their respective rights and preferences.

(d) **Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the merger or consolidation of the Corporation with any other corporation or other entity, including a merger or consolidation in which the holders of Series E receive cash, securities or other property for their shares, or the sale, lease or exchange (for cash, securities or other property) of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation.

## **Section 6. Redemption.**

(a) **Optional Redemption.** The Series E may not be redeemed by the Corporation prior to the later of June 1, 2012 and the date of original issue of Series E. On or after that date, the Corporation, at its option, may redeem, in whole at any time or in part

from time to time, the shares of Series E at the time outstanding, upon notice given as provided in Section 6(c) below, at a redemption price equal to \$100,000 per share, together (except as otherwise provided herein) with an amount equal to any dividends that have been declared but not paid prior to the redemption date (but with no amount in respect of any dividends that have not been declared prior to such date). The redemption price for any shares of Series E shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Corporation or its agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the Dividend Record Date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Dividend Record Date relating to the Dividend Payment Date as provided in Section 4 above.

(b) **No Sinking Fund.** The Series E will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series E will have no right to require redemption of any shares of Series E.

(c) **Notice of Redemption.** Notice of every redemption of shares of Series E shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series E designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series E. Notwithstanding the foregoing, if the Series E or any depository shares representing interests in the Series E are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the holders of Series E at such time and in any manner permitted by such facility. Each such notice given to a holder shall state: (1) the redemption date; (2) the number of shares of Series E to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; and (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

(d) **Partial Redemption.** In case of any redemption of only part of the shares of Series E at the time outstanding, the shares to be redeemed shall be selected either pro rata or in such other manner as the Corporation may determine to be fair and equitable. Subject to the provisions hereof, the Corporation shall have full power and authority to prescribe the terms and conditions upon which shares of Series E shall be redeemed from time to time. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof.

(e) **Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds

necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

**Section 7. Conversion Upon Regulatory Changes.** If both (i) and (ii) below occur:

(i) after the date of the issuance of the Series E, the Corporation (by election or otherwise) becomes subject to any law, rule, regulation or guidance (together, "Regulations") relating to its capital adequacy, which Regulation (x) modifies the existing requirements for treatment as Allowable Capital (as defined under the Securities and Exchange Commission rules relating to consolidated supervised entities as in effect from time to time), (y) provides for a type or level of capital characterized as "Tier 1" or its equivalent pursuant to Regulations of any governmental agency, authority or other body having regulatory jurisdiction over the Corporation (or any of its subsidiaries or consolidated affiliates) and implementing the capital standards published by the Basel Committee on Banking Supervision, the Securities and Exchange Commission, the Board of Governors of the Federal Reserve System or any other United States national governmental agency, authority or other body, or any other applicable regime based on capital standards published by the Basel Committee on Banking Supervision or its successor, or (z) provides for a type or level of capital that in the judgment of the Corporation (after consultation with legal counsel of recognized standing) is substantially equivalent to such "Tier 1" capital (such capital described in either (y) or (z) above is referred to below as "Tier 1 Capital Equivalent"), and

(ii) the Corporation affirmatively elects to qualify the Series E for treatment as Allowable Capital or Tier 1 Capital Equivalent without any sublimit or other quantitative restriction on the inclusion of the Series E in Allowable Capital or Tier 1 Capital Equivalent (other than any limitation the Corporation elects to accept and any limitation requiring that common equity or a specified form of common equity constitute the dominant form of Allowable Capital or Tier 1 Capital Equivalent) under such Regulations,

then, upon such affirmative election, the Series E shall be convertible at the Corporation's option into a new series of Preferred Stock having terms and provisions substantially identical to those of the Series E, except that such new series may have such additional or modified rights, preferences, privileges and voting powers, and limitations and restrictions

thereof, as are necessary in the judgment of the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) (after consultation with legal counsel of recognized standing) to comply with the Required Unrestricted Capital Provisions (as defined below), *provided* that the Corporation will not cause any such conversion unless the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) determines that the rights, preferences, privileges and voting powers, and the qualifications, limitations and restrictions thereof, of such new series of Preferred Stock, taken as a whole, are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and the qualifications, limitations and restrictions thereof, of the Series E, taken as a whole.

As used above, the term “Required Unrestricted Capital Provisions” means such terms and provisions as are, in the judgment of the Corporation (after consultation with counsel of recognized standing), required for preferred stock to be treated as Allowable Capital or Tier 1 Capital Equivalent, as applicable, without any sublimit or other quantitative restriction on the inclusion of such preferred stock in Allowable Capital or Tier 1 Capital Equivalent, as applicable (other than any limitation the Corporation elects to accept and any limitation requiring that common equity or a specified form of common equity constitute the dominant form of Allowable Capital or Tier 1 Capital Equivalent) pursuant to the applicable Regulations.

The Corporation shall provide notice to the holders of Series E of any election to qualify the Series E for Allowable Capital or Tier 1 Capital Equivalent treatment and of any determination to convert the Series E into a new series of Preferred Stock pursuant to the terms of this Section 7, promptly upon the effectiveness of any such election or determination. A copy of such notice and of the relevant Regulations shall be maintained on file at the principal offices of the Corporation and, upon request, will be made available to any stockholder of the Corporation. Any conversion of the Series E pursuant to this Section 7 shall be effected pursuant to such procedures as the Corporation may determine and publicly disclose.

Except as specified in this Section 7, holders of Series E shares shall have no right to exchange or convert such shares into any other securities.

#### **Section 8. Voting Rights.**

(a) **General.** The holders of Series E shall not have any voting rights except as set forth below or as otherwise from time required by law.

(b) **Right To Elect Two Directors Upon Nonpayment Events.** If and whenever dividends on any shares of Series E shall not have been declared and paid for Dividend Periods, whether or not consecutive, equivalent to at least eighteen months (a “Nonpayment Event”), the number of directors then constituting the Board of Directors shall automatically be increased by two and the holders of Series E, together with the holders of any outstanding shares of Voting Preferred Stock, voting together as a single class, shall be entitled to elect the two additional directors (the “Preferred Stock Directors”), *provided* that it shall be a qualification for election for any such Preferred Stock Director that the election of such director shall not cause the Corporation to violate



the corporate governance requirement of the New York Stock Exchange (or any other securities exchange or other trading facility on which securities of the Corporation may then be listed or traded) that listed or traded companies must have a majority of independent directors and *provided further* that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Preferred Stock are entitled to elect pursuant to like voting rights).

In the event that the holders of the Series E, and such other holders of Voting Preferred Stock, shall be entitled to vote for the election of the Preferred Stock Directors following a Nonpayment Event, such directors shall be initially elected following such Nonpayment Event only at a special meeting called at the request of the holders of record of at least 20% of the Series E or of any other series of Voting Preferred Stock then outstanding (unless such request for a special meeting is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders of the Corporation, in which event such election shall be held only at such next annual or special meeting of stockholders), and at each subsequent annual meeting of stockholders of the Corporation. Such request to call a special meeting for the initial election of the Preferred Stock Directors after a Nonpayment Event shall be made by written notice, signed by the requisite holders of Series E or Voting Preferred Stock, and delivered to the Secretary of the Corporation in such manner as provided for in Section 10 below, or as may otherwise be required by law.

When dividends have been paid (or declared and a sum sufficient for payment thereof set aside) in full on the Series E for Dividend Periods, whether or not consecutive, equivalent to at least one year after a Nonpayment Event, then the right of the holders of Series E to elect the Preferred Stock Directors shall cease (but subject always to revesting of such voting rights in the case of any future Nonpayment Event), and, if and when any rights of holders of Series E and Voting Preferred Stock to elect the Preferred Stock Directors shall have ceased, the terms of office of all the Preferred Stock Directors shall forthwith terminate and the number of directors constituting the Board of Directors shall automatically be reduced accordingly.

Any Preferred Stock Director may be removed at any time without cause by the holders of record of a majority of the outstanding shares of the Series E and Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). So long as a Nonpayment Event shall continue, any vacancy in the office of a Preferred Stock Director (other than prior to the initial election of Preferred Stock Directors after a Nonpayment Event) may be filled by the written consent of the Preferred Stock Director remaining in office, or if none remains in office, by a vote of the holders of record of a majority of the outstanding shares of the Series E and all Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). Any such vote of stockholders to remove, or to fill a vacancy in the office of, a Preferred Stock Director may be taken only at a special meeting of such stockholders, called as provided above for an initial election of Preferred Stock Director after a Nonpayment Event (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at

such next annual or special meeting of stockholders). The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Each Preferred Stock Director elected at any special meeting of stockholders or by written consent of the other Preferred Stock Director shall hold office until the next annual meeting of the stockholders if such office shall not have previously terminated as above provided.

(c) **Other Voting Rights.** So long as any shares of Series E are outstanding, in addition to any other vote or consent of stockholders required by law or by the Certificate of Incorporation, the vote or consent of the holders of at least 66 $\frac{2}{3}$ % of the shares of Series E and any Voting Preferred Stock at the time outstanding and entitled to vote thereon, voting together as a single class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) **Authorization of Senior Stock.** Any amendment or alteration of the Certificate of Incorporation to authorize or create, or increase the authorized amount of, any shares of any class or series of capital stock of the Corporation ranking senior to the Series E with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up of the Corporation;

(ii) **Amendment of Series E.** Any amendment, alteration or repeal of any provision of the Certificate of Incorporation so as to materially and adversely affect the special rights, preferences, privileges or voting powers of the Series E, taken as a whole; or

(iii) **Share Exchanges, Reclassifications, Mergers and Consolidations.** Any consummation of a binding share exchange or reclassification involving the Series E, or of a merger or consolidation of the Corporation with another corporation or other entity, unless in each case (x) the shares of Series E remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (y) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series E immediately prior to such consummation, taken as a whole;

*provided, however,* that for all purposes of this Section 8(c), any increase in the amount of the authorized or issued Series E or authorized Preferred Stock, or the creation and issuance, or an increase in the authorized or issued amount, of any other series of Preferred Stock ranking equally with and/or junior to the Series E with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and/or the distribution of assets upon liquidation, dissolution or winding up of the Corporation will

not be deemed to adversely affect the rights, preferences, privileges or voting powers of the Series E. In addition, any conversion of the Series E pursuant to Section 7 above shall not be deemed to adversely affect the rights, preferences, privileges and voting powers of the Series E.

If any amendment, alteration, repeal, share exchange, reclassification, merger or consolidation specified in this Section 8(c) would adversely affect the Series E and one or more but not all other series of Preferred Stock, then only the Series E and such series of Preferred Stock as are adversely affected by and entitled to vote on the matter shall vote on the matter together as a single class (in lieu of all other series of Preferred Stock).

**(d) Changes for Clarification.** Without the consent of the holders of the Series E, so long as such action does not adversely affect the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series E, the Corporation may amend, alter, supplement or repeal any terms of the Series E:

(i) to cure any ambiguity, or to cure, correct or supplement any provision contained in this Certificate of Designations that may be defective or inconsistent; or

(ii) to make any provision with respect to matters or questions arising with respect to the Series E that is not inconsistent with the provisions of this Certificate of Designations.

**(e) Changes after Provision for Redemption.** No vote or consent of the holders of Series E shall be required pursuant to Section 8(b), (c) or (d) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding shares of Series E shall have been redeemed, or shall have been called for redemption upon proper notice and sufficient funds shall have been set aside for such redemption, in each case pursuant to Section 6 above.

**(f) Procedures for Voting and Consents.** The rules and procedures for calling and conducting any meeting of the holders of Series E (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors), in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Certificate of Incorporation, the Bylaws, applicable law and any national securities exchange or other trading facility on which the Series E is listed or traded at the time. Whether the vote or consent of the holders of a plurality, majority or other portion of the shares of Series E and any Voting Preferred Stock has been cast or given on any matter on which the holders of shares of Series E are entitled to vote shall be determined by the Corporation by reference to the specified liquidation amounts of the shares voted or covered by the consent.

**Section 9. Record Holders.** To the fullest extent permitted by applicable law, the Corporation and the transfer agent for the Series E may deem and treat the record holder of any share of Series E as the true and lawful owner thereof for all purposes, and neither the Corporation nor such transfer agent shall be affected by any notice to the contrary.

**Section 10. Notices.** All notices or communications in respect of Series E shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designations, in the Certificate of Incorporation or Bylaws or by applicable law.

**Section 11. No Preemptive Rights.** No share of Series E shall have any rights of preemption whatsoever as to any securities of the Corporation, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

**Section 12. Other Rights.** The shares of Series E shall not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation or as provided by applicable law.

**CERTIFICATE OF DESIGNATIONS**  
**OF**  
**PERPETUAL NON-CUMULATIVE PREFERRED STOCK, SERIES F**  
**OF**  
**THE GOLDMAN SACHS GROUP, INC.**

**THE GOLDMAN SACHS GROUP, INC.**, a corporation organized and existing under the General Corporation Law of the State of Delaware (the “Corporation”), in accordance with the provisions of Sections 103 and 151 thereof, DOES HEREBY CERTIFY:

The Securities Issuance Committee (the “Committee”) of the board of directors of the Corporation (the “Board of Directors”), in accordance with the resolutions of the Board of Directors dated September 16, 2005 and September 29, 2006, the provisions of the restated certificate of incorporation and the amended and restated bylaws of the Corporation and applicable law, by unanimous written consent dated May 14, 2007, adopted the following resolution creating a series of 5,000.1 shares of Preferred Stock of the Corporation designated as “Perpetual Non-Cumulative Preferred Stock, Series F”.

**RESOLVED**, that pursuant to the authority vested in the Committee and in accordance with the resolutions of the Board of Directors dated September 16, 2005 and September 29, 2006, the provisions of the restated certificate of incorporation and the amended and restated bylaws of the Corporation and applicable law, a series of Preferred Stock, par value \$.01 per share, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

**Section 1. Designation.** The distinctive serial designation of such series of Preferred Stock is “Perpetual Non-Cumulative Preferred Stock, Series F” (“Series F”). Each share of Series F shall be identical in all respects to every other share of Series F.

**Section 2. Number of Shares.** The authorized number of shares of Series F shall be 5,000.1. Shares of Series F that are redeemed, purchased or otherwise acquired by the Corporation, or converted into another series of Preferred Stock, shall be cancelled and shall revert to authorized but unissued shares of Series F.

**Section 3. Definitions.** As used herein with respect to Series F:

(a) “Board of Directors” means the board of directors of the Corporation.

(b) “ByLaws” means the amended and restated bylaws of the Corporation, as they may be amended from time to time.

(c) “Business Day” means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is not a day on which banking institutions in New York City generally are authorized or obligated by law, regulation or executive order to close.

(d) “Calculation Agent” means, at any time, the person or entity appointed by the Corporation and serving as such agent at such time. The Corporation may terminate any such appointment and may appoint a successor agent at any time and from time to time, *provided* that the Corporation shall use its best efforts to ensure that there is, at all relevant times when the Series F is outstanding, a person or entity appointed and serving as such agent. The Calculation Agent may be a person or entity affiliated with the Corporation.

(e) “Certificate of Designations” means this Certificate of Designations relating to the Series F, as it may be amended from time to time.

(f) “Certification of Incorporation” shall mean the restated certificate of incorporation of the Corporation, as it may be amended from time to time, and shall include this Certificate of Designations.

(g) “Common Stock” means the common stock, par value \$0.01 per share, of the Corporation.

(h) “Junior Stock” means the Common Stock and any other class or series of stock of the Corporation (other than Series F) that ranks junior to Series F either or both as to the payment of dividends and/or as to the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(i) “London Business Day” means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is a day on which dealings in U.S. dollars are transacted in the London interbank market.

(j) “Parity Stock” means any class or series of stock of the Corporation (other than Series F) that ranks equally with Series F both in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(k) “Preferred Stock” means any and all series of Preferred Stock, having a par value of \$0.01 per share, of the Corporation, including the Series F.

(l) “Representative Amount” means, at any time, an amount that, in the Calculation Agent’s judgment, is representative of a single transaction in the relevant market at the relevant time.

(m) “Reuters Screen LIBOR01” means the display designated on the Reuters 3000 Xtra (or such other page as may replace that page on that service or such other service as may be nominated by the British Bankers’ Association for the purpose of displaying London interbank offered rates for U.S. Dollar deposits).

(n) “Voting Preferred Stock” means, with regard to any election or removal of a Preferred Stock Director (as defined in Section 8(b) below) or any other matter as to which the holders of Series F are entitled to vote as specified in Section 8 of this Certificate of Designations, any and all series of Preferred Stock (other than Series F) that rank equally with Series F either as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation and upon which like voting rights have been conferred and are exercisable with respect to such matter.

#### **Section 4. Dividends.**

(a) **Rate.** Holders of Series F shall be entitled to receive, when, as and if declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) out of funds legally available for the payment of dividends under Delaware law, non-cumulative cash dividends at the rate determined as set forth below in this Section (4) applied to the liquidation preference amount of \$100,000 per share of Series F. Such dividends shall be payable quarterly in arrears (as provided below in this Section 4(a)), but only when, as and if declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors), on March 1, June 1, September 1 and December 1 of each year (each a “Dividend Payment Date”); *provided* that if any such Dividend Payment Date would otherwise occur on a day that is not a Business Day, such Dividend Payment Date shall instead be (and any dividend payable on Series F on such Dividend Payment Date shall instead be payable on) the immediately succeeding Business Day. If a Dividend Payment Date is not a Business Day, the applicable dividend shall be paid on the first Business Day following that day. Dividends on Series F shall not be cumulative; holders of Series F shall not be entitled to receive any dividends not declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) and no interest, or sum of money in lieu of interest, shall be payable in respect of any dividend not so declared.

Dividends that are payable on Series F on any Dividend Payment Date will be payable to holders of record of Series F as they appear on the stock register of the Corporation on the applicable record date, which shall be the 15th calendar day before such Dividend Payment Date or such other record date fixed by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) that is not more than 60 nor less than 10 days prior to such Dividend Payment Date (each, a “Dividend Record Date”). Any such day that is a Dividend Record Date shall be a Dividend Record Date whether or not such day is a Business Day.

Each dividend period (a “Dividend Period”) shall commence on and include a Dividend Payment Date (other than the initial Dividend Period, which shall commence

on and include the date of original issue of the Series F) and shall end on and include the calendar day next preceding the next Dividend Payment Date. Dividends payable on the Series F in respect of any Dividend Period shall be computed by the Calculation Agent on the basis of a 360-day year and the actual number of days elapsed in such Dividend Period. Dividends payable in respect of a Dividend Period shall be payable in arrears – i.e., on the first Dividend Payment Date after such Dividend Period.

The dividend rate on the Series F, for each Dividend Period, shall be (a) if the shares of Series F are issued prior to September 1, 2012, a rate per annum equal to three-month LIBOR plus 0.77% until the Dividend Payment date in September 2012, and (b) thereafter, a rate per annum that will reset quarterly and shall be equal to the greater of (i) three-month LIBOR for such Dividend Period plus 0.77 % and (ii) 4.000%. Three-month LIBOR, with respect to any Dividend Period, means the offered rate expressed as a percentage per annum for three-month deposits in U.S. dollars on the first day of such Dividend Period, as that rate appears on Reuters Screen LIBOR01 (or any successor or replacement page) as of 11:00 A.M., London time, on the second London Business Day immediately preceding the first day of such Dividend Period.

If the rate described in the preceding paragraph does not appear on Reuters Screen LIBOR01(or any successor or replacement page), LIBOR shall be determined on the basis of the rates, at approximately 11:00 A.M., London time, on the second London Business Day immediately preceding the first day of such Dividend Period, at which deposits of the following kind are offered to prime banks in the London interbank market by four major banks in that market selected by the Calculation Agent: three-month deposits in U.S. dollars, beginning on the first day of such Dividend Period, and in a Representative Amount. The Calculation Agent shall request the principal London office of each of these banks to provide a quotation of its rate at approximately 11:00 A.M., London time. If at least two quotations are provided, LIBOR for such Dividend Period shall be the arithmetic mean of such quotations.

If fewer than two quotations are provided as described in the preceding paragraph, LIBOR for such Dividend Period shall be the arithmetic mean of the rates for loans of the following kind to leading European banks quoted, at approximately 11:00 A.M. New York City time, on the second London Business Day immediately preceding the first day of such Dividend Period, by three major banks in New York City selected by the Calculation Agent: three-month loans of U.S. dollars, beginning on the first day of such Dividend Period, and in a Representative Amount.

If fewer than three banks selected by the Calculation Agent are quoting as described in the preceding paragraph, LIBOR for such Dividend Period shall be LIBOR in effect for the prior Dividend Period.

The Calculation Agent's determination of any dividend rate, and its calculation of the amount of dividends for any Dividend Period, will be maintained on file at the Corporation's principal offices and will be available to any stockholder upon request and will be final and binding in the absence of manifest error.



Holders of Series F shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on the Series F as specified in this Section 4 (subject to the other provisions of this Certificate of Designations).

(b) **Priority of Dividends.** So long as any share of Series F remains outstanding, no dividend shall be declared or paid on the Common Stock or any other shares of Junior Stock (other than a dividend payable solely in Junior Stock), and no Common Stock or other Junior Stock shall be purchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into other Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock and other than through the use of the proceeds of a substantially contemporaneous sale of Junior Stock) during a Dividend Period, unless the full dividends for the latest completed Dividend Period on all outstanding shares of Series F have been declared and paid (or declared and a sum sufficient for the payment thereof has been set aside). The foregoing provision shall not restrict the ability of Goldman, Sachs & Co., or any other affiliate of the Corporation, to engage in any market-making transactions in Junior Stock in the ordinary course of business.

When dividends are not paid (or declared and a sum sufficient for payment thereof set aside) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period) in full upon the Series F and any shares of Parity Stock, all dividends declared on the Series F and all such Parity Stock and payable on such Dividend Payment Date (or, in the case of parity stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) shall be declared pro rata so that the respective amounts of such dividends shall bear the same ratio to each other as all accrued but unpaid dividends per share on the Series F and all Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) bear to each other.

Subject to the foregoing, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) may be declared and paid on any securities, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment, and the Series F shall not be entitled to participate in any such dividends.

#### **Section 5. Liquidation Rights.**

(a) **Voluntary or Involuntary Liquidation.** In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, holders of Series F shall be entitled to receive, out of the assets of the

Corporation or proceeds thereof (whether capital or surplus) available for distribution to stockholders of the Corporation, and after satisfaction of all liabilities and obligations to creditors of the Corporation, before any distribution of such assets or proceeds is made to or set aside for the holders of Common Stock and any other stock of the Corporation ranking junior to the Series F as to such distribution, in full an amount equal to \$100,000 per share (the "Series F Liquidation Amount"), together with an amount equal to all dividends (if any) that have been declared but not paid prior to the date of payment of such distribution (but without any amount in respect of dividends that have not been declared prior to such payment date).

(b) **Partial Payment.** If in any distribution described in Section 5(a) above the assets of the Corporation or proceeds thereof are not sufficient to pay the Liquidation Preferences (as defined below) in full to all holders of Series F and all holders of any stock of the Corporation ranking equally with the Series F as to such distribution, the amounts paid to the holders of Series F and to the holders of all such other stock shall be paid pro rata in accordance with the respective aggregate Liquidation Preferences of the holders of Series F and the holders of all such other stock. In any such distribution, the "Liquidation Preference" of any holder of stock of the Corporation shall mean the amount otherwise payable to such holder in such distribution (assuming no limitation on the assets of the Corporation available for such distribution), including an amount equal to any declared but unpaid dividends (and, in the case of any holder of stock other than Series F and on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not declared, as applicable).

(c) **Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series F, the holders of other stock of the Corporation shall be entitled to receive all remaining assets of the Corporation (or proceeds thereof) according to their respective rights and preferences.

(d) **Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the merger or consolidation of the Corporation with any other corporation or other entity, including a merger or consolidation in which the holders of Series F receive cash, securities or other property for their shares, or the sale, lease or exchange (for cash, securities or other property) of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation.

#### **Section 6. Redemption.**

(a) **Optional Redemption.** The Series F may not be redeemed by the Corporation prior to the later of September 1, 2012 and the date of original issue of Series F. On or after that date, the Corporation, at its option, may redeem, in whole at any time or in part from time to time, the shares of Series F at the time outstanding, upon notice given as provided in Section 6(c) below, at a redemption price equal to \$100,000 per share, together (except as otherwise provided herein) with an amount equal to any dividends that have been declared but not paid prior to the redemption date (but with no amount in respect

of any dividends that have not been declared prior to such date). The redemption price for any shares of Series F shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Corporation or its agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the Dividend Record Date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Dividend Record Date relating to the Dividend Payment Date as provided in Section 4 above.

(b) **No Sinking Fund.** The Series F will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series F will have no right to require redemption of any shares of Series F.

(c) **Notice of Redemption.** Notice of every redemption of shares of Series F shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series F designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series F. Notwithstanding the foregoing, if the Series F or any depository shares representing interests in the Series F are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the holders of Series F at such time and in any manner permitted by such facility. Each such notice given to a holder shall state: (1) the redemption date; (2) the number of shares of Series F to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; and (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

(d) **Partial Redemption.** In case of any redemption of only part of the shares of Series F at the time outstanding, the shares to be redeemed shall be selected either pro rata or in such other manner as the Corporation may determine to be fair and equitable. Subject to the provisions hereof, the Corporation shall have full power and authority to prescribe the terms and conditions upon which shares of Series F shall be redeemed from time to time. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof.

(e) **Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that

any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

**Section 7. Conversion Upon Regulatory Changes.** If both (i) and (ii) below occur:

(i) after the date of the issuance of the Series F, the Corporation (by election or otherwise) becomes subject to any law, rule, regulation or guidance (together, "Regulations") relating to its capital adequacy, which Regulation (x) modifies the existing requirements for treatment as Allowable Capital (as defined under the Securities and Exchange Commission rules relating to consolidated supervised entities as in effect from time to time), (y) provides for a type or level of capital characterized as "Tier 1" or its equivalent pursuant to Regulations of any governmental agency, authority or other body having regulatory jurisdiction over the Corporation (or any of its subsidiaries or consolidated affiliates) and implementing the capital standards published by the Basel Committee on Banking Supervision, the Securities and Exchange Commission, the Board of Governors of the Federal Reserve System or any other United States national governmental agency, authority or other body, or any other applicable regime based on capital standards published by the Basel Committee on Banking Supervision or its successor, or (z) provides for a type or level of capital that in the judgment of the Corporation (after consultation with legal counsel of recognized standing) is substantially equivalent to such "Tier 1" capital (such capital described in either (y) or (z) above is referred to below as "Tier 1 Capital Equivalent"), and

(ii) the Corporation affirmatively elects to qualify the Series F for treatment as Allowable Capital or Tier 1 Capital Equivalent without any sublimit or other quantitative restriction on the inclusion of the Series F in Allowable Capital or Tier 1 Capital Equivalent (other than any limitation the Corporation elects to accept and any limitation requiring that common equity or a specified form of common equity constitute the dominant form of Allowable Capital or Tier 1 Capital Equivalent) under such Regulations,

then, upon such affirmative election, the Series F shall be convertible at the Corporation's option into a new series of Preferred Stock having terms and provisions substantially identical to those of the Series F, except that such new series may have such additional or modified rights, preferences, privileges and voting powers, and limitations and restrictions thereof, as are necessary in the judgment of the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) (after consultation with legal

counsel of recognized standing) to comply with the Required Unrestricted Capital Provisions (as defined below), *provided* that the Corporation will not cause any such conversion unless the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) determines that the rights, preferences, privileges and voting powers, and the qualifications, limitations and restrictions thereof, of such new series of Preferred Stock, taken as a whole, are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and the qualifications, limitations and restrictions thereof, of the Series F, taken as a whole.

As used above, the term “Required Unrestricted Capital Provisions” means such terms and provisions as are, in the judgment of the Corporation (after consultation with counsel of recognized standing), required for preferred stock to be treated as Allowable Capital or Tier 1 Capital Equivalent, as applicable, without any sublimit or other quantitative restriction on the inclusion of such preferred stock in Allowable Capital or Tier 1 Capital Equivalent, as applicable (other than any limitation the Corporation elects to accept and any limitation requiring that common equity or a specified form of common equity constitute the dominant form of Allowable Capital or Tier 1 Capital Equivalent) pursuant to the applicable Regulations.

The Corporation shall provide notice to the holders of Series F of any election to qualify the Series F for Allowable Capital or Tier 1 Capital Equivalent treatment and of any determination to convert the Series F into a new series of Preferred Stock pursuant to the terms of this Section 7, promptly upon the effectiveness of any such election or determination. A copy of such notice and of the relevant Regulations shall be maintained on file at the principal offices of the Corporation and, upon request, will be made available to any stockholder of the Corporation. Any conversion of the Series F pursuant to this Section 7 shall be effected pursuant to such procedures as the Corporation may determine and publicly disclose.

Except as specified in this Section 7, holders of Series F shares shall have no right to exchange or convert such shares into any other securities.

#### **Section 8. Voting Rights.**

(a) **General.** The holders of Series F shall not have any voting rights except as set forth below or as otherwise from time required by law.

(b) **Right To Elect Two Directors Upon Nonpayment Events.** If and whenever dividends on any shares of Series F shall not have been declared and paid for at least six Dividend Periods, whether or not consecutive (a “Nonpayment Event”), the number of directors then constituting the Board of Directors shall automatically be increased by two and the holders of Series F, together with the holders of any outstanding shares of Voting Preferred Stock, voting together as a single class, shall be entitled to elect the two additional directors (the “Preferred Stock Directors”), *provided* that it shall be a qualification for election for any such Preferred Stock Director that the election of such director shall not cause the Corporation to violate the corporate governance requirement of the New York Stock Exchange (or any other securities exchange or other trading facility on

which securities of the Corporation may then be listed or traded) that listed or traded companies must have a majority of independent directors and *provided further* that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Preferred Stock are entitled to elect pursuant to like voting rights).

In the event that the holders of the Series F, and such other holders of Voting Preferred Stock, shall be entitled to vote for the election of the Preferred Stock Directors following a Nonpayment Event, such directors shall be initially elected following such Nonpayment Event only at a special meeting called at the request of the holders of record of at least 20% of the Series F or of any other series of Voting Preferred Stock then outstanding (unless such request for a special meeting is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders of the Corporation, in which event such election shall be held only at such next annual or special meeting of stockholders), and at each subsequent annual meeting of stockholders of the Corporation. Such request to call a special meeting for the initial election of the Preferred Stock Directors after a Nonpayment Event shall be made by written notice, signed by the requisite holders of Series F or Voting Preferred Stock, and delivered to the Secretary of the Corporation in such manner as provided for in Section 10 below, or as may otherwise be required by law.

When dividends have been paid (or declared and a sum sufficient for payment thereof set aside) in full on the Series F for at least four Dividend Periods (whether or not consecutive) after a Nonpayment Event, then the right of the holders of Series F to elect the Preferred Stock Directors shall cease (but subject always to revesting of such voting rights in the case of any future Nonpayment Event), and, if and when any rights of holders of Series F and Voting Preferred Stock to elect the Preferred Stock Directors shall have ceased, the terms of office of all the Preferred Stock Directors shall forthwith terminate and the number of directors constituting the Board of Directors shall automatically be reduced accordingly.

Any Preferred Stock Director may be removed at any time without cause by the holders of record of a majority of the outstanding shares of the Series F and Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). So long as a Nonpayment Event shall continue, any vacancy in the office of a Preferred Stock Director (other than prior to the initial election of Preferred Stock Directors after a Nonpayment Event) may be filled by the written consent of the Preferred Stock Director remaining in office, or if none remains in office, by a vote of the holders of record of a majority of the outstanding shares of the Series F and all Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). Any such vote of stockholders to remove, or to fill a vacancy in the office of, a Preferred Stock Director may be taken only at a special meeting of such stockholders, called as provided above for an initial election of Preferred Stock Director after a Nonpayment Event (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders). The Preferred Stock Directors shall

each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Each Preferred Stock Director elected at any special meeting of stockholders or by written consent of the other Preferred Stock Director shall hold office until the next annual meeting of the stockholders if such office shall not have previously terminated as above provided.

(c) **Other Voting Rights.** So long as any shares of Series F are outstanding, in addition to any other vote or consent of stockholders required by law or by the Certificate of Incorporation, the vote or consent of the holders of at least 66 $\frac{2}{3}$ % of the shares of Series F and any Voting Preferred Stock at the time outstanding and entitled to vote thereon, voting together as a single class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) **Authorization of Senior Stock.** Any amendment or alteration of the Certificate of Incorporation to authorize or create, or increase the authorized amount of, any shares of any class or series of capital stock of the Corporation ranking senior to the Series F with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up of the Corporation;

(ii) **Amendment of Series F.** Any amendment, alteration or repeal of any provision of the Certificate of Incorporation so as to materially and adversely affect the special rights, preferences, privileges or voting powers of the Series F, taken as a whole; or

(iii) **Share Exchanges, Reclassifications, Mergers and Consolidations.** Any consummation of a binding share exchange or reclassification involving the Series F, or of a merger or consolidation of the Corporation with another corporation or other entity, unless in each case (x) the shares of Series F remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (y) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series F immediately prior to such consummation, taken as a whole;

*provided, however,* that for all purposes of this Section 8(c), any increase in the amount of the authorized or issued Series F or authorized Preferred Stock, or the creation and issuance, or an increase in the authorized or issued amount, of any other series of Preferred Stock ranking equally with and/or junior to the Series F with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and/or the distribution of assets upon liquidation, dissolution or winding up of the Corporation will

not be deemed to adversely affect the rights, preferences, privileges or voting powers of the Series F. In addition, any conversion of the Series F pursuant to Section 7 above shall not be deemed to adversely affect the rights, preferences, privileges and voting powers of the Series F.

If any amendment, alteration, repeal, share exchange, reclassification, merger or consolidation specified in this Section 8(c) would adversely affect the Series F and one or more but not all other series of Preferred Stock, then only the Series F and such series of Preferred Stock as are adversely affected by and entitled to vote on the matter shall vote on the matter together as a single class (in lieu of all other series of Preferred Stock).

**(d) Changes for Clarification.** Without the consent of the holders of the Series F, so long as such action does not adversely affect the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series F, the Corporation may amend, alter, supplement or repeal any terms of the Series F:

(i) to cure any ambiguity, or to cure, correct or supplement any provision contained in this Certificate of Designations that may be defective or inconsistent; or

(ii) to make any provision with respect to matters or questions arising with respect to the Series F that is not inconsistent with the provisions of this Certificate of Designations.

**(e) Changes after Provision for Redemption.** No vote or consent of the holders of Series F shall be required pursuant to Section 8(b), (c) or (d) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding shares of Series F shall have been redeemed, or shall have been called for redemption upon proper notice and sufficient funds shall have been set aside for such redemption, in each case pursuant to Section 6 above.

**(f) Procedures for Voting and Consents.** The rules and procedures for calling and conducting any meeting of the holders of Series F (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors), in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Certificate of Incorporation, the Bylaws, applicable law and any national securities exchange or other trading facility on which the Series F is listed or traded at the time. Whether the vote or consent of the holders of a plurality, majority or other portion of the shares of Series F and any Voting Preferred Stock has been cast or given on any matter on which the holders of shares of Series F are entitled to vote shall be determined by the Corporation by reference to the specified liquidation amounts of the shares voted or covered by the consent.



**Section 9. Record Holders.** To the fullest extent permitted by applicable law, the Corporation and the transfer agent for the Series F may deem and treat the record holder of any share of Series F as the true and lawful owner thereof for all purposes, and neither the Corporation nor such transfer agent shall be affected by any notice to the contrary.

**Section 10. Notices.** All notices or communications in respect of Series F shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designations, in the Certificate of Incorporation or Bylaws or by applicable law.

**Section 11. No Preemptive Rights.** No share of Series F shall have any rights of preemption whatsoever as to any securities of the Corporation, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

**Section 12. Other Rights.** The shares of Series F shall not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation or as provided by applicable law.

**CERTIFICATE OF DESIGNATIONS**

**OF**

**5.50% FIXED-TO-FLOATING RATE NON-CUMULATIVE  
PREFERRED STOCK, SERIES J**

**OF**

**THE GOLDMAN SACHS GROUP, INC.**

**THE GOLDMAN SACHS GROUP, INC.**, a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), in accordance with the provisions of Sections 103 and 151 thereof, DOES HEREBY CERTIFY:

The Securities Issuance Committee (the "Committee") of the board of directors of the Corporation (the "Board of Directors"), in accordance with the resolutions of the Board of Directors dated October 28, 2011, the provisions of the restated certificate of incorporation and the amended and restated bylaws of the Corporation and applicable law, at a meeting duly called and held on April 22, 2013, adopted the following resolution creating a series of 46,000 shares of Preferred Stock of the Corporation designated as "5.50% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series J".

**RESOLVED**, that pursuant to the authority vested in the Committee and in accordance with the resolutions of the Board of Directors dated October 28, 2011, the provisions of the restated certificate of incorporation and the amended and restated bylaws of the Corporation and applicable law, a series of Preferred Stock, par value \$.01 per share, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

**Section 1. Designation.** The distinctive serial designation of such series of Preferred Stock is "5.50% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series J" ("Series J"). Each share of Series J shall be identical in all respects to every other share of Series J, except as to the respective dates from which dividends thereon shall accrue, to the extent such dates may differ as permitted pursuant to Section 4(a) below.

**Section 2. Number of Shares.** The authorized number of shares of Series J shall be 46,000. Shares of Series J that are redeemed, purchased or otherwise acquired by the Corporation shall be cancelled and shall revert to authorized but unissued shares of Series J.

**Section 3. Definitions.** As used herein with respect to Series J:

(a) “Appropriate Federal Banking Agency” means the “appropriate federal banking agency” with respect to the Corporation as that term is defined in Section 3(q) of the Federal Deposit Insurance Act or any successor provision.

(b) “Board of Directors” means the board of directors of the Corporation.

(c) “ByLaws” means the amended and restated bylaws of the Corporation, as they may be amended from time to time.

(d) “Business Day” means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is not a day on which banking institutions in New York City generally are authorized or obligated by law, regulation or executive order to close.

(e) “Calculation Agent” means, at any time, the person or entity appointed by the Corporation and serving as such agent at such time. The Corporation may terminate any such appointment and may appoint a successor agent at any time and from time to time, *provided* that the Corporation shall use its best efforts to ensure that there is, at all relevant times when the Series J is outstanding, a person or entity appointed and serving as such agent. The Calculation Agent may be a person or entity affiliated with the Corporation.

(f) “Certificate of Designations” means this Certificate of Designations relating to the Series J, as it may be amended from time to time.

(g) “Certification of Incorporation” shall mean the restated certificate of incorporation of the Corporation, as it may be amended from time to time, and shall include this Certificate of Designations.

(h) “Common Stock” means the common stock, par value \$0.01 per share, of the Corporation.

(i) “Junior Stock” means the Common Stock and any other class or series of stock of the Corporation (other than Series J) that ranks junior to Series J either or both as to the payment of dividends and/or as to the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(j) “London Business Day” means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is a day on which dealings in U.S. dollars are transacted in the London interbank market.

(k) “Parity Stock” means any class or series of stock of the Corporation (other than Series J) that ranks equally with Series J both in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(l) “Preferred Stock” means any and all series of Preferred Stock, having a par value of \$0.01 per share, of the Corporation, including the Series J.

(m) “Regulatory Capital Treatment Event” means the good faith determination by the Corporation that, as a result of (i) any amendment to, or change in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any share of the Series J (ii) any proposed change in those laws or regulations that is announced or becomes effective after the initial issuance of any share of Series J, or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced after the initial issuance of any share of Series J, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full liquidation preference amount of \$25,000 per share of Series J then outstanding as “tier 1 capital” (or its equivalent) for purposes of the capital adequacy guidelines of the Board of Governors of the Federal Reserve System (or, as and if applicable, the capital adequacy guidelines or regulations of any successor Appropriate Federal Banking Agency) as then in effect and applicable, for so long as any share of Series J is outstanding.

(n) “Representative Amount” means, at any time, an amount that, in the Calculation Agent’s judgment, is representative of a single transaction in the relevant market at the relevant time.

(o) “Reuters screen” means the display on the Reuters 3000 Xtra service, or any successor or replacement service.

(p) “Voting Preferred Stock” means, with regard to any election or removal of a Preferred Stock Director (as defined in Section 7(b) below) or any other matter as to which the holders of Series J are entitled to vote as specified in Section 7 of this Certificate of Designations, any and all series of Preferred Stock (other than Series J) that rank equally with Series J either as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation and upon which like voting rights have been conferred and are exercisable with respect to such matter.

#### **Section 4. Dividends.**

**(a) Rate.** Holders of Series J shall be entitled to receive, when, as and if declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) out of funds legally available for the payment of dividends under Delaware law, non-cumulative cash dividends at the rate determined as set forth below in this Section (4) applied to the liquidation preference amount of \$25,000 per share of Series J. Such dividends shall be payable quarterly in arrears (as provided below in

this Section 4(a)), but only when, as and if declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors), on February 10, May 10, August 10 and November 10 (“Dividend Payment Dates”), commencing on August 10, 2013; *provided* that if any such Dividend Payment Date would otherwise occur on a day that is not a Business Day, such Dividend Payment Date shall instead be (and any dividend payable on Series J on such Dividend Payment Date shall instead be payable on) the immediately succeeding Business Day unless, after May 10, 2023, such immediately succeeding Business Day falls in the next calendar month, in which case such Dividend Payment Date shall instead be (and any such Dividend shall instead be payable on) the immediately preceding Business Day. Dividends on Series J shall not be cumulative; holders of Series J shall not be entitled to receive any dividends not declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) and no interest, or sum of money in lieu of interest, shall be payable in respect of any dividend not so declared.

Dividends on the Series J shall not be declared or set aside for payment if and to the extent such dividends would cause the Corporation to fail to comply with the capital adequacy guidelines of the Board of Governors of the Federal Reserve System (or, as and if applicable, the capital adequacy guidelines or regulations of any successor Appropriate Federal Banking Agency) applicable to the Corporation.

Dividends that are payable on Series J on any Dividend Payment Date will be payable to holders of record of Series J as they appear on the stock register of the Corporation on the applicable record date, which shall be the 15th calendar day before such Dividend Payment Date or such other record date fixed by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) that is not more than 60 nor less than 10 days prior to such Dividend Payment Date (each, a “Dividend Record Date”). Any such day that is a Dividend Record Date shall be a Dividend Record Date whether or not such day is a Business Day.

Each dividend period (a “Dividend Period”) shall commence on and include a Dividend Payment Date (other than the initial Dividend Period, which shall commence on and include the date of original issue of the Series J, *provided* that, for any share of Series J issued after such original issue date, the initial Dividend Period for such shares may commence on and include such other date as the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) shall determine and publicly disclose) and shall end on and include the calendar day next preceding the next Dividend Payment Date. Dividends payable on the Series J in respect of any Dividend Period beginning prior to May 10, 2023 shall be calculated on the basis of a 360-day year consisting of twelve 30-day months, and dividends payable on the Series J in respect of any Dividend Period beginning on or after May 10, 2023 shall be calculated by the Calculation Agent on the basis of a 360-day year and the actual number of days elapsed in such Dividend Period. Dividends payable in respect of a Dividend Period shall be payable in arrears – i.e., on the first Dividend Payment Date after such Dividend Period.

The dividend rate on the Series J, for each Dividend Period beginning prior to May 10, 2023, shall be a rate per annum equal to 5.50%, and the dividend rate on the Series J, for each Dividend Period beginning on or after May 10, 2023, shall be a rate per annum equal to LIBOR (as defined below) for such Dividend Period plus 3.64%. LIBOR, with respect to any Dividend Period beginning on or after May 10, 2023, means the offered rate expressed as a percentage per annum for three-month deposits in U.S. dollars on the first day of such Dividend Period, as that rate appears on Reuters screen LIBOR01 (or any successor or replacement page) as of approximately 11:00 A.M., London time, on the second London Business Day immediately preceding the first day of such Dividend Period.

If the rate described in the preceding paragraph does not appear on the Reuters screen LIBOR01 (or any successor or replacement page), LIBOR shall be determined on the basis of the rates, at approximately 11:00 A.M., London time, on the second London Business Day immediately preceding the first day of such Dividend Period, at which deposits of the following kind are offered to prime banks in the London interbank market by four major banks in that market selected by the Calculation Agent: three-month deposits in U.S. dollars, beginning on the first day of such Dividend Period, and in a Representative Amount. The Calculation Agent shall request the principal London office of each of these banks to provide a quotation of its rate at approximately 11:00 A.M., London time. If at least two quotations are provided, LIBOR for such Dividend Period shall be the arithmetic mean of such quotations.

If fewer than two quotations are provided as described in the preceding paragraph, LIBOR for such Dividend Period shall be the arithmetic mean of the rates for loans of the following kind to leading European banks quoted, at approximately 11:00 A.M., New York City time, on the second London Business Day immediately preceding the first day of such Dividend Period, by three major banks in New York City selected by the Calculation Agent: three-month loans of U.S. dollars, beginning on the first day of such Dividend Period, and in a Representative Amount.

If no quotation is provided as described in the preceding paragraph, then the Calculation Agent, after consulting such sources as it deems comparable to any of the foregoing quotations or display page, or any such source as it deems reasonable from which to estimate LIBOR or any of the foregoing lending rates, shall determine LIBOR for such Dividend Period in its sole discretion.

The Calculation Agent's determination of any dividend rate, and its calculation of the amount of dividends for any Dividend Period, will be maintained on file at the Corporation's principal offices, will be made available to any stockholder upon request and will be final and binding in the absence of manifest error.

Holders of Series J shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on the Series J as specified in this Section 4 (subject to the other provisions of this Certificate of Designations).

**(b) Priority of Dividends.** So long as any share of Series J remains outstanding, no dividend shall be declared or paid on the Common Stock or any other shares of Junior Stock (other than a dividend payable solely in Junior Stock), and no Common Stock or other Junior Stock shall be purchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into other Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock and other than through the use of the proceeds of a substantially contemporaneous sale of Junior Stock) during a Dividend Period, unless the full dividends for the latest completed Dividend Period on all outstanding shares of Series J have been declared and paid (or declared and a sum sufficient for the payment thereof has been set aside). The foregoing provision shall not restrict the ability of Goldman, Sachs & Co., or any other affiliate of the Corporation, to engage in any market-making transactions in Junior Stock in the ordinary course of business.

When dividends are not paid (or declared and a sum sufficient for payment thereof set aside) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period) in full upon the Series J and any shares of Parity Stock, all dividends declared on the Series J and all such Parity Stock and payable on such Dividend Payment Date (or, in the case of parity stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) shall be declared pro rata so that the respective amounts of such dividends shall bear the same ratio to each other as all accrued but unpaid dividends per share on the Series J and all Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) bear to each other.

Subject to the foregoing, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) may be declared and paid on any securities, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment, and the Series J shall not be entitled to participate in any such dividends.

#### **Section 5. Liquidation Rights.**

**(a) Voluntary or Involuntary Liquidation.** In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, holders of Series J shall be entitled to receive, out of the assets of the Corporation or proceeds thereof (whether capital or surplus) available for distribution to stockholders of the Corporation, and after satisfaction of all liabilities and obligations to creditors of the Corporation, before any distribution of such assets or proceeds is made to or set aside for the holders of Common Stock and any other stock of the Corporation ranking junior to the Series J as to such distribution, in full an amount equal to \$25,000 per

share (the “Series J Liquidation Amount”), together with an amount equal to all dividends (if any) that have been declared but not paid prior to the date of payment of such distribution (but without any amount in respect of dividends that have not been declared prior to such payment date).

**(b) Partial Payment.** If in any distribution described in Section 5(a) above the assets of the Corporation or proceeds thereof are not sufficient to pay the Liquidation Preferences (as defined below) in full to all holders of Series J and all holders of any stock of the Corporation ranking equally with the Series J as to such distribution, the amounts paid to the holders of Series J and to the holders of all such other stock shall be paid *pro rata* in accordance with the respective aggregate Liquidation Preferences of the holders of Series J and the holders of all such other stock. In any such distribution, the “Liquidation Preference” of any holder of stock of the Corporation shall mean the amount otherwise payable to such holder in such distribution (assuming no limitation on the assets of the Corporation available for such distribution), including an amount equal to any declared but unpaid dividends (and, in the case of any holder of stock other than Series J and on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not declared, as applicable).

**(c) Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series J, the holders of other stock of the Corporation shall be entitled to receive all remaining assets of the Corporation (or proceeds thereof) according to their respective rights and preferences.

**(d) Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the merger or consolidation of the Corporation with any other corporation or other entity, including a merger or consolidation in which the holders of Series J receive cash, securities or other property for their shares, or the sale, lease or exchange (for cash, securities or other property) of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation.

## **Section 6. Redemption.**

**(a) Optional Redemption.** The Series J is perpetual and has no maturity date. The Corporation may, at its option, redeem the shares of Series J at the time outstanding, upon notice given as provided in Section 6(c) below, (i) in whole or in part, from time to time, on any date on or after May 10, 2023, or (ii) in whole but not in part at any time within 90 days following a Regulatory Capital Treatment Event, in each case, at a redemption price equal to \$25,000 per share, together (except as otherwise provided hereinbelow) with an amount equal to any dividends that have accrued but not been paid for the then-current Dividend Period to but excluding the redemption date, whether or not such dividends have been declared. The redemption price for any shares of Series J shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Corporation or its agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the Dividend



Record Date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Dividend Record Date relating to the Dividend Payment Date as provided in Section 4 above. Notwithstanding the foregoing, the Corporation may not redeem shares of Series J without having received the prior approval of the Appropriate Federal Banking Agency if then required under capital guidelines applicable to the Corporation.

**(b) No Sinking Fund.** The Series J will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series J will have no right to require redemption of any shares of Series J.

**(c) Notice of Redemption.** Notice of every redemption of shares of Series J shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series J designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series J. Notwithstanding the foregoing, if the Series J or any depository shares representing interests in the Series J are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the holders of Series J at such time and in any manner permitted by such facility. Each such notice given to a holder shall state: (1) the redemption date; (2) the number of shares of Series J to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; and (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

**(d) Partial Redemption.** In case of any redemption of only part of the shares of Series J at the time outstanding, the shares to be redeemed shall be selected either *pro rata* or in such other manner as the Corporation may determine to be fair and equitable. Subject to the provisions hereof, the Corporation shall have full power and authority to prescribe the terms and conditions upon which shares of Series J shall be redeemed from time to time. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof.

**(e) Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for

cancellation, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

### **Section 7. Voting Rights.**

**(a) General.** The holders of Series J shall not have any voting rights except as set forth below or as otherwise from time to time required by law.

**(b) Right To Elect Two Directors Upon Nonpayment Events.** If and whenever dividends on any shares of Series J shall not have been declared and paid for at least six Dividend Periods, whether or not consecutive (a “Nonpayment Event”), the number of directors then constituting the Board of Directors shall automatically be increased by two and the holders of Series J, together with the holders of any outstanding shares of Voting Preferred Stock, voting together as a single class, shall be entitled to elect the two additional directors (the “Preferred Stock Directors”), *provided* that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Preferred Stock are entitled to elect pursuant to like voting rights).

In the event that the holders of the Series J, and such other holders of Voting Preferred Stock, shall be entitled to vote for the election of the Preferred Stock Directors following a Nonpayment Event, such directors shall be initially elected following such Nonpayment Event only at a special meeting called at the request of the holders of record of at least 20% of the Series J or of any other series of Voting Preferred Stock then outstanding (unless such request for a special meeting is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders of the Corporation, in which event such election shall be held only at such next annual or special meeting of stockholders), and at each subsequent annual meeting of stockholders of the Corporation. Such request to call a special meeting for the initial election of the Preferred Stock Directors after a Nonpayment Event shall be made by written notice, signed by the requisite holders of Series J or Voting Preferred Stock, and delivered to the Secretary of the Corporation in such manner as provided for in Section 9 below, or as may otherwise be required by law.

When dividends have been paid (or declared and a sum sufficient for payment thereof set aside) in full on the Series J for four consecutive Dividend Periods after a Nonpayment Event, then the right of the holders of Series J to elect the Preferred Stock Directors shall cease (but subject always to reversion of such voting rights in the case of any future Nonpayment Event), and, if and when any rights of holders of Series J and Voting Preferred Stock to elect the Preferred Stock Directors shall have ceased, the terms of office of all the Preferred Stock Directors shall forthwith terminate and the number of directors constituting the Board of Directors shall automatically be reduced accordingly.

Any Preferred Stock Director may be removed at any time without cause by the holders of record of a majority of the outstanding shares of the Series J and Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). So long as a Nonpayment Event shall continue, any vacancy in the office of a Preferred Stock Director (other than prior to the initial election of Preferred Stock Directors after a Nonpayment Event) may be filled by the written consent of the Preferred Stock Director remaining in office, or if none remains in office, by a vote of the holders of record of a majority of the outstanding shares of the Series J and all Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). Any such vote of stockholders to remove, or to fill a vacancy in the office of, a Preferred Stock Director may be taken only at a special meeting of such stockholders, called as provided above for an initial election of Preferred Stock Director after a Nonpayment Event (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders). The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Each Preferred Stock Director elected at any special meeting of stockholders or by written consent of the other Preferred Stock Director shall hold office until the next annual meeting of the stockholders if such office shall not have previously terminated as above provided.

**(c) Other Voting Rights.** So long as any shares of Series J are outstanding, in addition to any other vote or consent of stockholders required by law or by the Certificate of Incorporation, the vote or consent of the holders of at least 66  $\frac{2}{3}$ % of the shares of Series J and any Voting Preferred Stock at the time outstanding and entitled to vote thereon, voting together as a single class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

**(i) Authorization of Senior Stock.** Any amendment or alteration of the Certificate of Incorporation to authorize or create, or increase the authorized amount of, any shares of any class or series of capital stock of the Corporation ranking senior to the Series J with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up of the Corporation;

**(ii) Amendment of Series J.** Any amendment, alteration or repeal of any provision of the Certificate of Incorporation so as to materially and adversely affect the special rights, preferences, privileges or voting powers of the Series J, taken as a whole; or

**(iii) Share Exchanges, Reclassifications, Mergers and Consolidations.** Any consummation of a binding share exchange or

reclassification involving the Series J, or of a merger or consolidation of the Corporation with another corporation or other entity, unless in each case (x) the shares of Series J remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (y) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series J immediately prior to such consummation, taken as a whole;

*provided, however,* that for all purposes of this Section 7(c), any increase in the amount of the authorized or issued Series J or authorized Preferred Stock, or the creation and issuance, or an increase in the authorized or issued amount, of any other series of Preferred Stock ranking equally with and/or junior to the Series J with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and/or the distribution of assets upon liquidation, dissolution or winding up of the Corporation will not be deemed to adversely affect the rights, preferences, privileges or voting powers of the Series J.

If any amendment, alteration, repeal, share exchange, reclassification, merger or consolidation specified in this Section 7(c) would adversely affect the Series J and one or more but not all other series of Preferred Stock, then only the Series J and such series of Preferred Stock as are adversely affected by and entitled to vote on the matter shall vote on the matter together as a single class (in lieu of all other series of Preferred Stock).

**(d) Changes for Clarification.** Without the consent of the holders of the Series J, so long as such action does not adversely affect the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series J, the Corporation may amend, alter, supplement or repeal any terms of the Series J:

(i) to cure any ambiguity, or to cure, correct or supplement any provision contained in this Certificate of Designations that may be defective or inconsistent; or

(ii) to make any provision with respect to matters or questions arising with respect to the Series J that is not inconsistent with the provisions of this Certificate of Designations.

**(e) Changes after Provision for Redemption.** No vote or consent of the holders of Series J shall be required pursuant to Section 7(b), (c) or (d) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding shares of Series J shall have been redeemed, or shall have been called for redemption upon proper notice and sufficient funds shall have been set aside for such redemption, in each case pursuant to Section 6 above.

**(f) Procedures for Voting and Consents.** The rules and procedures for calling and conducting any meeting of the holders of Series J (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors), in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Certificate of Incorporation, the Bylaws, applicable law and any national securities exchange or other trading facility on which the Series J is listed or traded at the time. Whether the vote or consent of the holders of a plurality, majority or other portion of the shares of Series J and any Voting Preferred Stock has been cast or given on any matter on which the holders of shares of Series J are entitled to vote shall be determined by the Corporation by reference to the specified liquidation amounts of the shares voted or covered by the consent.

**Section 8. Record Holders.** To the fullest extent permitted by applicable law, the Corporation and the transfer agent for the Series J may deem and treat the record holder of any share of Series J as the true and lawful owner thereof for all purposes, and neither the Corporation nor such transfer agent shall be affected by any notice to the contrary.

**Section 9. Notices.** All notices or communications in respect of Series J shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designations, in the Certificate of Incorporation or Bylaws or by applicable law.

**Section 10. No Preemptive Rights.** No share of Series J shall have any rights of preemption whatsoever as to any securities of the Corporation, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

**Section 11. Other Rights.** The shares of Series J shall not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation or as provided by applicable law.

**CERTIFICATE OF DESIGNATIONS**

**OF**

**6.375% FIXED-TO-FLOATING RATE NON-CUMULATIVE  
PREFERRED STOCK, SERIES K**

**OF**

**THE GOLDMAN SACHS GROUP, INC.**

**THE GOLDMAN SACHS GROUP, INC.**, a corporation organized and existing under the General Corporation Law of the State of Delaware (the “Corporation”), in accordance with the provisions of Sections 103 and 151 thereof, DOES HEREBY CERTIFY:

The Securities Issuance Committee (the “Committee”) of the board of directors of the Corporation (the “Board of Directors”), in accordance with the resolutions of the Board of Directors dated October 28, 2011, the provisions of the restated certificate of incorporation and the amended and restated bylaws of the Corporation and applicable law, at a meeting duly called and held on April 24, 2014, adopted the following resolution creating a series of 32,200 shares of Preferred Stock of the Corporation designated as “6.375% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series K”.

**RESOLVED**, that pursuant to the authority vested in the Committee and in accordance with the resolutions of the Board of Directors dated October 28, 2011, the provisions of the restated certificate of incorporation and the amended and restated bylaws of the Corporation and applicable law, a series of Preferred Stock, par value \$.01 per share, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

**Section 1. Designation.** The distinctive serial designation of such series of Preferred Stock is “6.375% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series K” (“Series K”). Each share of Series K shall be identical in all respects to every other share of Series K, except as to the respective dates from which dividends thereon shall accrue, to the extent such dates may differ as permitted pursuant to Section 4(a) below.

**Section 2. Number of Shares.** The authorized number of shares of Series K shall be 32,200. Shares of Series K that are redeemed, purchased or otherwise acquired by the Corporation shall be cancelled and shall revert to authorized but unissued shares of Series K.

**Section 3. Definitions.** As used herein with respect to Series K:

(a) “Appropriate Federal Banking Agency” means the “appropriate federal banking agency” with respect to the Corporation as that term is defined in Section 3(q) of the Federal Deposit Insurance Act or any successor provision.

(b) “Board of Directors” means the board of directors of the Corporation.

(c) “ByLaws” means the amended and restated bylaws of the Corporation, as they may be amended from time to time.

(d) “Business Day” means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is not a day on which banking institutions in New York City generally are authorized or obligated by law, regulation or executive order to close.

(e) “Calculation Agent” means, at any time, the person or entity appointed by the Corporation and serving as such agent at such time. The Corporation may terminate any such appointment and may appoint a successor agent at any time and from time to time, *provided* that the Corporation shall use its best efforts to ensure that there is, at all relevant times when the Series K is outstanding, a person or entity appointed and serving as such agent. The Calculation Agent may be a person or entity affiliated with the Corporation.

(f) “Certificate of Designations” means this Certificate of Designations relating to the Series K, as it may be amended from time to time.

(g) “Certification of Incorporation” shall mean the restated certificate of incorporation of the Corporation, as it may be amended from time to time, and shall include this Certificate of Designations.

(h) “Common Stock” means the common stock, par value \$0.01 per share, of the Corporation.

(i) “Junior Stock” means the Common Stock and any other class or series of stock of the Corporation (other than Series K) that ranks junior to Series K either or both as to the payment of dividends and/or as to the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(j) “London Business Day” means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is a day on which dealings in U.S. dollars are transacted in the London interbank market.

(k) “Parity Stock” means any class or series of stock of the Corporation (other than Series K) that ranks equally with Series K both in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(l) “Preferred Stock” means any and all series of Preferred Stock, having a par value of \$0.01 per share, of the Corporation, including the Series K.

(m) “Regulatory Capital Treatment Event” means the good faith determination by the Corporation that, as a result of (i) any amendment to, or change in, the laws, rules or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any share of Series K, (ii) any proposed change in those laws, rules or regulations that is announced or becomes effective after the initial issuance of any share of Series K, or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws, rules or regulations or policies with respect thereto that is announced after the initial issuance of any share of Series K, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full liquidation preference amount of \$25,000 per share of Series K then outstanding as “tier 1 capital” (or its equivalent) for purposes of the capital adequacy guidelines of the Board of Governors of the Federal Reserve System (or, as and if applicable, the capital adequacy guidelines or regulations of any successor Appropriate Federal Banking Agency) as then in effect and applicable, for so long as any share of Series K is outstanding.

(n) “Representative Amount” means, at any time, an amount that, in the Calculation Agent’s judgment, is representative of a single transaction in the relevant market at the relevant time.

(o) “Reuters screen” means the display on the Reuters 3000 Xtra service, or any successor or replacement service.

(p) “Voting Preferred Stock” means, with regard to any election or removal of a Preferred Stock Director (as defined in Section 7(b) below) or any other matter as to which the holders of Series K are entitled to vote as specified in Section 7 of this Certificate of Designations, any and all series of Preferred Stock (other than Series K) that rank equally with Series K either as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation and upon which like voting rights have been conferred and are exercisable with respect to such matter.

#### **Section 4. Dividends.**

**(a) Rate.** Holders of Series K shall be entitled to receive, when, as and if declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) out of funds legally available for the payment of dividends under Delaware law, non-cumulative cash dividends per each share of Series K at the rate determined as set forth below in this Section (4) applied to the liquidation



preference amount of \$25,000 per share of Series K. Such dividends shall be payable quarterly in arrears (as provided below in this Section 4(a)), but only when, as and if declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors), on February 10, May 10, August 10 and November 10 (“Dividend Payment Dates”), commencing on August 10, 2014; *provided* that if any such Dividend Payment Date would otherwise occur on a day that is not a Business Day, such Dividend Payment Date shall instead be (and any dividend payable on Series K on such Dividend Payment Date shall instead be payable on) the immediately succeeding Business Day unless, after May 10, 2024, such immediately succeeding Business Day falls in the next calendar month, in which case such Dividend Payment Date shall instead be (and any such Dividend shall instead be payable on) the immediately preceding Business Day. Dividends on Series K shall not be cumulative; holders of Series K shall not be entitled to receive any dividends not declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) and no interest, or sum of money in lieu of interest, shall be payable in respect of any dividend not so declared.

Dividends on the Series K shall not be declared or set aside for payment if and to the extent such dividends would cause the Corporation to fail to comply with the capital adequacy guidelines of the Board of Governors of the Federal Reserve System (or, as and if applicable, the capital adequacy guidelines or regulations of any successor Appropriate Federal Banking Agency) applicable to the Corporation.

Dividends that are payable on Series K on any Dividend Payment Date will be payable to holders of record of Series K as they appear on the stock register of the Corporation on the applicable record date, which shall be the 15th calendar day before such Dividend Payment Date or such other record date fixed by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) that is not more than 60 nor less than 10 days prior to such Dividend Payment Date (each, a “Dividend Record Date”). Any such day that is a Dividend Record Date shall be a Dividend Record Date whether or not such day is a Business Day.

Each dividend period (a “Dividend Period”) shall commence on and include a Dividend Payment Date (other than the initial Dividend Period, which shall commence on and include the date of original issue of the Series K, *provided* that, for any share of Series K issued after such original issue date, the initial Dividend Period for such shares may commence on and include such other date as the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) shall determine and publicly disclose) and shall end on and include the calendar day next preceding the next Dividend Payment Date. Dividends payable on the Series K in respect of any Dividend Period beginning prior to May 10, 2024 shall be calculated on the basis of a 360-day year consisting of twelve 30-day months, and dividends payable on the Series K in respect of any Dividend Period beginning on or after May 10, 2024 shall be calculated by the Calculation Agent on the basis of a 360-day year and the actual number of days elapsed in such Dividend Period. Dividends payable in respect of a Dividend Period shall be payable in arrears – i.e., on the first Dividend Payment Date after such Dividend Period.

The dividend rate on the Series K, for each Dividend Period beginning prior to May 10, 2024, shall be a rate per annum equal to 6.375%, and the dividend rate on the Series K, for each Dividend Period beginning on or after May 10, 2024, shall be a rate per annum equal to LIBOR (as defined below) for such Dividend Period plus 3.55%. LIBOR, with respect to any Dividend Period beginning on or after May 10, 2024, means the offered rate expressed as a percentage per annum for three-month deposits in U.S. dollars on the first day of such Dividend Period, as that rate appears on Reuters screen LIBOR01 (or any successor or replacement page) as of approximately 11:00 A.M., London time, on the second London Business Day immediately preceding the first day of such Dividend Period.

If the rate described in the preceding paragraph does not appear on the Reuters screen LIBOR01 (or any successor or replacement page), LIBOR shall be determined on the basis of the rates, at approximately 11:00 A.M., London time, on the second London Business Day immediately preceding the first day of such Dividend Period, at which deposits of the following kind are offered to prime banks in the London interbank market by four major banks in that market selected by the Calculation Agent: three-month deposits in U.S. dollars, beginning on the first day of such Dividend Period, and in a Representative Amount. The Calculation Agent shall request the principal London office of each of these banks to provide a quotation of its rate at approximately 11:00 A.M., London time. If at least two quotations are provided, LIBOR for such Dividend Period shall be the arithmetic mean of such quotations.

If fewer than two quotations are provided as described in the preceding paragraph, LIBOR for such Dividend Period shall be the arithmetic mean of the rates for loans of the following kind to leading European banks quoted, at approximately 11:00 A.M., New York City time, on the second London Business Day immediately preceding the first day of such Dividend Period, by three major banks in New York City selected by the Calculation Agent: three-month loans of U.S. dollars, beginning on the first day of such Dividend Period, and in a Representative Amount.

If no quotation is provided as described in the preceding paragraph, then the Calculation Agent, after consulting such sources as it deems comparable to any of the foregoing quotations or display page, or any such source as it deems reasonable from which to estimate LIBOR or any of the foregoing lending rates, shall determine LIBOR for such Dividend Period in its sole discretion.

The Calculation Agent's determination of any dividend rate, and its calculation of the amount of dividends for any Dividend Period, will be maintained on file at the Corporation's principal offices, will be made available to any stockholder upon request and will be final and binding in the absence of manifest error.

Holders of Series K shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on the Series K as specified in this Section 4 (subject to the other provisions of this Certificate of Designations).

**(b) Priority of Dividends.** So long as any share of Series K remains outstanding, no dividend shall be declared or paid on the Common Stock or any other shares of Junior Stock (other than a dividend payable solely in Junior Stock), and no Common Stock or other Junior Stock shall be purchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into other Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock and other than through the use of the proceeds of a substantially contemporaneous sale of Junior Stock) during a Dividend Period, unless the full dividends for the latest completed Dividend Period on all outstanding shares of Series K have been declared and paid (or declared and a sum sufficient for the payment thereof has been set aside). The foregoing provision shall not restrict the ability of Goldman, Sachs & Co., or any other affiliate of the Corporation, to engage in any market-making transactions in Junior Stock in the ordinary course of business.

When dividends are not paid (or declared and a sum sufficient for payment thereof set aside) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period) in full upon the Series K and any shares of Parity Stock, all dividends declared on the Series K and all such Parity Stock and payable on such Dividend Payment Date (or, in the case of parity stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) shall be declared *pro rata* so that the respective amounts of such dividends shall bear the same ratio to each other as all accrued but unpaid dividends per share on the Series K and all Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) bear to each other.

Subject to the foregoing, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) may be declared and paid on any securities, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment, and the Series K shall not be entitled to participate in any such dividends.

#### **Section 5. Liquidation Rights.**

**(a) Voluntary or Involuntary Liquidation.** In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, holders of Series K shall be entitled to receive, out of the assets of the Corporation or proceeds thereof (whether capital or surplus) available for distribution to stockholders of the Corporation, and after satisfaction of all liabilities and obligations to creditors of the Corporation, before any distribution of such assets or proceeds is made to or set aside for the holders of Common Stock and any other stock of the Corporation ranking junior to the Series K as to such distribution, in full an amount equal to \$25,000 per share, together with an amount equal to all dividends (if any) that have been declared but not paid prior to the date of payment of such distribution (but without any amount in respect of dividends that have not been declared prior to such payment date).

**(b) Partial Payment.** If in any distribution described in Section 5(a) above the assets of the Corporation or proceeds thereof are not sufficient to pay the Liquidation Preferences (as defined below) in full to all holders of Series K and all holders of any stock of the Corporation ranking equally with the Series K as to such distribution, the amounts paid to the holders of Series K and to the holders of all such other stock shall be paid *pro rata* in accordance with the respective aggregate Liquidation Preferences of the holders of Series K and the holders of all such other stock. In any such distribution, the “Liquidation Preference” of any holder of stock of the Corporation shall mean the amount otherwise payable to such holder in such distribution (assuming no limitation on the assets of the Corporation available for such distribution), including an amount equal to any declared but unpaid dividends (and, in the case of any holder of stock other than Series K and on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not declared, as applicable).

**(c) Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series K, the holders of other stock of the Corporation shall be entitled to receive all remaining assets of the Corporation (or proceeds thereof) according to their respective rights and preferences.

**(d) Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the merger or consolidation of the Corporation with any other corporation or other entity, including a merger or consolidation in which the holders of Series K receive cash, securities or other property for their shares, or the sale, lease or exchange (for cash, securities or other property) of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation.

#### **Section 6. Redemption.**

**(a) Optional Redemption.** The Series K is perpetual and has no maturity date. The Corporation may, at its option, redeem the shares of Series K at the time outstanding, upon notice given as provided in Section 6(c) below, (i) in whole or in part, from time to time, on any date on or after May 10, 2024 (or, if not a Business Day, the next succeeding Business Day), or (ii) in whole but not in part at any time within 90 days following a Regulatory Capital Treatment Event, in each case, at a redemption price per share equal to \$25,000, plus (except as otherwise provided hereinbelow) an amount equal to any dividends per share that have accrued but not been paid for the then-current Dividend Period to but excluding the redemption date, whether or not such dividends have been declared. The redemption price for any shares of Series K shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Corporation or its agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the Dividend Record Date for a

Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Dividend Record Date relating to the Dividend Payment Date as provided in Section 4 above. Notwithstanding the foregoing, the Corporation may not redeem shares of Series K without having received the prior approval of the Appropriate Federal Banking Agency if then required under capital guidelines applicable to the Corporation.

**(b) No Sinking Fund.** The Series K will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series K will have no right to require redemption of any shares of Series K.

**(c) Notice of Redemption.** Notice of every redemption of shares of Series K shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series K designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series K. Notwithstanding the foregoing, if the Series K or any depositary shares representing interests in the Series K are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the holders of Series K at such time and in any manner permitted by such facility. Each such notice given to a holder shall state: (1) the redemption date; (2) the number of shares of Series K to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; and (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

**(d) Partial Redemption.** In case of any redemption of only part of the shares of Series K at the time outstanding, the shares to be redeemed shall be selected either *pro rata* or by lot. Subject to the provisions hereof, the Corporation shall have full power and authority to prescribe the terms and conditions upon which shares of Series K shall be redeemed from time to time. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof.

**(e) Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed

outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

### **Section 7. Voting Rights.**

**(a) General.** The holders of Series K shall not have any voting rights except as set forth below or as otherwise from time to time required by law.

**(b) Right To Elect Two Directors Upon Nonpayment Events.** If and whenever dividends on any shares of Series K shall not have been declared and paid for at least six Dividend Periods, whether or not consecutive (a “Nonpayment Event”), the number of directors then constituting the Board of Directors shall automatically be increased by two and the holders of Series K, together with the holders of all outstanding shares of Voting Preferred Stock, voting together as a single class, shall be entitled to elect the two additional directors (the “Preferred Stock Directors”), *provided* that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Preferred Stock are entitled to elect pursuant to like voting rights).

In the event that the holders of the Series K, and such other holders of Voting Preferred Stock, shall be entitled to vote for the election of the Preferred Stock Directors following a Nonpayment Event, such directors shall be initially elected following such Nonpayment Event only at a special meeting called at the request of the holders of record of at least 20% of the Series K or of any other series of Voting Preferred Stock then outstanding (unless such request for a special meeting is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders of the Corporation, in which event such election shall be held only at such next annual or special meeting of stockholders), and at each subsequent annual meeting of stockholders of the Corporation. Such request to call a special meeting for the initial election of the Preferred Stock Directors after a Nonpayment Event shall be made by written notice, signed by the requisite holders of Series K or any series of Voting Preferred Stock, and delivered to the Secretary of the Corporation in such manner as provided for in Section 9 below, or as may otherwise be required by law.

When dividends have been paid (or declared and a sum sufficient for payment thereof set aside) in full on the Series K for four consecutive Dividend Periods after a Nonpayment Event, then the right of the holders of Series K to elect the Preferred Stock Directors shall cease (but subject always to reversion of such voting rights in the case of any future Nonpayment Event), and, if and when any rights of holders of Series K and Voting Preferred Stock to elect the Preferred Stock Directors shall have ceased, the terms of office of all the Preferred Stock Directors shall forthwith terminate and the number of directors constituting the Board of Directors shall automatically be reduced accordingly.

Any Preferred Stock Director may be removed at any time without cause by the holders of record of a majority of all of the outstanding shares of the Series K and Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). So long as a Nonpayment Event shall continue, any vacancy in the office of a Preferred Stock Director (other than prior to the initial election of Preferred Stock Directors after a Nonpayment Event) may be filled by the written consent of the Preferred Stock Director remaining in office, or if none remains in office, by a vote of the holders of record of a majority of all of the outstanding shares of the Series K and Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). Any such vote of stockholders to remove, or to fill a vacancy in the office of, a Preferred Stock Director may be taken only at a special meeting of such stockholders, called as provided above for an initial election of Preferred Stock Director after a Nonpayment Event (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders). The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Each Preferred Stock Director elected at any special meeting of stockholders or by written consent of the other Preferred Stock Director shall hold office until the next annual meeting of the stockholders if such office shall not have previously terminated as above provided.

**(c) Other Voting Rights.** So long as any shares of Series K are outstanding, in addition to any other vote or consent of stockholders required by law or by the Certificate of Incorporation, the vote or consent of the holders of at least 66  $\frac{2}{3}$ % of the shares of Series K and any Voting Preferred Stock at the time outstanding and entitled to vote thereon, voting together as a single class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

**(i) Authorization of Senior Stock.** Any amendment or alteration of the Certificate of Incorporation to authorize or create, or increase the authorized amount of, any shares of any class or series of capital stock of the Corporation ranking senior to the Series K with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up of the Corporation;

**(ii) Amendment of Series K.** Any amendment, alteration or repeal of any provision of the Certificate of Incorporation so as to materially and adversely affect the special rights, preferences, privileges or voting powers of the Series K, taken as a whole; or

**(iii) Share Exchanges, Reclassifications, Mergers and Consolidations.** Any consummation of a binding share exchange or reclassification involving the Series K, or of a merger or consolidation of the Corporation with another corporation or other entity, unless in each case (x) the shares of Series K remain outstanding or, in the case of any such merger or

consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (y) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series K immediately prior to such consummation, taken as a whole;

*provided, however,* that for all purposes of this Section 7(c), any increase in the amount of the authorized or issued Series K or authorized Preferred Stock, or the creation and issuance, or an increase in the authorized or issued amount, of any other series of Preferred Stock ranking equally with and/or junior to the Series K with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and/or the distribution of assets upon liquidation, dissolution or winding up of the Corporation will not be deemed to adversely affect the rights, preferences, privileges or voting powers of the Series K.

If any amendment, alteration, repeal, share exchange, reclassification, merger or consolidation specified in this Section 7(c) would adversely affect the Series K and one or more but not all other series of Preferred Stock, then only the Series K and such series of Preferred Stock as are adversely affected by and entitled to vote on the matter shall vote on the matter together as a single class (in lieu of all other series of Preferred Stock).

**(d) Changes for Clarification.** Without the consent of the holders of the Series K, so long as such action does not adversely affect the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series K, the Corporation may amend, alter, supplement or repeal any terms of the Series K:

(i) to cure any ambiguity, or to cure, correct or supplement any provision contained in this Certificate of Designations that may be defective or inconsistent; or

(ii) to make any provision with respect to matters or questions arising with respect to the Series K that is not inconsistent with the provisions of this Certificate of Designations.

**(e) Changes after Provision for Redemption.** No vote or consent of the holders of Series K shall be required pursuant to Section 7(b), (c) or (d) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding shares of Series K shall have been redeemed, or shall have been called for redemption upon proper notice and sufficient funds shall have been set aside for such redemption, in each case pursuant to Section 6 above.

**(f) Procedures for Voting and Consents.** The rules and procedures for calling and conducting any meeting of the holders of Series K (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of



proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors), in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Certificate of Incorporation, the ByLaws, applicable law and any national securities exchange or other trading facility on which the Series K is listed or traded at the time. Whether the vote or consent of the holders of a plurality, majority or other portion of the shares of Series K and all Voting Preferred Stock has been cast or given on any matter on which the holders of shares of Series K are entitled to vote shall be determined by the Corporation by reference to the specified liquidation amounts of the shares voted or covered by the consent.

**Section 8. Record Holders.** To the fullest extent permitted by applicable law, the Corporation and the transfer agent for the Series K may deem and treat the record holder of any share of Series K as the true and lawful owner thereof for all purposes, and neither the Corporation nor such transfer agent shall be affected by any notice to the contrary.

**Section 9. Notices.** All notices or communications in respect of Series K shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designations, in the Certificate of Incorporation or ByLaws or by applicable law.

**Section 10. No Preemptive Rights.** No share of Series K shall have any rights of preemption whatsoever as to any securities of the Corporation, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

**Section 11. Other Rights.** The shares of Series K shall not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation or as provided by applicable law.

**CERTIFICATE OF DESIGNATIONS**

**OF**

**5.70% FIXED-TO-FLOATING RATE NON-CUMULATIVE  
PREFERRED STOCK, SERIES L**

**OF**

**THE GOLDMAN SACHS GROUP, INC.**

**THE GOLDMAN SACHS GROUP, INC.**, a corporation organized and existing under the General Corporation Law of the State of Delaware (the “Corporation”), in accordance with the provisions of Sections 103 and 151 thereof, DOES HEREBY CERTIFY:

The Securities Issuance Committee (the “Committee”) of the board of directors of the Corporation (the “Board of Directors”), in accordance with the resolutions of the Board of Directors dated October 28, 2011, the provisions of the restated certificate of incorporation and the amended and restated bylaws of the Corporation and applicable law, at a meeting duly called and held on April 24, 2014, adopted the following resolution creating a series of 52,000 shares of Preferred Stock of the Corporation designated as “5.70% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series L”.

**RESOLVED**, that pursuant to the authority vested in the Committee and in accordance with the resolutions of the Board of Directors dated October 28, 2011, the provisions of the restated certificate of incorporation and the amended and restated bylaws of the Corporation and applicable law, a series of Preferred Stock, par value \$.01 per share, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

**Section 1. Designation.** The distinctive serial designation of such series of Preferred Stock is “5.70% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series L” (“Series L”). Each share of Series L shall be identical in all respects to every other share of Series L, except as to the respective dates from which dividends thereon shall accrue, to the extent such dates may differ as permitted pursuant to Section 4(a) below.

**Section 2. Number of Shares.** The authorized number of shares of Series L shall be 52,000. Shares of Series L that are redeemed, purchased or otherwise acquired by the Corporation shall be cancelled and shall revert to authorized but unissued shares of Series L.

**Section 3. Definitions.** As used herein with respect to Series L:

(a) “Appropriate Federal Banking Agency” means the “appropriate federal banking agency” with respect to the Corporation as that term is defined in Section 3(q) of the Federal Deposit Insurance Act or any successor provision.

(b) “Board of Directors” means the board of directors of the Corporation.

(c) “ByLaws” means the amended and restated bylaws of the Corporation, as they may be amended from time to time.

(d) “Business Day” means (i) from the original issue date to and including May 10, 2019 (or, if such day is not a Monday, Tuesday, Wednesday, Thursday or Friday or is a day on which banking institutions in New York City are generally authorized or obligated by law or executive order to close, the next day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is not a day on which banking institutions in New York City are generally authorized or obligated by law or executive order to close), a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is not a day on which banking institutions in New York City are generally authorized or obligated by law or executive order to close, and (ii) thereafter, a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is not a day on which banking institutions in New York City are generally authorized or obligated by law or executive order to close and is a London Business Day.

(e) “Calculation Agent” means, at any time, the person or entity appointed by the Corporation and serving as such agent at such time. The Corporation may terminate any such appointment and may appoint a successor agent at any time and from time to time, *provided* that the Corporation shall use its best efforts to ensure that there is, at all relevant times when the Series L is outstanding, a person or entity appointed and serving as such agent. The Calculation Agent may be a person or entity affiliated with the Corporation.

(f) “Certificate of Designations” means this Certificate of Designations relating to the Series L, as it may be amended from time to time.

(g) “Certification of Incorporation” shall mean the restated certificate of incorporation of the Corporation, as it may be amended from time to time, and shall include this Certificate of Designations.

(h) “Common Stock” means the common stock, par value \$0.01 per share, of the Corporation.

(i) “Junior Stock” means the Common Stock and any other class or series of stock of the Corporation (other than Series L) that ranks junior to Series L either or both as to the payment of dividends and/or as to the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(j) “London Business Day” means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is a day on which dealings in U.S. dollars are transacted in the London interbank market.

(k) “Parity Stock” means any class or series of stock of the Corporation (other than Series L) that ranks equally with Series L both in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(l) “Preferred Stock” means any and all series of Preferred Stock, having a par value of \$0.01 per share, of the Corporation, including the Series L.

(m) “Regulatory Capital Treatment Event” means the good faith determination by the Corporation that, as a result of (i) any amendment to, or change in, the laws, rules or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any share of Series L, (ii) any proposed change in those laws, rules or regulations that is announced or becomes effective after the initial issuance of any share of Series L, or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws, rules or regulations or policies with respect thereto that is announced after the initial issuance of any share of Series L, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full liquidation preference amount of \$25,000 per share of Series L then outstanding as “tier 1 capital” (or its equivalent) for purposes of the capital adequacy guidelines of the Board of Governors of the Federal Reserve System (or, as and if applicable, the capital adequacy guidelines or regulations of any successor Appropriate Federal Banking Agency) as then in effect and applicable, for so long as any share of Series L is outstanding.

(n) “Representative Amount” means, at any time, an amount that, in the Calculation Agent’s judgment, is representative of a single transaction in the relevant market at the relevant time.

(o) “Reuters screen” means the display on the Reuters 3000 Xtra service, or any successor or replacement service.

(p) “Voting Preferred Stock” means, with regard to any election or removal of a Preferred Stock Director (as defined in Section 7(b) below) or any other matter as to which the holders of Series L are entitled to vote as specified in Section 7 of this Certificate of Designations, any and all series of Preferred Stock (other than Series L) that rank equally with Series L either as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation and upon which like voting rights have been conferred and are exercisable with respect to such matter.

#### Section 4. Dividends.

**(a) Rate.** Holders of Series L shall be entitled to receive, when, as and if declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) out of funds legally available for the payment of dividends under Delaware law, non-cumulative cash dividends per each share of Series L at the rate determined as set forth below in this Section (4) applied to the liquidation preference amount of \$25,000 per share of Series L. Such dividends shall be payable in arrears (as provided below in this Section 4(a)), but only when, as and if declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors), on the 10th day of May and November of each year, commencing on November 10, 2014 and ending on May 10, 2019, and on the 10th day of February, May, August and November of each year following May 10, 2019 (“Dividend Payment Dates”), commencing on November 10, 2014; *provided* that if any such Dividend Payment Date that would otherwise occur on or before May 10, 2019 is a day that is not a Business Day, such dividend shall instead be payable on the immediately succeeding Business Day without interest or other payment in respect of such delayed payment, *and provided further*, if any such Dividend Payment Date that would otherwise occur for any Dividend Period after the Dividend Period ending on but excluding May 10, 2019 is a day that is not a Business Day, such Dividend Payment Date shall instead be (and any such dividend shall accrue to and instead be payable on) the immediately succeeding Business Day unless such succeeding Business Day falls in the next calendar month, in which case such Dividend Payment Date shall instead be (and any such dividend shall accrue to and instead be payable on) the immediately preceding Business Day. Dividends on Series L shall not be cumulative; holders of Series L shall not be entitled to receive any dividends not declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) and no interest, or sum of money in lieu of interest, shall be payable in respect of any dividend not so declared.

Dividends on the Series L shall not be declared or set aside for payment if and to the extent such dividends would cause the Corporation to fail to comply with the capital adequacy guidelines of the Board of Governors of the Federal Reserve System (or, as and if applicable, the capital adequacy guidelines or regulations of any successor Appropriate Federal Banking Agency) applicable to the Corporation.

Dividends that are payable on Series L on any Dividend Payment Date will be payable to holders of record of Series L as they appear on the stock register of the Corporation on the applicable record date, which shall be the 15th calendar day before such Dividend Payment Date or such other record date fixed by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) that is not more than 60 nor less than 10 days prior to such Dividend Payment Date (each, a “Dividend Record Date”). Any such day that is a Dividend Record Date shall be a Dividend Record Date whether or not such day is a Business Day.

Each dividend period (a “Dividend Period”) shall commence on and include a Dividend Payment Date (other than the initial Dividend Period, which shall commence on and include the date of original issue of the Series L, *provided* that, for any share of Series L issued after such original issue date, the initial Dividend Period for such shares may commence on and include such other date as the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) shall determine and publicly disclose) and shall end on and include the calendar day next preceding the next Dividend Payment Date. Dividends payable on the Series L in respect of any Dividend Period beginning prior to May 10, 2019 shall be calculated on the basis of a 360-day year consisting of twelve 30-day months, and dividends payable on the Series L in respect of any Dividend Period beginning on or after May 10, 2019 shall be calculated by the Calculation Agent on the basis of a 360-day year and the actual number of days elapsed in such Dividend Period. Dividends payable in respect of a Dividend Period shall be payable in arrears – i.e., on the first Dividend Payment Date after such Dividend Period.

The dividend rate on the Series L, for each Dividend Period beginning prior to May 10, 2019, shall be a rate per annum equal to 5.70%, and the dividend rate on the Series L, for each Dividend Period beginning on or after May 10, 2019, shall be a rate per annum equal to LIBOR (as defined below) for such Dividend Period plus 3.884%. LIBOR, with respect to any Dividend Period beginning on or after May 10, 2019, means the offered rate expressed as a percentage per annum for three-month deposits in U.S. dollars on the first day of such Dividend Period, as that rate appears on Reuters screen LIBOR01 (or any successor or replacement page) as of approximately 11:00 A.M., London time, on the second London Business Day immediately preceding the first day of such Dividend Period.

If the rate described in the preceding paragraph does not appear on the Reuters screen LIBOR01 (or any successor or replacement page), LIBOR shall be determined on the basis of the rates, at approximately 11:00 A.M., London time, on the second London Business Day immediately preceding the first day of such Dividend Period, at which deposits of the following kind are offered to prime banks in the London interbank market by four major banks in that market selected by the Calculation Agent: three-month deposits in U.S. dollars, beginning on the first day of such Dividend Period, and in a Representative Amount. The Calculation Agent shall request the principal London office of each of these banks to provide a quotation of its rate at approximately 11:00 A.M., London time. If at least two quotations are provided, LIBOR for such Dividend Period shall be the arithmetic mean of such quotations.

If fewer than two quotations are provided as described in the preceding paragraph, LIBOR for such Dividend Period shall be the arithmetic mean of the rates for loans of the following kind to leading European banks quoted, at approximately 11:00 A.M., New York City time, on the second London Business Day immediately preceding the first day of such Dividend Period, by three major banks in New York City selected by the Calculation Agent: three-month loans of U.S. dollars, beginning on the first day of such Dividend Period, and in a Representative Amount.

If no quotation is provided as described in the preceding paragraph, then the Calculation Agent, after consulting such sources as it deems comparable to any of the foregoing quotations or display page, or any such source as it deems reasonable from which to estimate LIBOR or any of the foregoing lending rates, shall determine LIBOR for such Dividend Period in its sole discretion.

The Calculation Agent's determination of any dividend rate, and its calculation of the amount of dividends for any Dividend Period, will be maintained on file at the Corporation's principal offices, will be made available to any stockholder upon request and will be final and binding in the absence of manifest error.

Holders of Series L shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on the Series L as specified in this Section 4 (subject to the other provisions of this Certificate of Designations).

**(b) Priority of Dividends.** So long as any share of Series L remains outstanding, no dividend shall be declared or paid on the Common Stock or any other shares of Junior Stock (other than a dividend payable solely in Junior Stock), and no Common Stock or other Junior Stock shall be purchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into other Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock and other than through the use of the proceeds of a substantially contemporaneous sale of Junior Stock) during a Dividend Period, unless the full dividends for the latest completed Dividend Period on all outstanding shares of Series L have been declared and paid (or declared and a sum sufficient for the payment thereof has been set aside). The foregoing provision shall not restrict the ability of Goldman, Sachs & Co., or any other affiliate of the Corporation, to engage in any market-making transactions in Junior Stock in the ordinary course of business.

When dividends are not paid (or declared and a sum sufficient for payment thereof set aside) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period) in full upon the Series L and any shares of Parity Stock, all dividends declared on the Series L and all such Parity Stock and payable on such Dividend Payment Date (or, in the case of parity stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) shall be declared *pro rata* so that the respective amounts of such dividends shall bear the same ratio to each other as all accrued but unpaid dividends per share on the Series L and all Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) bear to each other.

Subject to the foregoing, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) may be declared and paid on any securities, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment, and the Series L shall not be entitled to participate in any such dividends.

#### **Section 5. Liquidation Rights.**

**(a) Voluntary or Involuntary Liquidation.** In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, holders of Series L shall be entitled to receive, out of the assets of the Corporation or proceeds thereof (whether capital or surplus) available for distribution to stockholders of the Corporation, and after satisfaction of all liabilities and obligations to creditors of the Corporation, before any distribution of such assets or proceeds is made to or set aside for the holders of Common Stock and any other stock of the Corporation ranking junior to the Series L as to such distribution, in full an amount equal to \$25,000 per share, together with an amount equal to all dividends (if any) that have been declared but not paid prior to the date of payment of such distribution (but without any amount in respect of dividends that have not been declared prior to such payment date).

**(b) Partial Payment.** If in any distribution described in Section 5(a) above the assets of the Corporation or proceeds thereof are not sufficient to pay the Liquidation Preferences (as defined below) in full to all holders of Series L and all holders of any stock of the Corporation ranking equally with the Series L as to such distribution, the amounts paid to the holders of Series L and to the holders of all such other stock shall be paid *pro rata* in accordance with the respective aggregate Liquidation Preferences of the holders of Series L and the holders of all such other stock. In any such distribution, the "Liquidation Preference" of any holder of stock of the Corporation shall mean the amount otherwise payable to such holder in such distribution (assuming no limitation on the assets of the Corporation available for such distribution), including an amount equal to any declared but unpaid dividends (and, in the case of any holder of stock other than Series L and on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not declared, as applicable).

**(c) Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series L, the holders of other stock of the Corporation shall be entitled to receive all remaining assets of the Corporation (or proceeds thereof) according to their respective rights and preferences.

**(d) Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the merger or consolidation of the Corporation with any other corporation or other entity, including a merger or consolidation in which the holders of Series L receive cash, securities or other property for their shares, or the sale, lease or exchange (for cash, securities or other property) of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation.



## **Section 6. Redemption.**

**(a) Optional Redemption.** The Series L is perpetual and has no maturity date. The Corporation may, at its option, redeem the shares of Series L at the time outstanding, upon notice given as provided in Section 6(c) below, (i) in whole or in part, from time to time, on any date on or after May 10, 2019 (or, if not a Business Day, the next succeeding Business Day), or (ii) in whole but not in part at any time within 90 days following a Regulatory Capital Treatment Event, in each case, at a redemption price per share equal to \$25,000, plus (except as otherwise provided hereinbelow) an amount equal to any dividends per share that have accrued but not been paid for the then-current Dividend Period to but excluding the redemption date, whether or not such dividends have been declared. The redemption price for any shares of Series L shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Corporation or its agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the Dividend Record Date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Dividend Record Date relating to the Dividend Payment Date as provided in Section 4 above. Notwithstanding the foregoing, the Corporation may not redeem shares of Series L without having received the prior approval of the Appropriate Federal Banking Agency if then required under capital guidelines applicable to the Corporation.

**(b) No Sinking Fund.** The Series L will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series L will have no right to require redemption of any shares of Series L.

**(c) Notice of Redemption.** Notice of every redemption of shares of Series L shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series L designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series L. Notwithstanding the foregoing, if the Series L or any depository shares representing interests in the Series L are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the holders of Series L at such time and in any manner permitted by such facility. Each such notice given to a holder shall state: (1) the redemption date; (2) the number of shares of Series L to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; and (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

**(d) Partial Redemption.** In case of any redemption of only part of the shares of Series L at the time outstanding, the shares to be redeemed shall be selected either *pro rata* or by lot. Subject to the provisions hereof, the Corporation shall have full power and authority to prescribe the terms and conditions upon which shares of Series L shall be redeemed from time to time. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof.

**(e) Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

### **Section 7. Voting Rights.**

**(a) General.** The holders of Series L shall not have any voting rights except as set forth below or as otherwise from time to time required by law.

**(b) Right To Elect Two Directors Upon Nonpayment Events.** If and whenever dividends on any shares of Series L shall not have been declared and paid for any Dividend Periods that, in aggregate, equal at least 18 months, whether or not consecutive (a “Nonpayment Event”), the number of directors then constituting the Board of Directors shall automatically be increased by two and the holders of Series L, together with the holders of all outstanding shares of Voting Preferred Stock, voting together as a single class, shall be entitled to elect the two additional directors (the “Preferred Stock Directors”), *provided* that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Preferred Stock are entitled to elect pursuant to like voting rights).

In the event that the holders of the Series L, and such other holders of Voting Preferred Stock, shall be entitled to vote for the election of the Preferred Stock Directors following a Nonpayment Event, such directors shall be initially elected following such Nonpayment Event only at a special meeting called at the request of the

holders of record of at least 20% of the Series L or of any other series of Voting Preferred Stock then outstanding (unless such request for a special meeting is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders of the Corporation, in which event such election shall be held only at such next annual or special meeting of stockholders), and at each subsequent annual meeting of stockholders of the Corporation. Such request to call a special meeting for the initial election of the Preferred Stock Directors after a Nonpayment Event shall be made by written notice, signed by the requisite holders of Series L or any series of Voting Preferred Stock, and delivered to the Secretary of the Corporation in such manner as provided for in Section 9 below, or as may otherwise be required by law.

When dividends have been paid (or declared and a sum sufficient for payment thereof set aside) in full on the Series L for consecutive Dividend Periods that, in aggregate, equal at least one year after a Nonpayment Event, then the right of the holders of Series L to elect the Preferred Stock Directors shall cease (but subject always to revesting of such voting rights in the case of any future Nonpayment Event), and, if and when any rights of holders of Series L and Voting Preferred Stock to elect the Preferred Stock Directors shall have ceased, the terms of office of all the Preferred Stock Directors shall forthwith terminate and the number of directors constituting the Board of Directors shall automatically be reduced accordingly.

Any Preferred Stock Director may be removed at any time without cause by the holders of record of a majority of all of the outstanding shares of the Series L and Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). So long as a Nonpayment Event shall continue, any vacancy in the office of a Preferred Stock Director (other than prior to the initial election of Preferred Stock Directors after a Nonpayment Event) may be filled by the written consent of the Preferred Stock Director remaining in office, or if none remains in office, by a vote of the holders of record of a majority of all of the outstanding shares of the Series L and Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). Any such vote of stockholders to remove, or to fill a vacancy in the office of, a Preferred Stock Director may be taken only at a special meeting of such stockholders, called as provided above for an initial election of Preferred Stock Director after a Nonpayment Event (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders). The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Each Preferred Stock Director elected at any special meeting of stockholders or by written consent of the other Preferred Stock Director shall hold office until the next annual meeting of the stockholders if such office shall not have previously terminated as above provided.

**(c) Other Voting Rights.** So long as any shares of Series L are outstanding, in addition to any other vote or consent of stockholders required by law or by the Certificate of Incorporation, the vote or consent of the holders of at least 66 ⅔% of the shares of Series L and any Voting Preferred Stock at the time outstanding and entitled to vote thereon, voting together as a single class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

**(i) Authorization of Senior Stock.** Any amendment or alteration of the Certificate of Incorporation to authorize or create, or increase the authorized amount of, any shares of any class or series of capital stock of the Corporation ranking senior to the Series L with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up of the Corporation;

**(ii) Amendment of Series L.** Any amendment, alteration or repeal of any provision of the Certificate of Incorporation so as to materially and adversely affect the special rights, preferences, privileges or voting powers of the Series L, taken as a whole; or

**(iii) Share Exchanges, Reclassifications, Mergers and Consolidations.** Any consummation of a binding share exchange or reclassification involving the Series L, or of a merger or consolidation of the Corporation with another corporation or other entity, unless in each case (x) the shares of Series L remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (y) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series L immediately prior to such consummation, taken as a whole;

*provided, however,* that for all purposes of this Section 7(c), any increase in the amount of the authorized or issued Series L or authorized Preferred Stock, or the creation and issuance, or an increase in the authorized or issued amount, of any other series of Preferred Stock ranking equally with and/or junior to the Series L with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and/or the distribution of assets upon liquidation, dissolution or winding up of the Corporation will not be deemed to adversely affect the rights, preferences, privileges or voting powers of the Series L.

If any amendment, alteration, repeal, share exchange, reclassification, merger or consolidation specified in this Section 7(c) would adversely affect the Series L and one or more but not all other series of Preferred Stock, then only the Series L and such series of Preferred Stock as are adversely affected by and entitled to vote on the matter shall vote on the matter together as a single class (in lieu of all other series of Preferred Stock).

**(d) Changes for Clarification.** Without the consent of the holders of the Series L, so long as such action does not adversely affect the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series L, the Corporation may amend, alter, supplement or repeal any terms of the Series L:

(i) to cure any ambiguity, or to cure, correct or supplement any provision contained in this Certificate of Designations that may be defective or inconsistent; or

(ii) to make any provision with respect to matters or questions arising with respect to the Series L that is not inconsistent with the provisions of this Certificate of Designations.

**(e) Changes after Provision for Redemption.** No vote or consent of the holders of Series L shall be required pursuant to Section 7(b), (c) or (d) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding shares of Series L shall have been redeemed, or shall have been called for redemption upon proper notice and sufficient funds shall have been set aside for such redemption, in each case pursuant to Section 6 above.

**(f) Procedures for Voting and Consents.** The rules and procedures for calling and conducting any meeting of the holders of Series L (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors), in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Certificate of Incorporation, the ByLaws, applicable law and any national securities exchange or other trading facility on which the Series L is listed or traded at the time. Whether the vote or consent of the holders of a plurality, majority or other portion of the shares of Series L and all Voting Preferred Stock has been cast or given on any matter on which the holders of shares of Series L are entitled to vote shall be determined by the Corporation by reference to the specified liquidation amounts of the shares voted or covered by the consent.

**Section 8. Record Holders.** To the fullest extent permitted by applicable law, the Corporation and the transfer agent for the Series L may deem and treat the record holder of any share of Series L as the true and lawful owner thereof for all purposes, and neither the Corporation nor such transfer agent shall be affected by any notice to the contrary.

**Section 9. Notices.** All notices or communications in respect of Series L shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designations, in the Certificate of Incorporation or ByLaws or by applicable law.

**Section 10. No Preemptive Rights.** No share of Series L shall have any rights of preemption whatsoever as to any securities of the Corporation, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

**Section 11. Other Rights.** The shares of Series L shall not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation or as provided by applicable law.

**CERTIFICATE OF DESIGNATIONS**

**OF**

**5.375% FIXED-TO-FLOATING RATE NON-CUMULATIVE  
PREFERRED STOCK, SERIES M**

**OF**

**THE GOLDMAN SACHS GROUP, INC.**

**THE GOLDMAN SACHS GROUP, INC.**, a corporation organized and existing under the General Corporation Law of the State of Delaware (the “Corporation”), in accordance with the provisions of Sections 103 and 151 thereof, DOES HEREBY CERTIFY:

The Securities Issuance Committee (the “Committee”) of the board of directors of the Corporation (the “Board of Directors”), in accordance with the resolutions of the Board of Directors dated October 28, 2011, the provisions of the restated certificate of incorporation and the amended and restated bylaws of the Corporation and applicable law, at a meeting duly called and held on April 17, 2015, adopted the following resolution creating a series of 80,000 shares of Preferred Stock of the Corporation designated as “5.375% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series M”.

**RESOLVED**, that pursuant to the authority vested in the Committee and in accordance with the resolutions of the Board of Directors dated October 28, 2011, the provisions of the restated certificate of incorporation and the amended and restated bylaws of the Corporation and applicable law, a series of Preferred Stock, par value \$.01 per share, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

**Section 1. Designation.** The distinctive serial designation of such series of Preferred Stock is “5.375% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series M” (“Series M”). Each share of Series M shall be identical in all respects to every other share of Series M, except as to the respective dates from which dividends thereon shall accrue, to the extent such dates may differ as permitted pursuant to Section 4(a) below.

**Section 2. Number of Shares.** The authorized number of shares of Series M shall be 80,000. Shares of Series M that are redeemed, purchased or otherwise acquired by the Corporation shall be cancelled and shall revert to authorized but unissued shares of Series M.

**Section 3. Definitions.** As used herein with respect to Series M:

(a) “Appropriate Federal Banking Agency” means the “appropriate federal banking agency” with respect to the Corporation as that term is defined in Section 3(q) of the Federal Deposit Insurance Act or any successor provision.

(b) “Board of Directors” means the board of directors of the Corporation.

(c) “ByLaws” means the amended and restated bylaws of the Corporation, as they may be amended from time to time.

(d) “Business Day” means (i) from the original issue date to and including May 10, 2020 (or, if such day is not a Monday, Tuesday, Wednesday, Thursday or Friday or is a day on which banking institutions in New York City are generally authorized or obligated by law or executive order to close, the next day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is not a day on which banking institutions in New York City are generally authorized or obligated by law or executive order to close), a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is not a day on which banking institutions in New York City are generally authorized or obligated by law or executive order to close, and (ii) thereafter, a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is not a day on which banking institutions in New York City are generally authorized or obligated by law or executive order to close and is a London Business Day.

(e) “Calculation Agent” means, at any time, the person or entity appointed by the Corporation and serving as such agent at such time. The Corporation may terminate any such appointment and may appoint a successor agent at any time and from time to time, *provided* that the Corporation shall use its best efforts to ensure that there is, at all relevant times when the Series M is outstanding, a person or entity appointed and serving as such agent. The Calculation Agent may be a person or entity affiliated with the Corporation.

(f) “Certificate of Designations” means this Certificate of Designations relating to the Series M, as it may be amended from time to time.

(g) “Certification of Incorporation” shall mean the restated certificate of incorporation of the Corporation, as it may be amended from time to time, and shall include this Certificate of Designations.

(h) “Common Stock” means the common stock, par value \$0.01 per share, of the Corporation.

(i) “Junior Stock” means the Common Stock and any other class or series of stock of the Corporation (other than Series M) that ranks junior to Series M either or both as to the payment of dividends and/or as to the distribution of assets on any liquidation, dissolution or winding up of the Corporation.



(j) “London Business Day” means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is a day on which dealings in U.S. dollars are transacted in the London interbank market.

(k) “Parity Stock” means any class or series of stock of the Corporation (other than Series M) that ranks equally with Series M both in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(l) “Preferred Stock” means any and all series of Preferred Stock, having a par value of \$0.01 per share, of the Corporation, including the Series M.

(m) “Regulatory Capital Treatment Event” means the good faith determination by the Corporation that, as a result of (i) any amendment to, or change in, the laws, rules or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any share of Series M, (ii) any proposed change in those laws, rules or regulations that is announced or becomes effective after the initial issuance of any share of Series M, or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws, rules or regulations or policies with respect thereto that is announced after the initial issuance of any share of Series M, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full liquidation preference amount of \$25,000 per share of Series M then outstanding as “tier 1 capital” (or its equivalent) for purposes of the capital adequacy guidelines of the Board of Governors of the Federal Reserve System (or, as and if applicable, the capital adequacy guidelines or regulations of any successor Appropriate Federal Banking Agency) as then in effect and applicable, for so long as any share of Series M is outstanding.

(n) “Representative Amount” means, at any time, an amount that, in the Calculation Agent’s judgment, is representative of a single transaction in the relevant market at the relevant time.

(o) “Reuters screen” means the display on the Reuters 3000 Xtra service, or any successor or replacement service.

(p) “Voting Preferred Stock” means, with regard to any election or removal of a Preferred Stock Director (as defined in Section 7(b) below) or any other matter as to which the holders of Series M are entitled to vote as specified in Section 7 of this Certificate of Designations, any and all series of Preferred Stock (other than Series M) that rank equally with Series M either as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation and upon which like voting rights have been conferred and are exercisable with respect to such matter.

#### Section 4. Dividends.

(a) **Rate.** Holders of Series M shall be entitled to receive, when, as and if declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) out of funds legally available for the payment of dividends under Delaware law, non-cumulative cash dividends per each share of Series M at the rate determined as set forth below in this Section (4) applied to the liquidation preference amount of \$25,000 per share of Series M. Such dividends shall be payable in arrears (as provided below in this Section 4(a)), but only when, as and if declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors), on the 10th day of May and November of each year, commencing on November 10, 2015 and ending on May 10, 2020, and on the 10th day of February, May, August and November of each year following May 10, 2020 (“Dividend Payment Dates”); *provided* that if any such Dividend Payment Date that occurs on or before May 10, 2020 is a day that is not a Business Day, such dividend shall instead be payable on the immediately succeeding Business Day without interest or other payment in respect of such delayed payment, *and provided further*, if any such Dividend Payment Date that would otherwise occur for any Dividend Period after the Dividend Period ending on but excluding May 10, 2020 is a day that is not a Business Day, such Dividend Payment Date shall instead be (and any such dividend shall accrue to and instead be payable on) the immediately succeeding Business Day unless such immediately succeeding Business Day falls in the next calendar month, in which case such Dividend Payment Date shall instead be (and any such dividend shall accrue to and instead be payable on) the immediately preceding Business Day. Dividends on Series M shall not be cumulative; holders of Series M shall not be entitled to receive any dividends not declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) and no interest, or sum of money in lieu of interest, shall be payable in respect of any dividend not so declared.

Dividends on the Series M shall not be declared or set aside for payment if and to the extent such dividends would cause the Corporation to fail to comply with the capital adequacy guidelines of the Board of Governors of the Federal Reserve System (or, as and if applicable, the capital adequacy guidelines or regulations of any successor Appropriate Federal Banking Agency) applicable to the Corporation.

Dividends that are payable on Series M on any Dividend Payment Date will be payable to holders of record of Series M as they appear on the stock register of the Corporation on the applicable record date, which shall be the 15th calendar day before such Dividend Payment Date or such other record date fixed by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) that is not more than 60 nor less than 10 days prior to such Dividend Payment Date (each, a “Dividend Record Date”). Any such day that is a Dividend Record Date shall be a Dividend Record Date whether or not such day is a Business Day.

Each dividend period (a “Dividend Period”) shall commence on and include a Dividend Payment Date (other than the initial Dividend Period, which shall commence on and include the date of original issue of the Series M, *provided* that, for any share of Series M issued after such original issue date, the initial Dividend Period for such shares may commence on and include such other date as the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) shall determine and publicly disclose) and shall end on and include the calendar day next preceding the next Dividend Payment Date. Dividends payable on the Series M in respect of any Dividend Period beginning prior to May 10, 2020 shall be calculated on the basis of a 360-day year consisting of twelve 30-day months, and dividends payable on the Series M in respect of any Dividend Period beginning on or after May 10, 2020 shall be calculated by the Calculation Agent on the basis of a 360-day year and the actual number of days elapsed in such Dividend Period. Dividends payable in respect of a Dividend Period shall be payable in arrears – i.e., on the first Dividend Payment Date after such Dividend Period.

The dividend rate on the Series M, for each Dividend Period beginning prior to May 10, 2020, shall be a rate per annum equal to 5.375%, and the dividend rate on the Series M, for each Dividend Period beginning on or after May 10, 2020, shall be a rate per annum equal to LIBOR (as defined below) for such Dividend Period plus 3.922%. LIBOR, with respect to any Dividend Period beginning on or after May 10, 2020, means the offered rate expressed as a percentage per annum for three-month deposits in U.S. dollars on the first day of such Dividend Period, as that rate appears on Reuters screen LIBOR01 (or any successor or replacement page) as of approximately 11:00 A.M., London time, on the second London Business Day immediately preceding the first day of such Dividend Period.

If the rate described in the preceding paragraph does not appear on the Reuters screen LIBOR01 (or any successor or replacement page), LIBOR shall be determined on the basis of the rates, at approximately 11:00 A.M., London time, on the second London Business Day immediately preceding the first day of such Dividend Period, at which deposits of the following kind are offered to prime banks in the London interbank market by four major banks in that market selected by the Calculation Agent: three-month deposits in U.S. dollars, beginning on the first day of such Dividend Period, and in a Representative Amount. The Calculation Agent shall request the principal London office of each of these banks to provide a quotation of its rate at approximately 11:00 A.M., London time. If at least two quotations are provided, LIBOR for such Dividend Period shall be the arithmetic mean of such quotations.

If fewer than two quotations are provided as described in the preceding paragraph, LIBOR for such Dividend Period shall be the arithmetic mean of the rates for loans of the following kind to leading European banks quoted, at approximately 11:00 A.M., New York City time, on the second London Business Day immediately preceding the first day of such Dividend Period, by major banks in New York City selected by the Calculation Agent: three-month loans of U.S. dollars, beginning on the first day of such Dividend Period, and in a Representative Amount.

If no quotation is provided as described in the preceding paragraph, then the Calculation Agent, after consulting such sources as it deems comparable to any of the foregoing quotations or display page, or any such source as it deems reasonable from which to estimate LIBOR or any of the foregoing lending rates, shall determine LIBOR for such Dividend Period in its sole discretion.

The Calculation Agent's determination of any dividend rate, and its calculation of the amount of dividends for any Dividend Period, will be maintained on file at the Corporation's principal offices, will be made available to any stockholder upon request and will be final and binding in the absence of manifest error.

Holders of Series M shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on the Series M as specified in this Section 4 (subject to the other provisions of this Certificate of Designations).

(b) **Priority of Dividends.** So long as any share of Series M remains outstanding, no dividend shall be declared or paid on the Common Stock or any other shares of Junior Stock (other than a dividend payable solely in Junior Stock), and no Common Stock or other Junior Stock shall be purchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into other Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock and other than through the use of the proceeds of a substantially contemporaneous sale of Junior Stock) during a Dividend Period, unless the full dividends for the latest completed Dividend Period on all outstanding shares of Series M have been declared and paid (or declared and a sum sufficient for the payment thereof has been set aside). The foregoing provision shall not restrict the ability of Goldman, Sachs & Co., or any other affiliate of the Corporation, to engage in any market-making transactions in Junior Stock in the ordinary course of business.

When dividends are not paid (or declared and a sum sufficient for payment thereof set aside) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period) in full upon the Series M and any shares of Parity Stock, all dividends declared on the Series M and all such Parity Stock and payable on such Dividend Payment Date (or, in the case of parity stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) shall be declared *pro rata* so that the respective amounts of such dividends shall bear the same ratio to each other as all accrued but unpaid dividends per share on the Series M and all Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) bear to each other.

Subject to the foregoing, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) may be declared and paid on any securities, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment, and the Series M shall not be entitled to participate in any such dividends.

#### **Section 5. Liquidation Rights.**

(a) **Voluntary or Involuntary Liquidation.** In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, holders of Series M shall be entitled to receive, out of the assets of the Corporation or proceeds thereof (whether capital or surplus) available for distribution to stockholders of the Corporation, and after satisfaction of all liabilities and obligations to creditors of the Corporation, before any distribution of such assets or proceeds is made to or set aside for the holders of Common Stock and any other stock of the Corporation ranking junior to the Series M as to such distribution, in full an amount equal to \$25,000 per share, together with an amount equal to all dividends (if any) that have been declared but not paid prior to the date of payment of such distribution (but without any amount in respect of dividends that have not been declared prior to such payment date).

(b) **Partial Payment.** If in any distribution described in Section 5(a) above the assets of the Corporation or proceeds thereof are not sufficient to pay the Liquidation Preferences (as defined below) in full to all holders of Series M and all holders of any stock of the Corporation ranking equally with the Series M as to such distribution, the amounts paid to the holders of Series M and to the holders of all such other stock shall be paid *pro rata* in accordance with the respective aggregate Liquidation Preferences of the holders of Series M and the holders of all such other stock. In any such distribution, the "Liquidation Preference" of any holder of stock of the Corporation shall mean the amount otherwise payable to such holder in such distribution (assuming no limitation on the assets of the Corporation available for such distribution), including an amount equal to any declared but unpaid dividends (and, in the case of any holder of stock other than Series M and on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not declared, as applicable).

(c) **Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series M, the holders of other stock of the Corporation shall be entitled to receive all remaining assets of the Corporation (or proceeds thereof) according to their respective rights and preferences.

(d) **Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the merger or consolidation of the Corporation with any other corporation or other entity, including a merger or consolidation in which the holders of Series M receive cash, securities or other property for their shares, or the sale, lease or exchange (for cash, securities or other property) of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation.

## **Section 6. Redemption.**

(a) **Optional Redemption.** The Series M is perpetual and has no maturity date. The Corporation may, at its option, redeem the shares of Series M at the time outstanding, upon notice given as provided in Section 6(c) below, (i) in whole or in part, from time to time, on any date on or after May 10, 2020 (or, if not a Business Day, the next succeeding Business Day), or (ii) in whole but not in part at any time within 90 days following a Regulatory Capital Treatment Event, in each case, at a redemption price per share equal to \$25,000, plus (except as otherwise provided hereinbelow) an amount equal to any dividends per share that have accrued but not been paid for the then-current Dividend Period to but excluding the redemption date, whether or not such dividends have been declared. The redemption price for any shares of Series M shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Corporation or its agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the Dividend Record Date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Dividend Record Date relating to the Dividend Payment Date as provided in Section 4 above. Notwithstanding the foregoing, the Corporation may not redeem shares of Series M without having received the prior approval of the Appropriate Federal Banking Agency if then required under capital guidelines applicable to the Corporation.

(b) **No Sinking Fund.** The Series M will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series M will have no right to require redemption of any shares of Series M.

(c) **Notice of Redemption.** Notice of every redemption of shares of Series M shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series M designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series M. Notwithstanding the foregoing, if the Series M or any depositary shares representing interests in the Series M are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the holders of Series M at such time and in any manner permitted by such facility. Each such notice given to a holder shall state: (1) the redemption date; (2) the number of shares of Series M to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; and (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

(d) **Partial Redemption.** In case of any redemption of only part of the shares of Series M at the time outstanding, the shares to be redeemed shall be selected either *pro rata* or by lot. Subject to the provisions hereof, the Corporation shall have full power and authority to prescribe the terms and conditions upon which shares of Series M shall be redeemed from time to time. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof.

(e) **Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

### **Section 7. Voting Rights.**

(a) **General.** The holders of Series M shall not have any voting rights except as set forth below or as otherwise from time to time required by law.

(b) **Right To Elect Two Directors Upon Nonpayment Events.** If and whenever dividends on any shares of Series M shall not have been declared and paid for any Dividend Periods that, in aggregate, equal at least 18 months, whether or not consecutive (a “Nonpayment Event”), the number of directors then constituting the Board of Directors shall automatically be increased by two and the holders of Series M, together with the holders of all outstanding shares of Voting Preferred Stock, voting together as a single class, shall be entitled to elect the two additional directors (the “Preferred Stock Directors”), *provided* that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Preferred Stock are entitled to elect pursuant to like voting rights).

In the event that the holders of the Series M, and such other holders of Voting Preferred Stock, shall be entitled to vote for the election of the Preferred Stock Directors following a Nonpayment Event, such directors shall be initially elected following such Nonpayment Event only at a special meeting called at the request of the

holders of record of at least 20% of the Series M or of any other series of Voting Preferred Stock then outstanding (unless such request for a special meeting is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders of the Corporation, in which event such election shall be held only at such next annual or special meeting of stockholders), and at each subsequent annual meeting of stockholders of the Corporation. Such request to call a special meeting for the initial election of the Preferred Stock Directors after a Nonpayment Event shall be made by written notice, signed by the requisite holders of Series M or any series of Voting Preferred Stock, and delivered to the Secretary of the Corporation in such manner as provided for in Section 9 below, or as may otherwise be required by law.

When dividends have been paid (or declared and a sum sufficient for payment thereof set aside) in full on the Series M for consecutive Dividend Periods that, in aggregate, equal at least one year after a Nonpayment Event, then the right of the holders of Series M to elect the Preferred Stock Directors shall cease (but subject always to revesting of such voting rights in the case of any future Nonpayment Event), and, if and when any rights of holders of Series M and Voting Preferred Stock to elect the Preferred Stock Directors shall have ceased, the terms of office of all the Preferred Stock Directors shall forthwith terminate and the number of directors constituting the Board of Directors shall automatically be reduced accordingly.

Any Preferred Stock Director may be removed at any time without cause by the holders of record of a majority of all of the outstanding shares of the Series M and Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). So long as a Nonpayment Event shall continue, any vacancy in the office of a Preferred Stock Director (other than prior to the initial election of Preferred Stock Directors after a Nonpayment Event) may be filled by the written consent of the Preferred Stock Director remaining in office, or if none remains in office, by a vote of the holders of record of a majority of all of the outstanding shares of the Series M and Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). Any such vote of stockholders to remove, or to fill a vacancy in the office of, a Preferred Stock Director may be taken only at a special meeting of such stockholders, called as provided above for an initial election of Preferred Stock Director after a Nonpayment Event (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders). The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Each Preferred Stock Director elected at any special meeting of stockholders or by written consent of the other Preferred Stock Director shall hold office until the next annual meeting of the stockholders if such office shall not have previously terminated as above provided.

(c) **Other Voting Rights.** So long as any shares of Series M are outstanding, in addition to any other vote or consent of stockholders required by law or by the Certificate of Incorporation, the vote or consent of the holders of at least 66 ⅔% of the shares of Series M and any Voting Preferred Stock at the time outstanding and entitled to vote thereon, voting together as a single class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:



(i) **Authorization of Senior Stock.** Any amendment or alteration of the Certificate of Incorporation to authorize or create, or increase the authorized amount of, any shares of any class or series of capital stock of the Corporation ranking senior to the Series M with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up of the Corporation;

(ii) **Amendment of Series M.** Any amendment, alteration or repeal of any provision of the Certificate of Incorporation so as to materially and adversely affect the special rights, preferences, privileges or voting powers of the Series M, taken as a whole; or

(iii) **Share Exchanges, Reclassifications, Mergers and Consolidations.** Any consummation of a binding share exchange or reclassification involving the Series M, or of a merger or consolidation of the Corporation with another corporation or other entity, unless in each case (x) the shares of Series M remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (y) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series M immediately prior to such consummation, taken as a whole;

*provided, however,* that for all purposes of this Section 7(c), any increase in the amount of the authorized or issued Series M or authorized Preferred Stock, or the creation and issuance, or an increase in the authorized or issued amount, of any other series of Preferred Stock ranking equally with and/or junior to the Series M with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and/or the distribution of assets upon liquidation, dissolution or winding up of the Corporation will not be deemed to adversely affect the rights, preferences, privileges or voting powers of the Series M.

If any amendment, alteration, repeal, share exchange, reclassification, merger or consolidation specified in this Section 7(c) would adversely affect the Series M and one or more but not all other series of Preferred Stock, then only the Series M and such series of Preferred Stock as are adversely affected by and entitled to vote on the matter shall vote on the matter together as a single class (in lieu of all other series of Preferred Stock).

(d) **Changes for Clarification.** Without the consent of the holders of the Series M, so long as such action does not adversely affect the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series M, the Corporation may amend, alter, supplement or repeal any terms of the Series M:

(i) to cure any ambiguity, or to cure, correct or supplement any provision contained in this Certificate of Designations that may be defective or inconsistent; or

(ii) to make any provision with respect to matters or questions arising with respect to the Series M that is not inconsistent with the provisions of this Certificate of Designations.

(e) **Changes after Provision for Redemption.** No vote or consent of the holders of Series M shall be required pursuant to Section 7(b), (c) or (d) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding shares of Series M shall have been redeemed, or shall have been called for redemption upon proper notice and sufficient funds shall have been set aside for such redemption, in each case pursuant to Section 6 above.

(f) **Procedures for Voting and Consents.** The rules and procedures for calling and conducting any meeting of the holders of Series M (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors), in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Certificate of Incorporation, the ByLaws, applicable law and any national securities exchange or other trading facility on which the Series M is listed or traded at the time. Whether the vote or consent of the holders of a plurality, majority or other portion of the shares of Series M and all Voting Preferred Stock has been cast or given on any matter on which the holders of shares of Series M are entitled to vote shall be determined by the Corporation by reference to the specified liquidation amounts of the shares voted or covered by the consent.

**Section 8. Record Holders.** To the fullest extent permitted by applicable law, the Corporation and the transfer agent for the Series M may deem and treat the record holder of any share of Series M as the true and lawful owner thereof for all purposes, and neither the Corporation nor such transfer agent shall be affected by any notice to the contrary.

**Section 9. Notices.** All notices or communications in respect of Series M shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designations, in the Certificate of Incorporation or ByLaws or by applicable law.

**Section 10. No Preemptive Rights.** No share of Series M shall have any rights of preemption whatsoever as to any securities of the Corporation, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

**Section 11. Other Rights.** The shares of Series M shall not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation or as provided by applicable law.

**CERTIFICATE OF DESIGNATIONS**

**OF**

**6.30% NON-CUMULATIVE PREFERRED STOCK, SERIES N**

**OF**

**THE GOLDMAN SACHS GROUP, INC.**

**THE GOLDMAN SACHS GROUP, INC.**, a corporation organized and existing under the General Corporation Law of the State of Delaware (the “Corporation”), in accordance with the provisions of Sections 103 and 151 thereof, DOES HEREBY CERTIFY:

The Securities Issuance Committee (the “Committee”) of the board of directors of the Corporation (the “Board of Directors”), in accordance with the resolutions of the Board of Directors dated October 28, 2011, the provisions of the restated certificate of incorporation and the amended and restated bylaws of the Corporation and applicable law, at a meeting duly called and held on February 18, 2016, adopted the following resolution creating a series of 31,050 shares of Preferred Stock of the Corporation designated as “6.30% Non-Cumulative Preferred Stock, Series N”.

**RESOLVED**, that pursuant to the authority vested in the Committee and in accordance with the resolutions of the Board of Directors dated October 28, 2011, the provisions of the restated certificate of incorporation and the amended and restated bylaws of the Corporation and applicable law, a series of Preferred Stock, par value \$.01 per share, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

**Section 1. Designation.** The distinctive serial designation of such series of Preferred Stock is “6.30% Non-Cumulative Preferred Stock, Series N” (“Series N”). Each share of Series N shall be identical in all respects to every other share of Series N, except as to the respective dates from which dividends thereon shall accrue, to the extent such dates may differ as permitted pursuant to Section 4(a) below.

**Section 2. Number of Shares.** The authorized number of shares of Series N shall be 31,050. Shares of Series N that are redeemed, purchased or otherwise acquired by the Corporation shall be cancelled and shall revert to authorized but unissued shares of Series N.

**Section 3. Definitions.** As used herein with respect to Series N:

(a) “Appropriate Federal Banking Agency” means the “appropriate federal banking agency” with respect to the Corporation as that term is defined in Section 3(q) of the Federal Deposit Insurance Act or any successor provision.

(b) “Board of Directors” means the board of directors of the Corporation.

(c) “ByLaws” means the amended and restated bylaws of the Corporation, as they may be amended from time to time.

(d) “Business Day” means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is not a day on which banking institutions in New York City are generally authorized or obligated by law, regulation or executive order to close.

(e) “Certificate of Designations” means this Certificate of Designations relating to the Series N, as it may be amended from time to time.

(f) “Certification of Incorporation” shall mean the restated certificate of incorporation of the Corporation, as it may be amended from time to time, and shall include this Certificate of Designations.

(g) “Common Stock” means the common stock, par value \$0.01 per share, of the Corporation.

(h) “Junior Stock” means the Common Stock and any other class or series of stock of the Corporation (other than Series N) that ranks junior to Series N either or both as to the payment of dividends and/or as to the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(i) “Parity Stock” means any class or series of stock of the Corporation (other than Series N) that ranks equally with Series N both in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(j) “Preferred Stock” means any and all series of Preferred Stock, having a par value of \$0.01 per share, of the Corporation, including the Series N.

(k) “Regulatory Capital Treatment Event” means the good faith determination by the Corporation that, as a result of (i) any amendment to, or change in, the laws, rules or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any share of Series N, (ii) any proposed change in those laws, rules or regulations that is announced or becomes effective after the initial issuance of any share of Series N, or (iii) any official administrative decision or judicial

decision or administrative action or other official pronouncement interpreting or applying those laws, rules or regulations or policies with respect thereto that is announced after the initial issuance of any share of Series N, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full liquidation preference amount of \$25,000 per share of Series N then outstanding as “tier 1 capital” (or its equivalent) for purposes of the capital adequacy guidelines of the Board of Governors of the Federal Reserve System (or, as and if applicable, the capital adequacy guidelines or regulations of any successor Appropriate Federal Banking Agency) as then in effect and applicable, for so long as any share of Series N is outstanding.

(l) “Voting Preferred Stock” means, with regard to any election or removal of a Preferred Stock Director (as defined in Section 7(b) below) or any other matter as to which the holders of Series N are entitled to vote as specified in Section 7 of this Certificate of Designations, any and all series of Preferred Stock (other than Series N) that rank equally with Series N either as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation and upon which like voting rights have been conferred and are exercisable with respect to such matter.

#### **Section 4. Dividends.**

(a) **Rate.** Holders of Series N shall be entitled to receive, when, as and if declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) out of funds legally available for the payment of dividends under Delaware law, non-cumulative cash dividends at the rate per annum equal to 6.30% applied to the liquidation preference amount of \$25,000 per share of Series N. Such dividends shall be payable quarterly in arrears (as provided below in this Section 4(a)), but only when, as and if declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors), on February 10, May 10, August 10 and November 10 (“Dividend Payment Dates”), commencing on May 10, 2016; *provided* that if any such Dividend Payment Date would otherwise occur on a day that is not a Business Day, such dividend shall instead be payable on the immediately succeeding Business Day, without interest or other payment in respect of such delayed payment. Dividends on Series N shall not be cumulative; holders of Series N shall not be entitled to receive any dividends not declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) and no interest, or sum of money in lieu of interest, shall be payable in respect of any dividend not so declared.

Dividends on the Series N shall not be declared or set aside for payment if and to the extent such dividends would cause the Corporation to fail to comply with the capital adequacy guidelines of the Board of Governors of the Federal Reserve System (or, as and if applicable, the capital adequacy guidelines or regulations of any successor Appropriate Federal Banking Agency) applicable to the Corporation.

Dividends that are payable on Series N on any Dividend Payment Date will be payable to holders of record of Series N as they appear on the stock register of the Corporation on the applicable record date, which shall be the 15th calendar day before such Dividend Payment Date or such other record date fixed by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) that is not more than 60 nor less than 10 days prior to such Dividend Payment Date (each, a “Dividend Record Date”). Any such day that is a Dividend Record Date shall be a Dividend Record Date whether or not such day is a Business Day.

Each dividend period (a “Dividend Period”) shall commence on and include a Dividend Payment Date (other than the initial Dividend Period, which shall commence on and include the date of original issue of the Series N, *provided* that, for any share of Series N issued after such original issue date, the initial Dividend Period for such shares may commence on and include such other date as the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) shall determine and publicly disclose) and shall end on and include the calendar day next preceding the next Dividend Payment Date. Dividends payable on the Series N in respect of any Dividend Period shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. Dividends payable in respect of a Dividend Period shall be payable in arrears – i.e., on the first Dividend Payment Date after such Dividend Period.

Holders of Series N shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on the Series N as specified in this Section 4 (subject to the other provisions of this Certificate of Designations).

(b) **Priority of Dividends.** So long as any share of Series N remains outstanding, no dividend shall be declared or paid on the Common Stock or any other shares of Junior Stock (other than a dividend payable solely in Junior Stock), and no Common Stock or other Junior Stock shall be purchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into other Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock and other than through the use of the proceeds of a substantially contemporaneous sale of Junior Stock) during a Dividend Period, unless the full dividends for the latest completed Dividend Period on all outstanding shares of Series N have been declared and paid (or declared and a sum sufficient for the payment thereof has been set aside). The foregoing provision shall not restrict the ability of Goldman, Sachs & Co., or any other affiliate of the Corporation, to engage in any market-making transactions in Junior Stock in the ordinary course of business.

When dividends are not paid (or declared and a sum sufficient for payment thereof set aside) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period) in full upon the Series N and any shares of Parity Stock, all dividends declared on the Series N and all such Parity Stock and payable

on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) shall be declared pro rata so that the respective amounts of such dividends shall bear the same ratio to each other as all accrued but unpaid dividends per share on the Series N and all Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) bear to each other.

Subject to the foregoing, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) may be declared and paid on any securities, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment, and the Series N shall not be entitled to participate in any such dividends.

#### **Section 5. Liquidation Rights.**

(a) **Voluntary or Involuntary Liquidation.** In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, holders of Series N shall be entitled to receive, out of the assets of the Corporation or proceeds thereof (whether capital or surplus) available for distribution to stockholders of the Corporation, and after satisfaction of all liabilities and obligations to creditors of the Corporation, before any distribution of such assets or proceeds is made to or set aside for the holders of Common Stock and any other stock of the Corporation ranking junior to the Series N as to such distribution, in full an amount equal to \$25,000 per share, together with an amount equal to all dividends (if any) that have been declared but not paid prior to the date of payment of such distribution (but without any amount in respect of dividends that have not been declared prior to such payment date).

(b) **Partial Payment.** If in any distribution described in Section 5(a) above the assets of the Corporation or proceeds thereof are not sufficient to pay the Liquidation Preferences (as defined below) in full to all holders of Series N and all holders of any stock of the Corporation ranking equally with the Series N as to such distribution, the amounts paid to the holders of Series N and to the holders of all such other stock shall be paid *pro rata* in accordance with the respective aggregate Liquidation Preferences of the holders of Series N and the holders of all such other stock. In any such distribution, the "Liquidation Preference" of any holder of stock of the Corporation shall mean the amount otherwise payable to such holder in such distribution (assuming no limitation on the assets of the Corporation available for such distribution), including an amount equal to any declared but unpaid dividends (and, in the case of any holder of stock other than Series N and on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not declared, as applicable).

(c) **Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series N, the holders of other stock of the Corporation shall be entitled to receive all remaining assets of the Corporation (or proceeds thereof) according to their respective rights and preferences.



(d) **Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the merger or consolidation of the Corporation with any other corporation or other entity, including a merger or consolidation in which the holders of Series N receive cash, securities or other property for their shares, or the sale, lease or exchange (for cash, securities or other property) of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation.

#### **Section 6. Redemption.**

(a) **Optional Redemption.** The Series N is perpetual and has no maturity date. The Corporation may, at its option, redeem the shares of Series N at the time outstanding, upon notice given as provided in Section 6(c) below, (i) in whole or in part, from time to time, on any date on or after May 10, 2021 (or, if not a Business Day, the next succeeding Business Day), or (ii) in whole but not in part at any time within 90 days following a Regulatory Capital Treatment Event, in each case, at a redemption price per share equal to \$25,000, plus (except as otherwise provided herein below) an amount equal to any dividends per share that have accrued but not been paid for the then-current Dividend Period to but excluding the redemption date, whether or not such dividends have been declared. The redemption price for any shares of Series N shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Corporation or its agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the Dividend Record Date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Dividend Record Date relating to the Dividend Payment Date as provided in Section 4 above. Notwithstanding the foregoing, the Corporation may not redeem shares of Series N without having received the prior approval of the Appropriate Federal Banking Agency if then required under capital guidelines applicable to the Corporation.

(b) **No Sinking Fund.** The Series N will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series N will have no right to require redemption of any shares of Series N.

(c) **Notice of Redemption.** Notice of every redemption of shares of Series N shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series N designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series N.

Notwithstanding the foregoing, if the Series N or any depositary shares representing interests in the Series N are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the holders of Series N at such time and in any manner permitted by such facility. Each such notice given to a holder shall state: (1) the redemption date; (2) the number of shares of Series N to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; and (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

(d) **Partial Redemption.** In case of any redemption of only part of the shares of Series N at the time outstanding, the shares to be redeemed shall be selected either *pro rata* or by lot. Subject to the provisions hereof, the Corporation shall have full power and authority to prescribe the terms and conditions upon which shares of Series N shall be redeemed from time to time. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof.

(e) **Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

#### **Section 7. Voting Rights.**

(a) **General.** The holders of Series N shall not have any voting rights except as set forth below or as otherwise from time to time required by law.

(b) **Right To Elect Two Directors Upon Nonpayment Events.** If and whenever dividends on any shares of Series N shall not have been declared and paid for at least six Dividend Periods, whether or not consecutive (a “Nonpayment Event”), the number of directors then constituting the Board of Directors shall automatically be increased by two and the holders of Series N, together with the holders of all outstanding shares of Voting Preferred Stock, voting together as a single class, shall be entitled to elect the two additional directors (the “Preferred Stock Directors”), *provided* that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Preferred Stock are entitled to elect pursuant to like voting rights).

In the event that the holders of the Series N, and such other holders of Voting Preferred Stock, shall be entitled to vote for the election of the Preferred Stock Directors following a Nonpayment Event, such directors shall be initially elected following such Nonpayment Event only at a special meeting called at the request of the holders of record of at least 20% of the Series N or of any other series of Voting Preferred Stock then outstanding (unless such request for a special meeting is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders of the Corporation, in which event such election shall be held only at such next annual or special meeting of stockholders), and at each subsequent annual meeting of stockholders of the Corporation. Such request to call a special meeting for the initial election of the Preferred Stock Directors after a Nonpayment Event shall be made by written notice, signed by the requisite holders of Series N or any series of Voting Preferred Stock, and delivered to the Secretary of the Corporation in such manner as provided for in Section 9 below, or as may otherwise be required by law.

When dividends have been paid (or declared and a sum sufficient for payment thereof set aside) in full on the Series N for four consecutive Dividend Periods after a Nonpayment Event, then the right of the holders of Series N to elect the Preferred Stock Directors shall cease (but subject always to revesting of such voting rights in the case of any future Nonpayment Event), and, if and when any rights of holders of Series N and Voting Preferred Stock to elect the Preferred Stock Directors shall have ceased, the terms of office of all the Preferred Stock Directors shall forthwith terminate and the number of directors constituting the Board of Directors shall automatically be reduced accordingly.

Any Preferred Stock Director may be removed at any time without cause by the holders of record of a majority of all of the outstanding shares of the Series N and Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). So long as a Nonpayment Event shall continue, any vacancy in the office of a Preferred Stock Director (other than prior to the initial election of Preferred Stock Directors after a Nonpayment Event) may be filled by the written consent of the Preferred Stock Director remaining in office, or if none remains in office, by a vote of the holders of record of a majority of all of the outstanding shares of the Series N and Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). Any such vote of stockholders to remove, or to fill a vacancy in the office of, a Preferred Stock Director may be taken only at a special meeting of such stockholders, called as provided above for an initial election of Preferred Stock Director after a Nonpayment Event (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders). The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Each Preferred Stock Director elected at any special meeting of stockholders or by written consent of the other Preferred Stock Director shall hold office until the next annual meeting of the stockholders if such office shall not have previously terminated as above provided.

(c) **Other Voting Rights.** So long as any shares of Series N are outstanding, in addition to any other vote or consent of stockholders required by law or by the Certificate of Incorporation, the vote or consent of the holders of at least 66 2/3% of the shares of Series N and any Voting Preferred Stock at the time outstanding and entitled to vote thereon, voting together as a single class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) **Authorization of Senior Stock.** Any amendment or alteration of the Certificate of Incorporation to authorize or create, or increase the authorized amount of, any shares of any class or series of capital stock of the Corporation ranking senior to the Series N with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up of the Corporation;

(ii) **Amendment of Series N.** Any amendment, alteration or repeal of any provision of the Certificate of Incorporation so as to materially and adversely affect the special rights, preferences, privileges or voting powers of the Series N, taken as a whole; or

(iii) **Share Exchanges, Reclassifications, Mergers and Consolidations.** Any consummation of a binding share exchange or reclassification involving the Series N, or of a merger or consolidation of the Corporation with another corporation or other entity, unless in each case (x) the shares of Series N remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (y) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series N immediately prior to such consummation, taken as a whole;

*provided, however,* that for all purposes of this Section 7(c), any increase in the amount of the authorized or issued Series N or authorized Preferred Stock, or the creation and issuance, or an increase in the authorized or issued amount, of any other series of Preferred Stock ranking equally with and/or junior to the Series N with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and/or the distribution of assets upon liquidation, dissolution or winding up of the Corporation will not be deemed to adversely affect the rights, preferences, privileges or voting powers of the Series N.

If any amendment, alteration, repeal, share exchange, reclassification, merger or consolidation specified in this Section 7(c) would adversely affect the Series N and one or more but not all other series of Preferred Stock, then only the Series N and such series of Preferred Stock as are adversely affected by and entitled to vote on the matter shall vote on the matter together as a single class (in lieu of all other series of Preferred Stock).

(d) **Changes for Clarification.** Without the consent of the holders of the Series N, so long as such action does not adversely affect the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series N, the Corporation may amend, alter, supplement or repeal any terms of the Series N:

(i) to cure any ambiguity, or to cure, correct or supplement any provision contained in this Certificate of Designations that may be defective or inconsistent; or

(ii) to make any provision with respect to matters or questions arising with respect to the Series N that is not inconsistent with the provisions of this Certificate of Designations.

(e) **Changes after Provision for Redemption.** No vote or consent of the holders of Series N shall be required pursuant to Section 7(b), (c) or (d) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding shares of Series N shall have been redeemed, or shall have been called for redemption upon proper notice and sufficient funds shall have been set aside for such redemption, in each case pursuant to Section 6 above.

(f) **Procedures for Voting and Consents.** The rules and procedures for calling and conducting any meeting of the holders of Series N (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors), in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Certificate of Incorporation, the ByLaws, applicable law and any national securities exchange or other trading facility on which the Series N is listed or traded at the time. Whether the vote or consent of the holders of a plurality, majority or other portion of the shares of Series N and all Voting Preferred Stock has been cast or given on any matter on which the holders of shares of Series N are entitled to vote shall be determined by the Corporation by reference to the specified liquidation amounts of the shares voted or covered by the consent.

**Section 8. Record Holders.** To the fullest extent permitted by applicable law, the Corporation and the transfer agent for the Series N may deem and treat the record holder of any share of Series N as the true and lawful owner thereof for all purposes, and neither the Corporation nor such transfer agent shall be affected by any notice to the contrary.

**Section 9. Notices.** All notices or communications in respect of Series N shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designations, in the Certificate of Incorporation or ByLaws or by applicable law.

**Section 10. No Preemptive Rights.** No share of Series N shall have any rights of preemption whatsoever as to any securities of the Corporation, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

**Section 11. Other Rights.** The shares of Series N shall not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation or as provided by applicable law.

**CERTIFICATE OF DESIGNATIONS**

**OF**

**5.30% FIXED-TO-FLOATING RATE NON-CUMULATIVE  
PREFERRED STOCK, SERIES O**

**OF**

**THE GOLDMAN SACHS GROUP, INC.**

**THE GOLDMAN SACHS GROUP, INC.**, a corporation organized and existing under the General Corporation Law of the State of Delaware (the “Corporation”), in accordance with the provisions of Sections 103 and 151 thereof, DOES HEREBY CERTIFY:

The Securities Issuance Committee (the “Committee”) of the board of directors of the Corporation (the “Board of Directors”), in accordance with the resolutions of the Board of Directors dated October 28, 2011, the provisions of the restated certificate of incorporation and the amended and restated bylaws of the Corporation and applicable law, at a meeting duly called and held on July 25, 2016, adopted the following resolution creating a series of 26,000 shares of Preferred Stock of the Corporation designated as “5.30% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series O”.

**RESOLVED**, that pursuant to the authority vested in the Committee and in accordance with the resolutions of the Board of Directors dated October 28, 2011, the provisions of the restated certificate of incorporation and the amended and restated bylaws of the Corporation and applicable law, a series of Preferred Stock, par value \$.01 per share, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

**Section 1. Designation.** The distinctive serial designation of such series of Preferred Stock is “5.30% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series O” (“Series O”). Each share of Series O shall be identical in all respects to every other share of Series O, except as to the respective dates from which dividends thereon shall accrue, to the extent such dates may differ as permitted pursuant to Section 4(a) below.

**Section 2. Number of Shares.** The authorized number of shares of Series O shall be 26,000. Shares of Series O that are redeemed, purchased or otherwise acquired by the Corporation shall be cancelled and shall revert to authorized but unissued shares of Series O.

**Section 3. Definitions.** As used herein with respect to Series O:

(a) “Appropriate Federal Banking Agency” means the “appropriate federal banking agency” with respect to the Corporation as that term is defined in Section 3(q) of the Federal Deposit Insurance Act or any successor provision.

(b) “Board of Directors” means the board of directors of the Corporation.

(c) “ByLaws” means the amended and restated bylaws of the Corporation, as they may be amended from time to time.

(d) “Business Day” means (i) from the original issue date to and including November 10, 2026 (or, if such day is not a Monday, Tuesday, Wednesday, Thursday or Friday or is a day on which banking institutions in New York City are generally authorized or obligated by law or executive order to close, the next day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is not a day on which banking institutions in New York City are generally authorized or obligated by law or executive order to close), a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is not a day on which banking institutions in New York City are generally authorized or obligated by law or executive order to close, and (ii) thereafter, a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is not a day on which banking institutions in New York City are generally authorized or obligated by law or executive order to close and is a London Business Day.

(e) “Calculation Agent” means, at any time, the person or entity appointed by the Corporation and serving as such agent at such time. The Corporation may terminate any such appointment and may appoint a successor agent at any time and from time to time, *provided* that the Corporation shall use its best efforts to ensure that there is, at all relevant times when the Series O is outstanding, a person or entity appointed and serving as such agent. The Calculation Agent may be a person or entity affiliated with the Corporation.

(f) “Certificate of Designations” means this Certificate of Designations relating to the Series O, as it may be amended from time to time.

(g) “Certification of Incorporation” shall mean the restated certificate of incorporation of the Corporation, as it may be amended from time to time, and shall include this Certificate of Designations.

(h) “Common Stock” means the common stock, par value \$0.01 per share, of the Corporation.

(i) “Junior Stock” means the Common Stock and any other class or series of stock of the Corporation (other than Series O) that ranks junior to Series O either or both as to the payment of dividends and/or as to the distribution of assets on any liquidation, dissolution or winding up of the Corporation.



(j) “London Business Day” means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is a day on which dealings in U.S. dollars are transacted in the London interbank market.

(k) “Parity Stock” means any class or series of stock of the Corporation (other than Series O) that ranks equally with Series O both in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(l) “Preferred Stock” means any and all series of Preferred Stock, having a par value of \$0.01 per share, of the Corporation, including the Series O.

(m) “Regulatory Capital Treatment Event” means the good faith determination by the Corporation that, as a result of (i) any amendment to, or change in, the laws, rules or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any share of Series O, (ii) any proposed change in those laws, rules or regulations that is announced or becomes effective after the initial issuance of any share of Series O, or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws, rules or regulations or policies with respect thereto that is announced after the initial issuance of any share of Series O, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full liquidation preference amount of \$25,000 per share of Series O then outstanding as “tier 1 capital” (or its equivalent) for purposes of the capital adequacy guidelines of the Board of Governors of the Federal Reserve System (or, as and if applicable, the capital adequacy guidelines or regulations of any successor Appropriate Federal Banking Agency) as then in effect and applicable, for so long as any share of Series O is outstanding.

(n) “Representative Amount” means, at any time, an amount that, in the Calculation Agent’s judgment, is representative of a single transaction in the relevant market at the relevant time.

(o) “Reuters screen” means the display on the Reuters 3000 Xtra service, or any successor or replacement service.

(p) “Voting Preferred Stock” means, with regard to any election or removal of a Preferred Stock Director (as defined in Section 7(b) below) or any other matter as to which the holders of Series O are entitled to vote as specified in Section 7 of this Certificate of Designations, any and all series of Preferred Stock (other than Series O) that rank equally with Series O either as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation and upon which like voting rights have been conferred and are exercisable with respect to such matter.

#### Section 4. Dividends.

(a) **Rate.** Holders of Series O shall be entitled to receive, when, as and if declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) out of funds legally available for the payment of dividends under Delaware law, non-cumulative cash dividends per each share of Series O at the rate determined as set forth below in this Section (4) applied to the liquidation preference amount of \$25,000 per share of Series O. Such dividends shall be payable in arrears (as provided below in this Section 4(a)), but only when, as and if declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors), on the 10th day of May and November of each year, commencing on November 10, 2016 and ending on November 10, 2026, and on the 10th day of February, May, August and November of each year following November 10, 2026 (“Dividend Payment Dates”); *provided* that if any such Dividend Payment Date that occurs on or before November 10, 2026 is a day that is not a Business Day, such dividend shall instead be payable on the immediately succeeding Business Day without interest or other payment in respect of such delayed payment, *and provided further*, if any such Dividend Payment Date that would otherwise occur for any Dividend Period after the Dividend Period ending on but excluding November 10, 2026 is a day that is not a Business Day, such Dividend Payment Date shall instead be (and any such dividend shall accrue to and instead be payable on) the immediately succeeding Business Day unless such immediately succeeding Business Day falls in the next calendar month, in which case such Dividend Payment Date shall instead be (and any such dividend shall accrue to and instead be payable on) the immediately preceding Business Day. Dividends on Series O shall not be cumulative; holders of Series O shall not be entitled to receive any dividends not declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) and no interest, or sum of money in lieu of interest, shall be payable in respect of any dividend not so declared.

Dividends on the Series O shall not be declared or set aside for payment if and to the extent such dividends would cause the Corporation to fail to comply with the capital adequacy guidelines of the Board of Governors of the Federal Reserve System (or, as and if applicable, the capital adequacy guidelines or regulations of any successor Appropriate Federal Banking Agency) applicable to the Corporation.

Dividends that are payable on Series O on any Dividend Payment Date will be payable to holders of record of Series O as they appear on the stock register of the Corporation on the applicable record date, which shall be the 15th calendar day before such Dividend Payment Date or such other record date fixed by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) that is not more than 60 nor less than 10 days prior to such Dividend Payment Date (each, a “Dividend Record Date”). Any such day that is a Dividend Record Date shall be a Dividend Record Date whether or not such day is a Business Day.

Each dividend period (a “Dividend Period”) shall commence on and include a Dividend Payment Date (other than the initial Dividend Period, which shall commence on and include the date of original issue of the Series O, *provided* that, for any share of Series O issued after such original issue date, the initial Dividend Period for such shares may commence on and include such other date as the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) shall determine and publicly disclose) and shall end on and include the calendar day next preceding the next Dividend Payment Date. Dividends payable on the Series O in respect of any Dividend Period beginning prior to November 10, 2026 shall be calculated on the basis of a 360-day year consisting of twelve 30-day months, and dividends payable on the Series O in respect of any Dividend Period beginning on or after November 10, 2026 shall be calculated by the Calculation Agent on the basis of a 360-day year and the actual number of days elapsed in such Dividend Period. Dividends payable in respect of a Dividend Period shall be payable in arrears – i.e., on the first Dividend Payment Date after such Dividend Period.

The dividend rate on the Series O, for each Dividend Period beginning prior to November 10, 2026, shall be a rate per annum equal to 5.30%, and the dividend rate on the Series O, for each Dividend Period beginning on or after November 10, 2026, shall be a rate per annum equal to LIBOR (as defined below) for such Dividend Period plus 3.834%. LIBOR, with respect to any Dividend Period beginning on or after November 10, 2026, means the offered rate expressed as a percentage per annum for three-month deposits in U.S. dollars on the first day of such Dividend Period, as that rate appears on Reuters screen LIBOR01 (or any successor or replacement page) as of approximately 11:00 A.M., London time, on the second London Business Day immediately preceding the first day of such Dividend Period.

If the rate described in the preceding paragraph does not appear on the Reuters screen LIBOR01 (or any successor or replacement page), LIBOR shall be determined on the basis of the rates, at approximately 11:00 A.M., London time, on the second London Business Day immediately preceding the first day of such Dividend Period, at which deposits of the following kind are offered to prime banks in the London interbank market by four major banks in that market selected by the Calculation Agent: three-month deposits in U.S. dollars, beginning on the first day of such Dividend Period, and in a Representative Amount. The Calculation Agent shall request the principal London office of each of these banks to provide a quotation of its rate at approximately 11:00 A.M., London time. If at least two quotations are provided, LIBOR for such Dividend Period shall be the arithmetic mean of such quotations.

If fewer than two quotations are provided as described in the preceding paragraph, LIBOR for such Dividend Period shall be the arithmetic mean of the rates for loans of the following kind to leading European banks quoted, at approximately 11:00 A.M., New York City time, on the second London Business Day immediately preceding the first day of such Dividend Period, by major banks in New York City selected by the Calculation Agent: three-month loans of U.S. dollars, beginning on the first day of such Dividend Period, and in a Representative Amount.

If no quotation is provided as described in the preceding paragraph, then the Calculation Agent, after consulting such sources as it deems comparable to any of the foregoing quotations or display page, or any such source as it deems reasonable from which to estimate LIBOR or any of the foregoing lending rates, shall determine LIBOR for such Dividend Period in its sole discretion.

The Calculation Agent's determination of any dividend rate, and its calculation of the amount of dividends for any Dividend Period, will be maintained on file at the Corporation's principal offices, will be made available to any stockholder upon request and will be final and binding in the absence of manifest error.

Holders of Series O shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on the Series O as specified in this Section 4 (subject to the other provisions of this Certificate of Designations).

(b) **Priority of Dividends.** So long as any share of Series O remains outstanding, no dividend shall be declared or paid on the Common Stock or any other shares of Junior Stock (other than a dividend payable solely in Junior Stock), and no Common Stock or other Junior Stock shall be purchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into other Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock and other than through the use of the proceeds of a substantially contemporaneous sale of Junior Stock) during a Dividend Period, unless the full dividends for the latest completed Dividend Period on all outstanding shares of Series O have been declared and paid (or declared and a sum sufficient for the payment thereof has been set aside). The foregoing provision shall not restrict the ability of Goldman, Sachs & Co., or any other affiliate of the Corporation, to engage in any market-making transactions in Junior Stock in the ordinary course of business.

When dividends are not paid (or declared and a sum sufficient for payment thereof set aside) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period) in full upon the Series O and any shares of Parity Stock, all dividends declared on the Series O and all such Parity Stock and payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) shall be declared *pro rata* so that the respective amounts of such dividends shall bear the same ratio to each other as all accrued but unpaid dividends per share on the Series O and all Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) bear to each other.

Subject to the foregoing, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) may be declared and paid on any securities, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment, and the Series O shall not be entitled to participate in any such dividends.

### **Section 5. Liquidation Rights.**

(a) **Voluntary or Involuntary Liquidation.** In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, holders of Series O shall be entitled to receive, out of the assets of the Corporation or proceeds thereof (whether capital or surplus) available for distribution to stockholders of the Corporation, and after satisfaction of all liabilities and obligations to creditors of the Corporation, before any distribution of such assets or proceeds is made to or set aside for the holders of Common Stock and any other stock of the Corporation ranking junior to the Series O as to such distribution, in full an amount equal to \$25,000 per share, together with an amount equal to all dividends (if any) that have been declared but not paid prior to the date of payment of such distribution (but without any amount in respect of dividends that have not been declared prior to such payment date).

(b) **Partial Payment.** If in any distribution described in Section 5(a) above the assets of the Corporation or proceeds thereof are not sufficient to pay the Liquidation Preferences (as defined below) in full to all holders of Series O and all holders of any stock of the Corporation ranking equally with the Series O as to such distribution, the amounts paid to the holders of Series O and to the holders of all such other stock shall be paid *pro rata* in accordance with the respective aggregate Liquidation Preferences of the holders of Series O and the holders of all such other stock. In any such distribution, the "Liquidation Preference" of any holder of stock of the Corporation shall mean the amount otherwise payable to such holder in such distribution (assuming no limitation on the assets of the Corporation available for such distribution), including an amount equal to any declared but unpaid dividends (and, in the case of any holder of stock other than Series O and on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not declared, as applicable).

(c) **Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series O, the holders of other stock of the Corporation shall be entitled to receive all remaining assets of the Corporation (or proceeds thereof) according to their respective rights and preferences.

(d) **Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the merger or consolidation of the Corporation with any other corporation or other entity, including a merger or consolidation in which the holders of Series O receive cash, securities or other property for their shares, or the sale, lease or exchange (for cash, securities or other property) of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation.

## **Section 6. Redemption.**

(a) **Optional Redemption.** The Series O is perpetual and has no maturity date. The Corporation may, at its option, redeem the shares of Series O at the time outstanding, upon notice given as provided in Section 6(c) below, (i) in whole or in part, from time to time, on any date on or after November 10, 2026 (or, if not a Business Day, the next succeeding Business Day), or (ii) in whole but not in part at any time within 90 days following a Regulatory Capital Treatment Event, in each case, at a redemption price per share equal to \$25,000, plus (except as otherwise provided herein below) an amount equal to any dividends per share that have accrued but not been paid for the then-current Dividend Period to but excluding the redemption date, whether or not such dividends have been declared. The redemption price for any shares of Series O shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Corporation or its agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the Dividend Record Date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Dividend Record Date relating to the Dividend Payment Date as provided in Section 4 above. Notwithstanding the foregoing, the Corporation may not redeem shares of Series O without having received the prior approval of the Appropriate Federal Banking Agency if then required under capital guidelines applicable to the Corporation.

(b) **No Sinking Fund.** The Series O will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series O will have no right to require redemption of any shares of Series O.

(c) **Notice of Redemption.** Notice of every redemption of shares of Series O shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series O designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series O. Notwithstanding the foregoing, if the Series O or any depository shares representing interests in the Series O are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the holders of Series O at such time and in any manner permitted by such facility. Each such notice given to a holder shall state: (1) the redemption date; (2) the number of shares of Series O to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; and (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

(d) **Partial Redemption.** In case of any redemption of only part of the shares of Series O at the time outstanding, the shares to be redeemed shall be selected either *pro rata* or by lot. Subject to the provisions hereof, the Corporation shall have full power and authority to prescribe the terms and conditions upon which shares of Series O shall be redeemed from time to time. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof.

(e) **Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

### **Section 7. Voting Rights.**

(a) **General.** The holders of Series O shall not have any voting rights except as set forth below or as otherwise from time to time required by law.

(b) **Right To Elect Two Directors Upon Nonpayment Events.** If and whenever dividends on any shares of Series O shall not have been declared and paid for any Dividend Periods that, in aggregate, equal at least 18 months, whether or not consecutive (a "Nonpayment Event"), the number of directors then constituting the Board of Directors shall automatically be increased by two and the holders of Series O, together with the holders of all outstanding shares of Voting Preferred Stock, voting together as a single class, shall be entitled to elect the two additional directors (the "Preferred Stock Directors"), *provided* that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Preferred Stock are entitled to elect pursuant to like voting rights).

In the event that the holders of the Series O, and such other holders of Voting Preferred Stock, shall be entitled to vote for the election of the Preferred Stock Directors following a Nonpayment Event, such directors shall be initially elected following such Nonpayment Event only at a special meeting called at the request of the

holders of record of at least 20% of the Series O or of any other series of Voting Preferred Stock then outstanding (unless such request for a special meeting is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders of the Corporation, in which event such election shall be held only at such next annual or special meeting of stockholders), and at each subsequent annual meeting of stockholders of the Corporation. Such request to call a special meeting for the initial election of the Preferred Stock Directors after a Nonpayment Event shall be made by written notice, signed by the requisite holders of Series O or any series of Voting Preferred Stock, and delivered to the Secretary of the Corporation in such manner as provided for in Section 9 below, or as may otherwise be required by law.

When dividends have been paid (or declared and a sum sufficient for payment thereof set aside) in full on the Series O for consecutive Dividend Periods that, in aggregate, equal at least one year after a Nonpayment Event, then the right of the holders of Series O to elect the Preferred Stock Directors shall cease (but subject always to revesting of such voting rights in the case of any future Nonpayment Event), and, if and when any rights of holders of Series O and Voting Preferred Stock to elect the Preferred Stock Directors shall have ceased, the terms of office of all the Preferred Stock Directors shall forthwith terminate and the number of directors constituting the Board of Directors shall automatically be reduced accordingly.

Any Preferred Stock Director may be removed at any time without cause by the holders of record of a majority of all of the outstanding shares of the Series O and Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). So long as a Nonpayment Event shall continue, any vacancy in the office of a Preferred Stock Director (other than prior to the initial election of Preferred Stock Directors after a Nonpayment Event) may be filled by the written consent of the Preferred Stock Director remaining in office, or if none remains in office, by a vote of the holders of record of a majority of all of the outstanding shares of the Series O and Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). Any such vote of stockholders to remove, or to fill a vacancy in the office of, a Preferred Stock Director may be taken only at a special meeting of such stockholders, called as provided above for an initial election of Preferred Stock Director after a Nonpayment Event (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders). The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Each Preferred Stock Director elected at any special meeting of stockholders or by written consent of the other Preferred Stock Director shall hold office until the next annual meeting of the stockholders if such office shall not have previously terminated as above provided.

(c) **Other Voting Rights.** So long as any shares of Series O are outstanding, in addition to any other vote or consent of stockholders required by law or by the Certificate of Incorporation, the vote or consent of the holders of at least 66  $\frac{2}{3}$ % of the shares of Series O and any Voting Preferred Stock at the time outstanding and entitled to vote thereon, voting together as a single class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:



(i) **Authorization of Senior Stock.** Any amendment or alteration of the Certificate of Incorporation to authorize or create, or increase the authorized amount of, any shares of any class or series of capital stock of the Corporation ranking senior to the Series O with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up of the Corporation;

(ii) **Amendment of Series O.** Any amendment, alteration or repeal of any provision of the Certificate of Incorporation so as to materially and adversely affect the special rights, preferences, privileges or voting powers of the Series O, taken as a whole; or

(iii) **Share Exchanges, Reclassifications, Mergers and Consolidations.** Any consummation of a binding share exchange or reclassification involving the Series O, or of a merger or consolidation of the Corporation with another corporation or other entity, unless in each case (x) the shares of Series O remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (y) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series O immediately prior to such consummation, taken as a whole;

*provided, however,* that for all purposes of this Section 7(c), any increase in the amount of the authorized or issued Series O or authorized Preferred Stock, or the creation and issuance, or an increase in the authorized or issued amount, of any other series of Preferred Stock ranking equally with and/or junior to the Series O with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and/or the distribution of assets upon liquidation, dissolution or winding up of the Corporation will not be deemed to adversely affect the rights, preferences, privileges or voting powers of the Series O.

If any amendment, alteration, repeal, share exchange, reclassification, merger or consolidation specified in this Section 7(c) would adversely affect the Series O and one or more but not all other series of Preferred Stock, then only the Series O and such series of Preferred Stock as are adversely affected by and entitled to vote on the matter shall vote on the matter together as a single class (in lieu of all other series of Preferred Stock).

(d) **Changes for Clarification.** Without the consent of the holders of the Series O, so long as such action does not adversely affect the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series O, the Corporation may amend, alter, supplement or repeal any terms of the Series O:

(i) to cure any ambiguity, or to cure, correct or supplement any provision contained in this Certificate of Designations that may be defective or inconsistent; or

(ii) to make any provision with respect to matters or questions arising with respect to the Series O that is not inconsistent with the provisions of this Certificate of Designations.

(e) **Changes after Provision for Redemption.** No vote or consent of the holders of Series O shall be required pursuant to Section 7(b), (c) or (d) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding shares of Series O shall have been redeemed, or shall have been called for redemption upon proper notice and sufficient funds shall have been set aside for such redemption, in each case pursuant to Section 6 above.

(f) **Procedures for Voting and Consents.** The rules and procedures for calling and conducting any meeting of the holders of Series O (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors), in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Certificate of Incorporation, the ByLaws, applicable law and any national securities exchange or other trading facility on which the Series O is listed or traded at the time. Whether the vote or consent of the holders of a plurality, majority or other portion of the shares of Series O and all Voting Preferred Stock has been cast or given on any matter on which the holders of shares of Series O are entitled to vote shall be determined by the Corporation by reference to the specified liquidation amounts of the shares voted or covered by the consent.

**Section 8. Record Holders.** To the fullest extent permitted by applicable law, the Corporation and the transfer agent for the Series O may deem and treat the record holder of any share of Series O as the true and lawful owner thereof for all purposes, and neither the Corporation nor such transfer agent shall be affected by any notice to the contrary.

**Section 9. Notices.** All notices or communications in respect of Series O shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designations, in the Certificate of Incorporation or ByLaws or by applicable law.

**Section 10. No Preemptive Rights.** No share of Series O shall have any rights of preemption whatsoever as to any securities of the Corporation, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

**Section 11. Other Rights.** The shares of Series O shall not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation or as provided by applicable law.

**CERTIFICATE OF DESIGNATIONS**

**OF**

**5.00% FIXED-TO-FLOATING RATE NON-CUMULATIVE  
PREFERRED STOCK, SERIES P**

**OF**

**THE GOLDMAN SACHS GROUP, INC.**

**THE GOLDMAN SACHS GROUP, INC.**, a corporation organized and existing under the General Corporation Law of the State of Delaware (the “Corporation”), in accordance with the provisions of Sections 103 and 151 thereof, DOES HEREBY CERTIFY:

The Securities Issuance Committee (the “Committee”) of the board of directors of the Corporation (the “Board of Directors”), in accordance with the resolutions of the Board of Directors dated October 28, 2011, the provisions of the restated certificate of incorporation and the amended and restated bylaws of the Corporation and applicable law, by unanimous written consent dated October 26, 2017, adopted the following resolution creating a series of 66,000 shares of Preferred Stock of the Corporation designated as “5.00% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series P”.

**RESOLVED**, that pursuant to the authority vested in the Committee and in accordance with the resolutions of the Board of Directors dated October 28, 2011, the provisions of the restated certificate of incorporation and the amended and restated bylaws of the Corporation and applicable law, a series of Preferred Stock, par value \$.01 per share, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

**Section 1. Designation.** The distinctive serial designation of such series of Preferred Stock is “5.00% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series P” (“Series P”). Each share of Series P shall be identical in all respects to every other share of Series P, except as to the respective dates from which dividends thereon shall accrue, to the extent such dates may differ as permitted pursuant to Section 4(a) below.

**Section 2. Number of Shares.** The authorized number of shares of Series P shall be 66,000. Shares of Series P that are redeemed, purchased or otherwise acquired by the Corporation shall be cancelled and shall revert to authorized but unissued shares of Series P.

**Section 3. Definitions.** As used herein with respect to Series P:

(q) “30/360 (ISDA) Day Count Convention” means the number of days in the Dividend Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Dividend Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Dividend Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Dividend Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Dividend Period falls;

“D1” is the first calendar day, expressed as a number, of the Dividend Period, unless such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Dividend Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30.

(r) “Actual/360 (ISDA) Day Count Convention” means the actual number of days in the Interest Period *divided* by 360.

(s) “Appropriate Federal Banking Agency” means the “appropriate federal banking agency” with respect to the Corporation as that term is defined in Section 3(q) of the Federal Deposit Insurance Act or any successor provision.

(t) “Board of Directors” means the board of directors of the Corporation.

(u) “ByLaws” means the amended and restated bylaws of the Corporation, as they may be amended from time to time.

(v) “Business Day” means (i) from the original issue date to and including November 10, 2022 (or, if such day is not a Monday, Tuesday, Wednesday, Thursday or Friday or is a day on which banking institutions in New York City are generally authorized or obligated by law or executive order to close, the next day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is not a day on which banking institutions in New York City are generally authorized or obligated by law or executive order to close), a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is not a day on which banking institutions in

New York City are generally authorized or obligated by law or executive order to close, and (ii) thereafter, a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is not a day on which banking institutions in New York City are generally authorized or obligated by law or executive order to close and is a London Business Day.

(w) “Calculation Agent” means, at any time, the person or entity appointed by the Corporation and serving as such agent at such time. The Corporation may terminate any such appointment and may appoint a successor agent at any time and from time to time, *provided* that the Corporation shall use its best efforts to ensure that there is, at all relevant times when the Series P is outstanding, a person or entity appointed and serving as such agent. The Calculation Agent may be a person or entity affiliated with the Corporation.

(x) “Certificate of Designations” means this Certificate of Designations relating to the Series P, as it may be amended from time to time.

(y) “Certification of Incorporation” shall mean the restated certificate of incorporation of the Corporation, as it may be amended from time to time, and shall include this Certificate of Designations.

(z) “Common Stock” means the common stock, par value \$0.01 per share, of the Corporation.

(aa) “Junior Stock” means the Common Stock and any other class or series of stock of the Corporation (other than Series P) that ranks junior to Series P either or both as to the payment of dividends and/or as to the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(bb) “London Business Day” means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is a day on which dealings in U.S. dollars are transacted in the London interbank market.

(cc) “Parity Stock” means any class or series of stock of the Corporation (other than Series P) that ranks equally with Series P both in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(dd) “Preferred Stock” means any and all series of Preferred Stock, having a par value of \$0.01 per share, of the Corporation, including the Series P.

(ee) “Regulatory Capital Treatment Event” means the good faith determination by the Corporation that, as a result of (i) any amendment to, or change in, the laws, rules or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the

initial issuance of any share of Series P, (ii) any proposed change in those laws, rules or regulations that is announced or becomes effective after the initial issuance of any share of Series P, or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws, rules or regulations or policies with respect thereto that is announced after the initial issuance of any share of Series P, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full liquidation preference amount of \$25,000 per share of Series P then outstanding as “tier 1 capital” (or its equivalent) for purposes of the capital adequacy rules of the Board of Governors of the Federal Reserve System (or, as and if applicable, the capital adequacy rules or regulations of any successor Appropriate Federal Banking Agency) as then in effect and applicable, for so long as any share of Series P is outstanding.

(ff) “Representative Amount” means, at any time, an amount that, in the Calculation Agent’s judgment, is representative of a single transaction in the relevant market at the relevant time.

(gg) “Reuters screen” means the display on the Thomson Reuters Eikon service, or any successor or replacement service.

(hh) “Voting Preferred Stock” means, with regard to any election or removal of a Preferred Stock Director (as defined in Section 7(b) below) or any other matter as to which the holders of Series P are entitled to vote as specified in Section 7 of this Certificate of Designations, any and all series of Preferred Stock (other than Series P) that rank equally with Series P either as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation and upon which like voting rights have been conferred and are exercisable with respect to such matter.

#### **Section 4. Dividends.**

(a) **Rate.** Holders of Series P shall be entitled to receive, when, as and if declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) out of funds legally available for the payment of dividends under Delaware law, non-cumulative cash dividends per each share of Series P at the rate determined as set forth below in this Section (4) applied to the liquidation preference amount of \$25,000 per share of Series P. Such dividends shall be payable in arrears (as provided below in this Section 4(a)), but only when, as and if declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors), on the 10th day of May and November of each year, commencing on May 10, 2018 and ending on November 10, 2022, and on the 10th day of February, May, August and November of each year following November 10, 2022 (“Dividend Payment Dates”); *provided* that if any such Dividend Payment Date that occurs on or before November 10, 2022 is a day that is not a Business Day, such dividend shall instead be payable on the immediately succeeding Business Day without interest or other payment in respect of such

delayed payment, *and provided further*, if any such Dividend Payment Date that would otherwise occur for any Dividend Period after the Dividend Period ending on but excluding November 10, 2022 is a day that is not a Business Day, such Dividend Payment Date shall instead be (and any such dividend shall accrue to and instead be payable on) the immediately succeeding Business Day unless such immediately succeeding Business Day falls in the next calendar month, in which case such Dividend Payment Date shall instead be (and any such dividend shall accrue to and instead be payable on) the immediately preceding Business Day. Dividends on Series P shall not be cumulative; holders of Series P shall not be entitled to receive any dividends not declared by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) and no interest, or sum of money in lieu of interest, shall be payable in respect of any dividend not so declared.

Dividends on the Series P shall not be declared or set aside for payment if and to the extent such dividends would cause the Corporation to fail to comply with the capital adequacy rules of the Board of Governors of the Federal Reserve System (or, as and if applicable, the capital adequacy rules or regulations of any successor Appropriate Federal Banking Agency) applicable to the Corporation.

Dividends that are payable on Series P on any Dividend Payment Date will be payable to holders of record of Series P as they appear on the stock register of the Corporation on the applicable record date, which shall be the 15th calendar day before such Dividend Payment Date or such other record date fixed by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) that is not more than 60 nor less than 10 days prior to such Dividend Payment Date (each, a "Dividend Record Date"). Any such day that is a Dividend Record Date shall be a Dividend Record Date whether or not such day is a Business Day.

Each dividend period (a "Dividend Period") shall commence on and include a Dividend Payment Date (other than the initial Dividend Period, which shall commence on and include the date of original issue of the Series P, *provided* that, for any share of Series P issued after such original issue date, the initial Dividend Period for such shares may commence on and include such other date as the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) shall determine and publicly disclose) and shall end on and include the calendar day next preceding the next Dividend Payment Date. Dividends payable on the Series P in respect of any Dividend Period beginning prior to November 10, 2022 shall be calculated on the basis of the 30/360 (ISDA) Day Count Convention, and dividends payable on the Series P in respect of any Dividend Period beginning on or after November 10, 2022 shall be calculated by the Calculation Agent on the basis of the Actual/360 (ISDA) Day Count Convention. Dividends payable in respect of a Dividend Period shall be payable in arrears – i.e., on the first Dividend Payment Date after such Dividend Period.

The dividend rate on the Series P, for each Dividend Period beginning prior to November 10, 2022, shall be a rate per annum equal to 5.00%, and the dividend rate on the Series P, for each Dividend Period beginning on or after November 10, 2022, shall be a



rate per annum equal to LIBOR (as defined below) for such Dividend Period plus 2.874%. LIBOR, with respect to any Dividend Period beginning on or after November 10, 2022, means the offered rate expressed as a percentage per annum for three-month deposits in U.S. dollars on the first day of such Dividend Period, as that rate appears on Reuters screen LIBOR01 (or any successor or replacement page) as of approximately 11:00 A.M., London time, on the second London Business Day immediately preceding the first day of such Dividend Period.

If the Calculation Agent determines on the relevant dividend determination date that the LIBOR base rate described in the preceding paragraph has been discontinued, then the Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to the LIBOR base rate, provided that if the Calculation Agent determines there is an industry-accepted successor base rate, then the Calculation Agent shall use such successor base rate. If the Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Calculation Agent in its sole discretion may determine the business day convention, the definition of business day and the dividend determination date to be used and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the LIBOR base rate, in a manner that is consistent with industry-accepted practices for such substitute or successor base rate. Unless the Calculation Agent uses a substitute or successor base rate as so provided, the following will apply.

(i) If the LIBOR base rate described in the second preceding paragraph does not appear on the Reuters screen LIBOR01 (or any successor or replacement page), LIBOR shall be determined on the basis of the rates, at approximately 11:00 A.M., London time, on the second London Business Day immediately preceding the first day of such Dividend Period, at which deposits of the following kind are offered to prime banks in the London interbank market by four major banks in that market selected by the Calculation Agent: three-month deposits in U.S. dollars, beginning on the first day of such Dividend Period, and in a Representative Amount. The Calculation Agent shall request the principal London office of each of these banks to provide a quotation of its rate at approximately 11:00 A.M., London time. If at least two quotations are provided, LIBOR for such Dividend Period shall be the arithmetic mean of such quotations.

(ii) If fewer than two quotations are provided as described in the preceding paragraph, LIBOR for such Dividend Period shall be the arithmetic mean of the rates for loans of the following kind to leading European banks quoted, at approximately 11:00 A.M., New York City time, on the second London Business Day immediately preceding the first day of such Dividend Period, by major banks in New York City selected by the Calculation Agent: three-month loans of U.S. dollars, beginning on the first day of such Dividend Period, and in a Representative Amount.

(iii) If no quotation is provided as described in the preceding paragraph, then the Calculation Agent, after consulting such sources as it deems comparable to any of the foregoing quotations or display page, or any such source as it deems reasonable from which to estimate LIBOR or any of the foregoing lending rates, shall determine LIBOR for such Dividend Period in its sole discretion.

The Calculation Agent's determination of any dividend rate, and its calculation of the amount of dividends for any Dividend Period, will be maintained on file at the Corporation's principal offices, will be made available to any stockholder upon request and will be final and binding in the absence of manifest error.

Holders of Series P shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on the Series P as specified in this Section 4 (subject to the other provisions of this Certificate of Designations).

(b) **Priority of Dividends.** So long as any share of Series P remains outstanding, no dividend shall be declared or paid on the Common Stock or any other shares of Junior Stock (other than a dividend payable solely in Junior Stock), and no Common Stock or other Junior Stock shall be purchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into other Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock and other than through the use of the proceeds of a substantially contemporaneous sale of Junior Stock) during a Dividend Period, unless the full dividends for the latest completed Dividend Period on all outstanding shares of Series P have been declared and paid (or declared and a sum sufficient for the payment thereof has been set aside). The foregoing provision shall not restrict the ability of Goldman Sachs & Co. LLC, or any other affiliate of the Corporation, to engage in any market-making transactions in Junior Stock in the ordinary course of business.

When dividends are not paid (or declared and a sum sufficient for payment thereof set aside) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period) in full upon the Series P and any shares of Parity Stock, all dividends declared on the Series P and all such Parity Stock and payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) shall be declared *pro rata* so that the respective amounts of such dividends shall bear the same ratio to each other as all accrued but unpaid dividends per share on the Series P and all Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) bear to each other.

Subject to the foregoing, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors) may be declared and paid on any securities, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment, and the Series P shall not be entitled to participate in any such dividends.

#### **Section 5. Liquidation Rights.**

(a) **Voluntary or Involuntary Liquidation.** In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, holders of Series P shall be entitled to receive, out of the assets of the Corporation or proceeds thereof (whether capital or surplus) available for distribution to stockholders of the Corporation, and after satisfaction of all liabilities and obligations to creditors of the Corporation, before any distribution of such assets or proceeds is made to or set aside for the holders of Common Stock and any other stock of the Corporation ranking junior to the Series P as to such distribution, in full an amount equal to \$25,000 per share, together with an amount equal to all dividends (if any) that have been declared but not paid prior to the date of payment of such distribution (but without any amount in respect of dividends that have not been declared prior to such payment date).

(b) **Partial Payment.** If in any distribution described in Section 5(a) above the assets of the Corporation or proceeds thereof are not sufficient to pay the Liquidation Preferences (as defined below) in full to all holders of Series P and all holders of any stock of the Corporation ranking equally with the Series P as to such distribution, the amounts paid to the holders of Series P and to the holders of all such other stock shall be paid *pro rata* in accordance with the respective aggregate Liquidation Preferences of the holders of Series P and the holders of all such other stock. In any such distribution, the "Liquidation Preference" of any holder of stock of the Corporation shall mean the amount otherwise payable to such holder in such distribution (assuming no limitation on the assets of the Corporation available for such distribution), including an amount equal to any declared but unpaid dividends (and, in the case of any holder of stock other than Series P and on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not declared, as applicable).

(c) **Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series P, the holders of other stock of the Corporation shall be entitled to receive all remaining assets of the Corporation (or proceeds thereof) according to their respective rights and preferences.

(d) **Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the merger or consolidation of the Corporation with any other corporation or other entity, including a merger or consolidation in which the holders of Series P receive cash, securities or other property for their shares, or the sale, lease or exchange (for cash, securities or other property) of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation.

## **Section 6. Redemption.**

(a) **Optional Redemption.** The Series P is perpetual and has no maturity date. The Corporation may, at its option, redeem the shares of Series P at the time outstanding, upon notice given as provided in Section 6(c) below, (i) in whole or in part, from time to time, on any date on or after November 10, 2022 (or, if not a Business Day, the next succeeding Business Day), or (ii) in whole but not in part at any time within 90 days following a Regulatory Capital Treatment Event, in each case, at a redemption price per share equal to \$25,000, plus (except as otherwise provided herein below) an amount equal to any dividends per share that have accrued but not been paid for the then-current Dividend Period to but excluding the redemption date, whether or not such dividends have been declared. The redemption price for any shares of Series P shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Corporation or its agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the Dividend Record Date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Dividend Record Date relating to the Dividend Payment Date as provided in Section 4 above. Notwithstanding the foregoing, the Corporation may not redeem shares of Series P without having received the prior approval of the Appropriate Federal Banking Agency if then required under capital rules applicable to the Corporation.

(b) **No Sinking Fund.** The Series P will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series P will have no right to require redemption of any shares of Series P.

(c) **Notice of Redemption.** Notice of every redemption of shares of Series P shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series P designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series P. Notwithstanding the foregoing, if the Series P or any depository shares representing interests in the Series P are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the holders of Series P at such time and in any manner permitted by such facility. Each such notice given to a holder shall state: (1) the redemption date; (2) the number of shares of Series P to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; and (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

(d) **Partial Redemption.** In case of any redemption of only part of the shares of Series P at the time outstanding, the shares to be redeemed shall be selected either *pro rata* or by lot. Subject to the provisions hereof, the Corporation shall have full power and authority to prescribe the terms and conditions upon which shares of Series P shall be redeemed from time to time. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof.

(e) **Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

### **Section 7. Voting Rights.**

(a) **General.** The holders of Series P shall not have any voting rights except as set forth below or as otherwise from time to time required by law.

(b) **Right To Elect Two Directors Upon Nonpayment Events.** If and whenever dividends on any shares of Series P shall not have been declared and paid for any Dividend Periods that, in aggregate, equal at least 18 months, whether or not consecutive (a "Nonpayment Event"), the number of directors then constituting the Board of Directors shall automatically be increased by two and the holders of Series P, together with the holders of all outstanding shares of Voting Preferred Stock, voting together as a single class, shall be entitled to elect the two additional directors (the "Preferred Stock Directors"), *provided* that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Preferred Stock are entitled to elect pursuant to like voting rights).

In the event that the holders of the Series P, and such other holders of Voting Preferred Stock, shall be entitled to vote for the election of the Preferred Stock Directors following a Nonpayment Event, such directors shall be initially elected following such Nonpayment Event only at a special meeting called at the request of the

holders of record of at least 20% of the Series P or of any other series of Voting Preferred Stock then outstanding (unless such request for a special meeting is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders of the Corporation, in which event such election shall be held only at such next annual or special meeting of stockholders), and at each subsequent annual meeting of stockholders of the Corporation. Such request to call a special meeting for the initial election of the Preferred Stock Directors after a Nonpayment Event shall be made by written notice, signed by the requisite holders of Series P or any series of Voting Preferred Stock, and delivered to the Secretary of the Corporation in such manner as provided for in Section 9 below, or as may otherwise be required by law.

When dividends have been paid (or declared and a sum sufficient for payment thereof set aside) in full on the Series P for consecutive Dividend Periods that, in aggregate, equal at least one year after a Nonpayment Event, then the right of the holders of Series P to elect the Preferred Stock Directors shall cease (but subject always to reversion of such voting rights in the case of any future Nonpayment Event), and, if and when any rights of holders of Series P and Voting Preferred Stock to elect the Preferred Stock Directors shall have ceased, the terms of office of all the Preferred Stock Directors shall forthwith terminate and the number of directors constituting the Board of Directors shall automatically be reduced accordingly.

Any Preferred Stock Director may be removed at any time without cause by the holders of record of a majority of all of the outstanding shares of the Series P and Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). So long as a Nonpayment Event shall continue, any vacancy in the office of a Preferred Stock Director (other than prior to the initial election of Preferred Stock Directors after a Nonpayment Event) may be filled by the written consent of the Preferred Stock Director remaining in office, or if none remains in office, by a vote of the holders of record of a majority of all of the outstanding shares of the Series P and Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). Any such vote of stockholders to remove, or to fill a vacancy in the office of, a Preferred Stock Director may be taken only at a special meeting of such stockholders, called as provided above for an initial election of Preferred Stock Director after a Nonpayment Event (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders). The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Each Preferred Stock Director elected at any special meeting of stockholders or by written consent of the other Preferred Stock Director shall hold office until the next annual meeting of the stockholders if such office shall not have previously terminated as above provided.

(c) **Other Voting Rights.** So long as any shares of Series P are outstanding, in addition to any other vote or consent of stockholders required by law or by the Certificate of Incorporation, the vote or consent of the holders of at least 66⅔% of the shares of Series P and any Voting Preferred Stock at the time outstanding and entitled to vote thereon, voting together as a single class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) **Authorization of Senior Stock.** Any amendment or alteration of the Certificate of Incorporation to authorize or create, or increase the authorized amount of, any shares of any class or series of capital stock of the Corporation ranking senior to the Series P with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up of the Corporation;

(ii) **Amendment of Series P.** Any amendment, alteration or repeal of any provision of the Certificate of Incorporation so as to materially and adversely affect the special rights, preferences, privileges or voting powers of the Series P, taken as a whole; or

(iii) **Share Exchanges, Reclassifications, Mergers and Consolidations.** Any consummation of a binding share exchange or reclassification involving the Series P, or of a merger or consolidation of the Corporation with another corporation or other entity, unless in each case (x) the shares of Series P remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (y) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series P immediately prior to such consummation, taken as a whole;

*provided, however,* that for all purposes of this Section 7(c), any increase in the amount of the authorized or issued Series P or authorized Preferred Stock, or the creation and issuance, or an increase in the authorized or issued amount, of any other series of Preferred Stock ranking equally with and/or junior to the Series P with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and/or the distribution of assets upon liquidation, dissolution or winding up of the Corporation will not be deemed to adversely affect the rights, preferences, privileges or voting powers of the Series P.

If any amendment, alteration, repeal, share exchange, reclassification, merger or consolidation specified in this Section 7(c) would adversely affect the Series P and one or more but not all other series of Preferred Stock, then only the Series P and such series of Preferred Stock as are adversely affected by and entitled to vote on the matter shall vote on the matter together as a single class (in lieu of all other series of Preferred Stock).

(d) **Changes for Clarification.** Without the consent of the holders of the Series P, so long as such action does not adversely affect the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series P, the Corporation may amend, alter, supplement or repeal any terms of the Series P:

(i) to cure any ambiguity, or to cure, correct or supplement any provision contained in this Certificate of Designations that may be defective or inconsistent; or

(ii) to make any provision with respect to matters or questions arising with respect to the Series P that is not inconsistent with the provisions of this Certificate of Designations.

(e) **Changes after Provision for Redemption.** No vote or consent of the holders of Series P shall be required pursuant to Section 7(b), (c) or (d) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding shares of Series P shall have been redeemed, or shall have been called for redemption upon proper notice and sufficient funds shall have been set aside for such redemption, in each case pursuant to Section 6 above.

(f) **Procedures for Voting and Consents.** The rules and procedures for calling and conducting any meeting of the holders of Series P (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors or the Committee (or another duly authorized committee of the Board of Directors), in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Certificate of Incorporation, the ByLaws, applicable law and any national securities exchange or other trading facility on which the Series P is listed or traded at the time. Whether the vote or consent of the holders of a plurality, majority or other portion of the shares of Series P and all Voting Preferred Stock has been cast or given on any matter on which the holders of shares of Series P are entitled to vote shall be determined by the Corporation by reference to the specified liquidation amounts of the shares voted or covered by the consent.

**Section 8. Record Holders.** To the fullest extent permitted by applicable law, the Corporation and the transfer agent for the Series P may deem and treat the record holder of any share of Series P as the true and lawful owner thereof for all purposes, and neither the Corporation nor such transfer agent shall be affected by any notice to the contrary.

**Section 9. Notices.** All notices or communications in respect of Series P shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designations, in the Certificate of Incorporation or ByLaws or by applicable law.



**Section 10. No Preemptive Rights.** No share of Series P shall have any rights of preemption whatsoever as to any securities of the Corporation, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

**Section 11. Other Rights.** The shares of Series P shall not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation or as provided by applicable law.

**THE GOLDMAN SACHS GROUP, INC.**  
**OUTSIDE DIRECTOR RSU AWARD**

This Award Agreement, together with The Goldman Sachs Amended and Restated Stock Incentive Plan (2015) (the “Plan”), governs your \_\_\_\_\_ award of RSUs (your “Award”). You should read carefully this entire Award Agreement, which includes the Award Statement and any attached Appendix.

**DOCUMENTS THAT GOVERN YOUR AWARD; DEFINITIONS**

1. **The Plan.** Your Award is granted under the Plan, and the Plan’s terms apply to, and are a part of, this Award Agreement.
2. **Your Award Statement.** The Award Statement delivered to you contains some of your Award’s specific terms. For example, it contains the number of RSUs awarded to you.
3. **Definitions.** Capitalized terms are defined in the Definitions Appendix, which also includes terms that are defined in the Plan.

**DELIVERY OF YOUR RSU SHARES**

4. **Delivery.** RSU Shares (less applicable withholding) will be delivered in respect of your Outstanding RSUs reasonably promptly (but no more than 30 Business Days) after the Delivery Date, which will be the first Business Day in the third quarter of the Firm’s fiscal year that occurs within a Window Period in the year following the year in which you cease to be a director of the Board. Unless otherwise determined by the Committee, delivery of the RSU Shares will be effected by book-entry credit to your Account and no delivery of RSU Shares will be made unless you have timely established your Account. Until such delivery, you have only the rights of a general unsecured creditor, and no rights as a shareholder of GS Inc.

**DIVIDEND EQUIVALENT RIGHTS**

5. **Dividend Equivalent Rights.** Each RSU includes a Dividend Equivalent Right, which entitles you to receive an amount (less applicable withholding), at or after the time of distribution of any regular cash dividend paid by GS Inc. in respect of a share of Common Stock, equal to any regular cash dividend payment that would have been made in respect of an RSU Share underlying your Outstanding RSUs for any record date that occurs on or after the Date of Grant.

**ACCELERATED DELIVERY**

6. **Accelerated Delivery in the Event of Conflicted Employment or Death.** In the event of your Conflicted Employment or death, your Outstanding Award will be treated as described in this Paragraph 6, and all other terms of this Award Agreement continue to apply.

(a) **You Are Determined to Have Accepted Conflicted Employment.**

(i) **Generally.** If you accept Conflicted Employment, as soon as practicable after the Committee has received satisfactory documentation relating to your Conflicted Employment, RSU Shares will be delivered in respect of your Outstanding RSUs (including in the form of cash as described in Paragraph 7(b)).

(ii) You May Have to Take Other Steps to Address Conflicts of Interest. The Committee retains the authority to exercise its rights under the Award Agreement or the Plan (including Section 1.3.2 of the Plan) to take or require you to take other steps it determines in its sole discretion to be necessary or appropriate to cure an actual or perceived conflict of interest (which may include a determination that the accelerated delivery described in Paragraph 6(a)(i) will not apply because such actions are not necessary or appropriate to cure an actual or perceived conflict of interest).

(b) Death. If you die, the RSU Shares underlying your Outstanding RSUs will be delivered to the representative of your estate as soon as practicable after the date of death and after such documentation as may be requested by the Committee is provided to the Committee.

## **OTHER TERMS, CONDITIONS AND AGREEMENTS**

### **7. Additional Terms, Conditions and Agreements.**

(a) You Must Satisfy Applicable Tax Withholding Requirements. Delivery of RSU Shares is conditioned on your satisfaction of any applicable withholding taxes in accordance with Section 3.2 of the Plan, provided that the Committee may determine not to apply the minimum withholding rate specified in Section 3.2.2 of the Plan.

(b) Firm May Deliver Cash or Other Property Instead of RSU Shares. In accordance with Section 1.3.2(i) of the Plan, in the sole discretion of the Committee, in lieu of all or any portion of the RSU Shares, the Firm may deliver cash, other securities, other awards under the Plan or other property, and all references in this Award Agreement to deliveries of RSU Shares will include such deliveries of cash, other securities, other awards under the Plan or other property.

(c) Firm May Affix Legends and Place Stop Orders on RSU Shares. GS Inc. may affix to Certificates representing RSU Shares any legend that the Committee determines to be necessary or advisable. GS Inc. may advise the transfer agent to place a stop order against any legended RSU Shares.

(d) You Agree to Certain Consents. By accepting this Award, you have expressly consented to all of the items listed in Section 3.3.3(d) of the Plan, including the Firm's supplying to any third-party recordkeeper of the Plan or other person such personal information of yours as the Committee deems advisable to administer the Plan, and you agree to provide any additional consents that the Committee determines to be necessary or advisable.

## **NON-TRANSFERABILITY**

8. Non-transferability. Except as otherwise may be provided in this Paragraph 8 or as otherwise may be provided by the Committee, the limitations on transferability set forth in Section 3.5 of the Plan will apply to this Award. Any purported transfer or assignment in violation of the provisions of this Paragraph 8 or Section 3.5 of the Plan will be void. The Committee may adopt procedures pursuant to which you may transfer some or all of your RSUs through a gift for no consideration to any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, any person sharing the recipient's household (other than a tenant or employee), a trust in which these persons have more than 50% of the beneficial interest, and any other entity in which these persons (or the recipient) own more than 50% of the voting interests.

## GOVERNING LAW

9. **Governing Law.** THIS AWARD WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.

## CERTAIN TAX PROVISIONS

10. **Compliance of Award Agreement and Plan with Section 409A.** The provisions of this Paragraph 10 apply to you only if you are a U.S. taxpayer.

(a) This Award Agreement and the Plan provisions that apply to this Award are intended and will be construed to comply with Section 409A (including the requirements applicable to, or the conditions for exemption from treatment as, 409A Deferred Compensation), whether by reason of short-term deferral treatment or other exceptions or provisions. The Committee will have full authority to give effect to this intent. To the extent necessary to give effect to this intent, in the case of any conflict or potential inconsistency between the provisions of the Plan (including Sections 1.3.2 and 2.1 thereof) and this Award Agreement, the provisions of this Award Agreement will govern, and in the case of any conflict or potential inconsistency between this Paragraph 10 and the other provisions of this Award Agreement, this Paragraph 10 will govern.

(b) Delivery of RSU Shares will not be delayed beyond the date on which all applicable conditions or restrictions on delivery of RSU Shares required by this Agreement (including those specified in Paragraphs 4, 6(b) and 7 and the consents and other items specified in Section 3.3 of the Plan) are satisfied, and will occur by December 31 of the calendar year in which the Delivery Date occurs unless, in order to permit such conditions or restrictions to be satisfied, the Committee elects, pursuant to Reg. 1.409A-1(b)(4)(i)(D) or otherwise as may be permitted in accordance with Section 409A, to delay delivery of RSU Shares to a later date as may be permitted under Section 409A, including Regs. 1.409A-2(b)(7) (in conjunction with Section 3.21.3 of the Plan pertaining to Code Section 162(m)) and Reg. 1.409A-3(d). For the avoidance of doubt, if the Award includes a “series of installment payments” as described in Reg. 1.409A-2(b)(2)(iii), your right to the series of installment payments will be treated as a right to a series of separate payments and not as a right to a single payment.

(c) Notwithstanding the provisions of Paragraph 7(b) and Section 1.3.2(i) of the Plan, to the extent necessary to comply with Section 409A, any securities, other Awards or other property that the Firm may deliver in respect of your RSUs will not have the effect of deferring delivery or payment, income inclusion, or a substantial risk of forfeiture, beyond the date on which such delivery, payment or inclusion would occur or such risk of forfeiture would lapse, with respect to the RSU Shares that would otherwise have been deliverable (unless the Committee elects a later date for this purpose pursuant to Reg. 1.409A-1(b)(4)(i)(D) or otherwise as may be permitted under Section 409A, including and to the extent applicable, the subsequent election provisions of Section 409A(a)(4)(C) of the Code and Reg. 1.409A-2(b)).

(d) Notwithstanding the timing provisions of Paragraph 6(b), the delivery of RSU Shares referred to therein will be made after the date of death and during the calendar year that includes the date of death (or on such later date as may be permitted under Section 409A).

(e) Notwithstanding any provision of Paragraph 5 or Section 2.8.2 of the Plan to the contrary, the Dividend Equivalent Rights with respect to each of your Outstanding RSUs will be paid to you within the calendar year that includes the date of distribution of any corresponding regular cash dividends paid by GS Inc. in respect of a share of Common Stock the record date for which occurs on or after the Date of Grant. The payment will be in an amount (less applicable withholding) equal to such regular dividend payment as would have been made in respect of the RSU Shares underlying such Outstanding RSUs.

(f) The timing of delivery or payment referred to in Paragraph 6(a)(i) will be the earlier of (i) the Delivery Date or (ii) within the calendar year in which the Committee receives satisfactory documentation relating to your Conflicted Employment, provided that such delivery or payment will be made, and any Committee action referred to in Paragraph 6(a)(i) will be taken, only at such time as, and if and to the extent that it, as reasonably determined by the Firm, would not result in the imposition of any additional tax to you under Section 409A.

(g) Section 3.4 of the Plan will not apply to Awards that are 409A Deferred Compensation except to the extent permitted under Section 409A.

(h) Delivery of RSU Shares in respect of this Award may be made, if and to the extent elected by the Committee, later than the Delivery Date or other date or period specified hereinabove (but, in the case of any Award that constitutes 409A Deferred Compensation, only to the extent that the later delivery is permitted under Section 409A).

(i) You understand and agree that you are solely responsible for the payment of any taxes and penalties due pursuant to Section 409A, but in no event will you be permitted to designate, directly or indirectly, the taxable year of the delivery.

#### **AMENDMENT AND CONSTRUCTION**

11. **Amendment.** The Committee reserves the right at any time to amend the terms of this Award Agreement, and the Board may amend the Plan in any respect; provided that, notwithstanding the foregoing and Sections 1.3.2(f), 1.3.2(h) and 3.1 of the Plan, no such amendment will materially adversely affect your rights and obligations under this Award Agreement without your consent; and provided further that the Committee expressly reserves the right to accelerate the delivery of the RSU Shares and in its discretion to provide that such Shares may not be transferable until the Delivery Date. A modification that impacts the tax consequences of this Award or the timing of delivery of RSU Shares will not be an amendment that materially adversely affects your rights and obligations under this Award Agreement. Any amendment of this Award Agreement will be in writing.

12. **Construction, Headings.** Unless the context requires otherwise, (a) words describing the singular number include the plural and vice versa, (b) words denoting any gender include all genders and (c) the words “include,” “includes” and “including” will be deemed to be followed by the words “without limitation.” The headings in this Award Agreement are for the purpose of convenience only and are not intended to define or limit the construction of the provisions hereof. References in this Award Agreement to any specific Plan provision will not be construed as limiting the applicability of any other Plan provision.

**IN WITNESS WHEREOF**, GS Inc. has caused this Award Agreement to be duly executed and delivered as of the Date of Grant.

**THE GOLDMAN SACHS GROUP, INC.**

## DEFINITIONS APPENDIX

### The following capitalized terms are used in this Award Agreement with the following meanings:

(a) “409A Deferred Compensation” means a “deferral of compensation” or “deferred compensation” as those terms are defined in the regulations under Section 409A.

### The following capitalized terms are used in this Award Agreement with the meanings that are assigned to them in the Plan.

(a) “Account” means any brokerage account, custody account or similar account, as approved or required by GS Inc. from time to time, into which shares of Common Stock, cash or other property in respect of an Award are delivered.

(b) “Award Agreement” means the written document or documents by which each Award is evidenced, including any Award Statement.

(c) “Award Statement” means a written statement that reflects certain Award terms.

(d) “Board” means the Board of Directors of GS Inc.

(e) “Business Day” means any day other than a Saturday, a Sunday or a day on which banking institutions in New York City are authorized or obligated by Federal law or executive order to be closed.

(f) “Committee” means the committee appointed by the Board to administer the Plan pursuant to Section 1.3, and, to the extent the Board determines it is appropriate for the compensation realized from Awards under the Plan to be considered “performance based” compensation under Section 162(m) of the Code, shall be a committee or subcommittee of the Board composed of two or more members, each of whom is an “outside director” within the meaning of Code Section 162(m), and which, to the extent the Board determines it is appropriate for Awards under the Plan to qualify for the exemption available under Rule 16b-3(d)(1) or Rule 16b-3(e) promulgated under the Exchange Act, shall be a committee or subcommittee of the Board composed of two or more members, each of whom is a “non-employee director” within the meaning of Rule 16b-3. Unless otherwise determined by the Board, the Committee shall be the Compensation Committee of the Board.

(g) “Common Stock” means common stock of GS Inc., par value \$0.01 per share.

(h) “Conflicted Employment” means the Grantee’s employment at any U.S. Federal, state or local government, any non-U.S. government, any supranational or international organization, any self-regulatory organization, or any agency or instrumentality of any such government or organization, or any other employer determined by the Committee, if, as a result of such employment, the Grantee’s continued holding of any Outstanding Award would result in an actual or perceived conflict of interest.

(i) “Date of Grant” means the date specified in the Grantee’s Award Agreement as the date of grant of the Award.

(j) “Delivery Date” means each date specified in the Grantee’s Award Agreement as a delivery date, provided, unless the Committee determines otherwise, such date is during a Window Period or, if such date is not during a Window Period, the first trading day of the first Window Period beginning after such date.

(k) “Dividend Equivalent Right” means a dividend equivalent right granted under the Plan, which represents an unfunded and unsecured promise to pay to the Grantee amounts equal to all or any portion of the regular cash dividends that would be paid on shares of Common Stock covered by an Award if such shares had been delivered pursuant to an Award.

(l) “Firm” means GS Inc. and its subsidiaries and affiliates.

(m) “GS Inc.” means The Goldman Sachs Group, Inc., and any successor thereto.

(n) “Outstanding” means any Award to the extent it has not been forfeited, cancelled, terminated, exercised or with respect to which the shares of Common Stock underlying the Award have not been previously delivered or other payments made.

(o) “RSU” means a restricted stock unit Award granted under the Plan, which represents an unfunded and unsecured promise to deliver shares of Common Stock in accordance with the terms of the RSU Award Agreement.

(p) “RSU Shares” means shares of Common Stock that underlie an RSU.

(q) “Section 409A” means Section 409A of the Code, including any amendments or successor provisions to that Section and any regulations and other administrative guidance thereunder, in each case as they, from time to time, may be amended or interpreted through further administrative guidance.

(r) “Window Period” means a period designated by the Firm during which all employees of the Firm are permitted to purchase or sell shares of Common Stock (provided that, if the Grantee is a member of a designated group of employees who are subject to different restrictions, the Window Period may be a period designated by the Firm during which an employee of the Firm in such designated group is permitted to purchase or sell shares of Common Stock).



THE GOLDMAN SACHS GROUP, INC.  
ONE-TIME RSU AWARD

This Award Agreement, together with The Goldman Sachs Amended and Restated Stock Incentive Plan (2015) (the “Plan”), governs your special \_\_\_\_\_ one-time award of RSUs (your “Award”). You should read carefully this entire Award Agreement, which includes the Award Statement, any attached Appendix and the signature card.

#### ACCEPTANCE

1. **You Must Decide Whether to Accept this Award Agreement.** To be eligible to receive your Award, you must by the date specified (a) open and activate an Account and (b) agree to all the terms of your Award by executing the related signature card in accordance with its instructions. By executing the signature card, you confirm your agreement to all of the terms of this Award Agreement, including the arbitration and choice of forum provisions in Paragraph 15.

#### DOCUMENTS THAT GOVERN YOUR AWARD; DEFINITIONS

2. **The Plan.** Your Award is granted under the Plan, and the Plan’s terms apply to, and are a part of, this Award Agreement.
3. **Your Award Statement.** The Award Statement delivered to you contains some of your Award’s specific terms. For example, it contains the number of RSUs awarded to you and any applicable Vesting Dates and Delivery Dates.
4. **Definitions.** Capitalized terms are defined in the Definitions Appendix, which also includes terms that are defined in the Plan.

#### VESTING OF YOUR RSUS

5. **Vesting.** On each Vesting Date listed on your Award Statement, you will become Vested in the amount of Outstanding RSUs listed next to that date. When an RSU becomes Vested, it means **only** that your continued active Employment is not required for delivery of that portion of RSU Shares. **Vesting does not mean you have a non-forfeitable right to the Vested portion of your Award. The terms of this Award Agreement (including conditions to delivery) continue to apply to Vested RSUs, and you can still forfeit Vested RSUs and any RSU Shares.**

#### DELIVERY OF YOUR RSU SHARES

6. **Delivery.** Reasonably promptly (but no more than 30 Business Days) after each Delivery Date listed on your Award Statement, RSU Shares (less applicable withholding as described in Paragraph 12(a)) will be delivered (by book entry credit to your Account) in respect of the amount of Outstanding RSUs listed next to that date. The Committee or the SIP Committee may select multiple dates within the 30-Business-Day period following the Delivery Date to deliver RSU Shares in respect of all or a portion of the RSUs with the same Delivery Date listed on the Award Statement, and all such dates will be treated as a single Delivery Date for purposes of this Award. Until such delivery, you have only the rights of a general unsecured creditor, and no rights as a shareholder of GS Inc. Without limiting the Committee’s authority under Section 1.3.2(h) of the Plan, the Firm may accelerate any Delivery Date by up to 30 days.

## DIVIDENDS

7. **Dividend Equivalent Rights and Dividends.** Each RSU includes a Dividend Equivalent Right, which entitles you to receive an amount (less applicable withholding), at or after the time of distribution of any regular cash dividend paid by GS Inc. in respect of a share of Common Stock, equal to any regular cash dividend payment that would have been made in respect of an RSU Share underlying your Outstanding RSUs for any record date that occurs on or after the Date of Grant.

## FORFEITURE OF YOUR AWARD

8. **How You May Forfeit Your Award.** This Paragraph 8 sets forth the events that result in forfeiture of up to all of your RSUs and may require repayment to the Firm of up to all other amounts previously delivered or paid to you under your Award in accordance with Paragraph 9. More than one event may apply, and in no case will the occurrence of one event limit the forfeiture and repayment obligations as a result of the occurrence of any other event. In addition, the Firm reserves the right to (a) suspend vesting of Outstanding RSUs, payments under Dividend Equivalent Rights or delivery of RSU Shares, (b) deliver any RSU Shares, dividends or payments under Dividend Equivalent Rights into an escrow account in accordance with Paragraph 12(f)(v) or (c) apply Transfer Restrictions to any RSU Shares in connection with any investigation of whether any of the events that result in forfeiture under the Plan or this Paragraph 8 have occurred. Paragraph 10 (relating to certain circumstances under which you will not forfeit your unvested RSUs upon Employment termination) and Paragraph 11 (relating to certain circumstances under which vesting and/or delivery may be accelerated) provide for exceptions to one or more provisions of this Paragraph 8.

(a) Unvested RSUs Forfeited if Your Employment Terminates. If your Employment terminates for any reason or you are otherwise no longer actively employed with the Firm (which includes off-premises notice periods, “garden leaves,” pay in lieu of notice or any other similar status), your rights to your Outstanding RSUs that are not Vested will terminate, and no RSU Shares will be delivered in respect of such RSUs.

(b) Vested and Unvested RSUs Forfeited if You Solicit Clients or Employees, Interfere with Client or Employee Relationships or Participate in the Hiring of Employees. If any of the following occurs before the applicable Delivery Date, your rights to all of your Outstanding RSUs (whether or not Vested) will terminate, and no RSU Shares will be delivered in respect of such RSUs:

(i) you, in any manner, directly or indirectly, (A) Solicit any Client to transact business with a Covered Enterprise or to reduce or refrain from doing any business with the Firm, (B) interfere with or damage (or attempt to interfere with or damage) any relationship between the Firm and any Client, (C) Solicit any person who is an employee of the Firm to resign from the Firm, (D) Solicit any Selected Firm Personnel to apply for or accept employment (or other association) with any person or entity other than the Firm, or (E) hire or participate in the hiring of any Selected Firm Personnel by any person or entity other than the Firm (including, without limitation, participating in the identification of individuals for potential hire, and participating in any hiring decision), whether as an employee or consultant or otherwise, or

(ii) Selected Firm Personnel are Solicited, hired or accepted into partnership, membership or similar status by (A) any entity that you form, that bears your name, or in which you possess or control greater than a *de minimis* equity ownership, voting or profit participation, or (B) any entity where you have, or will have, direct or indirect managerial responsibility for such Selected Firm Personnel.

(c) Vested and Unvested RSUs Forfeited upon Certain Events. If any of the following occurs your rights to all of your Outstanding RSUs (whether or not Vested) will terminate, and no RSU Shares will be delivered in respect of such RSUs, as may be further described below:

(i) You Failed to Consider Risk. You Failed to Consider Risk during the \_\_\_\_\_.

(ii) Your Conduct Constitutes Cause. Any event that constitutes Cause has occurred before the applicable Delivery Date.

(iii) You Do Not Meet Your Obligations to the Firm. The Committee determines that, before the applicable Delivery Date, you failed to meet, in any respect, any obligation under any agreement with the Firm, or any agreement entered into in connection with your Employment or this Award, including the Firm's notice period requirement applicable to you, any offer letter, employment agreement or any shareholders' agreement relating to the Firm. Your failure to pay or reimburse the Firm, on demand, for any amount you owe to the Firm will constitute (A) failure to meet an obligation you have under an agreement, regardless of whether such obligation arises under a written agreement, and/or (B) a material violation of Firm policy constituting Cause.

(iv) You Do Not Provide Timely Certifications or Comply with Your Certifications. You fail to certify to GS Inc. that you have complied with all of the terms of the Plan and this Award Agreement, or the Committee determines that you have failed to comply with a term of the Plan or this Award Agreement to which you have certified compliance.

(v) You Do Not Follow Dispute Resolution/Arbitration Procedures. You attempt to have any dispute under the Plan or this Award Agreement resolved in any manner that is not provided for by Paragraph 15 or Section 3.17 of the Plan, or you attempt to arbitrate a dispute without first having exhausted your internal administrative remedies in accordance with Paragraph 12(f)(vii).

(vi) You Bring an Action that Results in a Determination that Any Award Agreement Term Is Invalid. As a result of any action brought by you, it is determined that any term of this Award Agreement is invalid.

(vii) You Receive Compensation in Respect of Your Award from Another Employer. Your Employment terminates for any reason or you otherwise are no longer actively employed with the Firm and another entity grants you cash, equity or other property (whether vested or unvested) to replace, substitute for or otherwise in respect of any Outstanding RSUs; *provided, however*, that your rights will only be terminated in respect of the RSUs that are replaced, substituted for or otherwise considered by such other entity in making its grant.

(viii) You Receive Compensation that this Award Is Intended to Replace. This Award is intended to replace or substitute for any award or compensation forgone with an entity to which you previously provided services, and such entity nevertheless delivers to you such award or compensation (including any cash, equity or other property (whether vested or unvested)), as determined by the Firm in its sole discretion.

## REPAYMENT OF YOUR AWARD

9. **When You May Be Required to Repay Your Award.** If the Committee determines that any term of this Award was not satisfied, you will be required, immediately upon demand therefor, to repay to the Firm the following:

- (a) Any RSU Shares for which the terms (including the terms for delivery) of the related RSUs were not satisfied, in accordance with Section 2.6.3 of the Plan.
- (b) Any payments under Dividend Equivalent Rights for which the terms were not satisfied (including any such payments made in respect of RSUs that are forfeited or RSU Shares that are cancelled or required to be repaid), in accordance with Section 2.8.4 of the Plan.
- (c) Any dividends paid in respect of any RSU Shares that are cancelled or required to be repaid.
- (d) Any amount applied to satisfy tax withholding or other obligations with respect to any RSU, RSU Shares, dividend payments and payments under Dividend Equivalent Rights that are forfeited or required to be repaid.

## EXCEPTIONS TO THE VESTING AND/OR DELIVERY DATES

10. **Circumstances Under Which You Will Not Forfeit Your Unvested RSUs on Employment Termination (but the Original Delivery Date Continues to Apply).** If your Employment terminates at a time when you meet the requirements for Extended Absence[, Retirement,][ “downsizing” or Approved Termination,] [each] as described below, then Paragraph 8(a) will not apply, and your Outstanding RSUs will be treated as described in this Paragraph 10. All other terms of this Award Agreement, including the other forfeiture and repayment events in Paragraphs 8 and 9, continue to apply.

(a) [Extended Absence or Retirement and No Association With a Covered Enterprise.]

(i) Generally. If your Employment terminates by Extended Absence [or Retirement], your Outstanding RSUs that are not Vested will become Vested. **However, your rights to any Outstanding RSU that becomes Vested by this Paragraph 10(a) [(i)] will terminate and no RSU Share will be delivered in respect of that RSU if you Associate With a Covered Enterprise on or before the originally scheduled Vesting Date for that RSU.**

(ii) [Special Treatment for Involuntary or Mutual Agreement Termination. The second sentence of Paragraph 10(a)[(i)] (relating to forfeiture if you Associate With a Covered Enterprise) will not apply if (A) the Firm characterizes your Employment termination as “involuntary” or by “mutual agreement” (and, in each case, you have not engaged in conduct constituting Cause) and (B) you execute a general waiver and release of claims and an agreement to pay any associated tax liability, in each case, in the form the Firm prescribes. No Employment termination that you initiate, including any purported “constructive termination,” a “termination for good reason” or similar concepts, can be “involuntary” or by “mutual agreement.”]

(b) [Downsizing. If (i) the Firm terminates your Employment solely by reason of a “downsizing” (and you have not engaged in conduct constituting Cause) and (ii) you execute a general waiver and release of claims and an agreement to pay any associated tax liability, in each case, in the form the Firm prescribes, your Outstanding RSUs that are not yet Vested will become Vested. Whether or not your Employment is terminated solely by reason of a “downsizing” will be determined by the Firm in its sole discretion.]

(c) Approved Terminations of Program Analysts and Fixed-Term Employees. If the Firm classifies you as a “program analyst” or a “fixed-term” employee and your Employment terminates solely by reason of an Approved Termination (and you have not engaged in conduct constituting Cause), your Outstanding RSUs that are not yet Vested will become Vested.]

11. **Accelerated Vesting and/or Delivery in the Event of a Qualifying Termination After a Change in Control, Conflicted Employment] or Death**. In the event of your Qualifying Termination After a Change in Control[, Conflicted Employment] or death, each as described below, then Paragraph 8(a) will not apply, your Outstanding RSUs will be treated as described in this Paragraph 11, and, except as set forth in Paragraph 11(a), all other terms of this Award Agreement, including the other forfeiture and repayment events in Paragraphs 8 and 9, continue to apply.

(a) You Have a Qualifying Termination After a Change in Control. If your Employment terminates when you meet the requirements of a Qualifying Termination After a Change in Control, the RSU Shares underlying your Outstanding RSUs (whether or not Vested) will be delivered. In addition, the forfeiture events in Paragraph 8 will not apply to your Award.

(b) You Are Determined to Have Accepted Conflicted Employment.

(i) Generally. Notwithstanding anything to the contrary in the Plan or otherwise, for purposes of this Award Agreement, “Conflicted Employment” means your employment at any U.S. Federal, state or local government, any non-U.S. government, any supranational or international organization, any self-regulatory organization, or any agency or instrumentality of any such government or organization, or any other employer (other than an “Accounting Firm” within the meaning of SEC Rule 2-01(f)(2) of Regulation S-X or any successor thereto) determined by the Committee, if, as a result of such employment, your continued holding of any Outstanding RSUs would result in an actual or perceived conflict of interest. The following will apply as soon as practicable after the Committee has received satisfactory documentation relating to your Conflicted Employment.

(A) Vesting. If your Employment terminates solely because you resign to accept Conflicted Employment and you have completed at least three years of continuous service with the Firm, your Outstanding RSUs will Vest; otherwise, you will forfeit any Outstanding RSUs that are not Vested in accordance with Paragraph 8(a).

(B) Delivery. If your Employment terminates solely because you resign to accept Conflicted Employment or if, following your termination of Employment, you notify the Firm that you are accepting Conflicted Employment, RSU Shares will be delivered in respect of your Outstanding Vested RSUs (including in the form of cash as described in Paragraph 12(b)).

(ii) You May Have to Take Other Steps to Address Conflicts of Interest. The Committee retains the authority to exercise its rights under the Award Agreement or the Plan (including Section 1.3.2 of the Plan) to take or require you to take other steps it determines in its sole discretion to be necessary or appropriate to cure an actual or perceived conflict of interest (which may include a determination that the accelerated vesting and/or delivery described in Paragraph 11(b)(i) will not apply because such actions are not necessary or appropriate to cure an actual or perceived conflict of interest).]

(c) Death. If you die, the RSU Shares underlying your Outstanding RSUs (whether or not Vested) will be delivered to the representative of your estate as soon as practicable after the date of death and after such documentation as may be requested by the Committee is provided to the Committee.

## **OTHER TERMS, CONDITIONS AND AGREEMENTS**

### **12. Additional Terms, Conditions and Agreements.**

(a) You Must Satisfy Applicable Tax Withholding Requirements. Delivery of RSU Shares is conditioned on your satisfaction of any applicable withholding taxes in accordance with Section 3.2 of the Plan, which includes the Firm deducting or withholding amounts from any payment or distribution to you (which, notwithstanding Section 3.2.2 of the Plan, may exceed the statutory minimum rate if and to the extent determined by the Committee or the SIP Committee). In addition, to the extent permitted by applicable law, the Firm, in its sole discretion, may require you to provide amounts equal to all or a portion of any Federal, state, local, foreign or other tax obligations imposed on you or the Firm in connection with the grant, Vesting or delivery of this Award by requiring you to choose between remitting the amount (i) in cash (or through payroll deduction or otherwise) or (ii) in the form of proceeds from the Firm's executing a sale of RSU Shares delivered to you under this Award. In addition, if you are an individual with separate employment contracts (at any time during and/or after the Firm's \_\_\_\_ fiscal year), the Firm, in its sole discretion, may require you to provide for a reserve in an amount the Firm determines is advisable or necessary in connection with any actual, anticipated or potential tax consequences related to your separate employment contracts by requiring you to choose between remitting such amount (i) in cash (or through payroll deduction or otherwise) or (ii) in the form of proceeds from the Firm's executing a sale of shares of Common Stock delivered to you pursuant to this Award (or any other Outstanding awards granted under the Plan or any predecessor or successor plan thereto). In no event, however, does this Paragraph 12(a) give you any discretion to determine or affect the timing of the delivery of RSU Shares or the timing of payment of tax obligations.

(b) Firm May Deliver Cash or Other Property Instead of RSU Shares. In accordance with Section 1.3.2(i) of the Plan, in the sole discretion of the Committee, in lieu of all or any portion of the RSU Shares, the Firm may deliver cash, other securities, other awards under the Plan or other property, and all references in this Award Agreement to deliveries of RSU Shares will include such deliveries of cash, other securities, other awards under the Plan or other property.

(c) Amounts May Be Rounded to Avoid Fractional Shares. RSUs that become Vested on a Vesting Date and RSU Shares that become deliverable on a Delivery Date may, in each case, be rounded to avoid fractional Shares.

(d) You May Be Required to Become a Party to the Shareholders' Agreement. Your rights to your RSUs are conditioned on your becoming a party to any shareholders' agreement to which other similarly situated employees (*e.g.*, employees with a similar title or position) of the Firm are required to be a party.

(e) Firm May Affix Legends and Place Stop Orders on Restricted RSU Shares. GS Inc. may affix to Certificates representing RSU Shares any legend that the Committee determines to be necessary or advisable (including to reflect any restrictions to which you may be subject under a separate agreement). GS Inc. may advise the transfer agent to place a stop order against any legended RSU Shares.

(f) You Agree to Certain Consents, Terms and Conditions. By accepting this Award you understand and agree that:

(i) You Agree to Certain Consents as a Condition to the Award. You have expressly consented to all of the items listed in Section 3.3.3(d) of the Plan, including the Firm's supplying to any third-party recordkeeper of the Plan or other person such personal information of yours as the Committee deems advisable to administer the Plan, and you agree to provide any additional consents that the Committee determines to be necessary or advisable;

(ii) You Are Subject to the Firm's Policies, Rules and Procedures. You are subject to the Firm's policies in effect from time to time concerning trading in RSU Shares and hedging or pledging RSU Shares and equity-based compensation or other awards (including, without limitation, the Firm's "Policies with Respect to Personal Transactions Involving GS Securities and GS Equity Awards" or any successor policies), and confidential or proprietary information, and you will effect sales of RSU Shares in accordance with such rules and procedures as may be adopted from time to time (which may include, without limitation, restrictions relating to the timing of sale requests, the manner in which sales are executed, pricing method, consolidation or aggregation of orders and volume limits determined by the Firm);

(iii) You Are Responsible for Costs Associated with Your Award. You will be responsible for all brokerage costs and other fees or expenses associated with your RSUs, including those related to the sale of RSU Shares;

(iv) You Will Be Deemed to Represent Your Compliance with All the Terms of Your Award if You Accept Delivery of, or Sell, RSU Shares. You will be deemed to have represented and certified that you have complied with all of the terms of the Plan and this Award Agreement when RSU Shares are delivered to you and you receive payment in respect of Dividend Equivalent Rights;

(v) Firm May Deliver Your Award into an Escrow Account. The Firm may establish and maintain an escrow account on such terms (which may include your executing any documents related to, and your paying for any costs associated with, such account) as it may deem necessary or appropriate, and the delivery of RSU Shares or the payment of cash (including dividends and payments under Dividend Equivalent Rights) or other property may initially be made into and held in that escrow account until such time as the Committee has received such documentation as it may have requested or until the Committee has determined that any other conditions or restrictions on delivery of RSU Shares, cash or other property required by this Award Agreement have been satisfied;

(vi) You May Be Required to Certify Compliance with Award Terms; You Are Responsible for Providing the Firm with Updated Address and Contact Information After Your Departure from the Firm. If your Employment terminates while you continue to hold RSUs, from time to time, you may be required to provide certifications of your compliance with all of the terms of the Plan and this Award Agreement as described in Paragraph 8(c)(iv). You understand and agree that (A) your address on file with the Firm at the time any certification is required will be deemed to be your current address, (B) it is your responsibility to inform the Firm of any changes to your address to ensure timely receipt of the certification materials, (C) you are responsible for contacting the Firm to obtain such certification materials if not received and (D) your failure to return properly completed certification materials by the specified deadline (which includes your failure to timely return the completed certification because you did not provide the Firm with updated contact information) will result in the forfeiture of all of your RSUs and subject previously delivered amounts to repayment under Paragraph 8(c)(iv);

(vii) You Must Comply with Applicable Deadlines and Procedures to Appeal Determinations Made by the Committee, the SIP Committee or SIP Administrators. If you disagree with a determination made by the Committee, the SIP Committee, the SIP Administrators, or any of their delegates or designees and you wish to appeal such determination, you must submit a written request to the SIP Committee for review within 180 days after the determination at issue. You must exhaust your internal administrative remedies (*i.e.*, submit your appeal and wait for resolution of that appeal) before seeking to resolve a dispute through arbitration pursuant to Paragraph 15 and Section 3.17 of the Plan; and

(viii) You Agree that Covered Persons Will Not Have Liability. In addition to and without limiting the generality of the provisions of Section 1.3.5 of the Plan, neither the Firm nor any Covered Person will have any liability to you or any other person for any action taken or omitted in respect of this or any other Award.

13. **Non-transferability.** Except as otherwise may be provided in this Paragraph 13 or as otherwise may be provided by the Committee, the limitations on transferability set forth in Section 3.5 of the Plan will apply to this Award. Any purported transfer or assignment in violation of the provisions of this Paragraph 13 or Section 3.5 of the Plan will be void. The Committee may adopt procedures pursuant to which some or all recipients of RSUs may transfer some or all of their RSUs through a gift for no consideration to any immediate family member, a trust or other estate planning vehicle approved by the Committee or SIP Committee in which the recipient and/or the recipient's immediate family members in the aggregate have 100% of the beneficial interest.

14. **Right of Offset.** Except as provided in Paragraph 17(h), the obligation to deliver RSU Shares or to make payments under Dividend Equivalent Rights under this Award Agreement is subject to Section 3.4 of the Plan, which provides for the Firm's right to offset against such obligation any outstanding amounts you owe to the Firm and any amounts the Committee deems appropriate pursuant to any tax equalization policy or agreement.

#### ARBITRATION, CHOICE OF FORUM AND GOVERNING LAW

##### 15. **Arbitration; Choice of Forum.**

**(a) BY ACCEPTING THIS AWARD, YOU ARE INDICATING THAT YOU UNDERSTAND AND AGREE THAT THE ARBITRATION AND CHOICE OF FORUM PROVISIONS SET FORTH IN SECTION 3.17 OF THE PLAN WILL APPLY TO THIS AWARD. THESE PROVISIONS, WHICH ARE EXPRESSLY INCORPORATED HEREIN BY REFERENCE, PROVIDE AMONG OTHER THINGS THAT ANY DISPUTE, CONTROVERSY OR CLAIM BETWEEN THE FIRM AND YOU ARISING OUT OF OR RELATING TO OR CONCERNING THE PLAN OR THIS AWARD AGREEMENT WILL BE FINALLY SETTLED BY ARBITRATION IN NEW YORK CITY, PURSUANT TO THE TERMS MORE FULLY SET FORTH IN SECTION 3.17 OF THE PLAN; PROVIDED THAT NOTHING HEREIN SHALL PRECLUDE YOU FROM FILING A CHARGE WITH OR PARTICIPATING IN ANY INVESTIGATION OR PROCEEDING CONDUCTED BY ANY GOVERNMENTAL AUTHORITY, INCLUDING BUT NOT LIMITED TO THE SEC AND THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION.**

(b) To the fullest extent permitted by applicable law, no arbitrator will have the authority to consider class, collective or representative claims, to order consolidation or to join different claimants or grant relief other than on an individual basis to the individual claimant involved.



(c) Notwithstanding any applicable forum rules to the contrary, to the extent there is a question of enforceability of this Award Agreement arising from a challenge to the arbitrator's jurisdiction or to the arbitrability of a claim, it will be decided by a court and not an arbitrator.

(d) All references to the New York Stock Exchange in Section 3.17 of the Plan will be read as references to the Financial Industry Regulatory Authority.

(e) The Federal Arbitration Act governs interpretation and enforcement of all arbitration provisions under the Plan and this Award Agreement, and all arbitration proceedings thereunder.

(f) Nothing in this Award Agreement creates a substantive right to bring a claim under U.S. Federal, state, or local employment laws.

(g) By accepting your Award, you irrevocably appoint each General Counsel of GS Inc., or any person whom the General Counsel of GS Inc. designates, as your agent for service of process in connection with any suit, action or proceeding arising out of or relating to or concerning the Plan or any Award which is not arbitrated pursuant to the provisions of Section 3.17.1 of the Plan, who shall promptly advise you of any such service of process.

(h) To the fullest extent permitted by applicable law, no arbitrator will have the authority to consider any claim as to which you have not first exhausted your internal administrative remedies in accordance with Paragraph 12(f)(vii).

**16. Governing Law. THIS AWARD WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.**

#### **CERTAIN TAX PROVISIONS**

**17. Compliance of Award Agreement and Plan with Section 409A.** The provisions of this Paragraph 17 apply to you only if you are a U.S. taxpayer.

(a) This Award Agreement and the Plan provisions that apply to this Award are intended and will be construed to comply with Section 409A (including the requirements applicable to, or the conditions for exemption from treatment as, 409A Deferred Compensation), whether by reason of short-term deferral treatment or other exceptions or provisions. The Committee will have full authority to give effect to this intent. To the extent necessary to give effect to this intent, in the case of any conflict or potential inconsistency between the provisions of the Plan (including Sections 1.3.2 and 2.1 thereof) and this Award Agreement, the provisions of this Award Agreement will govern, and in the case of any conflict or potential inconsistency between this Paragraph 17 and the other provisions of this Award Agreement, this Paragraph 17 will govern.

(b) Delivery of RSU Shares will not be delayed beyond the date on which all applicable conditions or restrictions on delivery of RSU Shares required by this Agreement (including those specified in Paragraphs 6, 10[(a)(ii), 10](b), 11([b][c]) and 12 and the consents and other items specified in Section 3.3 of the Plan) are satisfied. To the extent that any portion

of this Award is intended to satisfy the requirements for short-term deferral treatment under Section 409A, delivery for such portion will occur by the March 15 coinciding with the last day of the applicable “short-term deferral” period described in Reg. 1.409A-1(b)(4) in order for the delivery of RSU Shares to be within the short-term deferral exception unless, in order to permit all applicable conditions or restrictions on delivery to be satisfied, the Committee elects, pursuant to Reg. 1.409A-1(b)(4)(i)(D) or otherwise as may be permitted in accordance with Section 409A, to delay delivery of RSU Shares to a later date within the same calendar year or to such later date as may be permitted under Section 409A, including Reg. 1.409A-2(b)(7) (in conjunction with Section 3.21.3 of the Plan pertaining to Code Section 162(m)) and Reg. 1.409A-3(d). For the avoidance of doubt, if the Award includes a “series of installment payments” as described in Reg. 1.409A-2(b)(2)(iii), your right to the series of installment payments will be treated as a right to a series of separate payments and not as a right to a single payment.

(c) Notwithstanding the provisions of Paragraph 12([b][c]) and Section 1.3.2(i) of the Plan, to the extent necessary to comply with Section 409A, any securities, other Awards or other property that the Firm may deliver in respect of your RSUs will not have the effect of deferring delivery or payment, income inclusion, or a substantial risk of forfeiture, beyond the date on which such delivery, payment or inclusion would occur or such risk of forfeiture would lapse, with respect to the RSU Shares that would otherwise have been deliverable (unless the Committee elects a later date for this purpose pursuant to Reg. 1.409A-1(b)(4)(i)(D) or otherwise as may be permitted under Section 409A, including and to the extent applicable, the subsequent election provisions of Section 409A(a)(4)(C) of the Code and Reg. 1.409A-2(b)).

(d) Notwithstanding the timing provisions of Paragraph 11(c), the delivery of RSU Shares referred to therein will be made after the date of death and during the calendar year that includes the date of death (or on such later date as may be permitted under Section 409A).

(e) The timing of delivery or payment pursuant to Paragraph 11(a) will occur on the earlier of (i) the Delivery Date or (ii) a date that is within the calendar year in which the termination of Employment occurs; *provided, however*, that, if you are a “specified employee” (as defined by the Firm in accordance with Section 409A(a)(2)(i)(B) of the Code), delivery will occur on the earlier of the Delivery Date or (to the extent required to avoid the imposition of additional tax under Section 409A) the date that is six months after your termination of Employment (or, if the latter date is not during a Window Period, the first trading day of the next Window Period). For purposes of Paragraph 11(a), references in this Award Agreement to termination of Employment mean a termination of Employment from the Firm (as defined by the Firm) which is also a separation from service (as defined by the Firm in accordance with Section 409A).

(f) Notwithstanding any provision of Paragraph 7 or Section 2.8.2 of the Plan to the contrary, the Dividend Equivalent Rights with respect to each of your Outstanding RSUs will be paid to you within the calendar year that includes the date of distribution of any corresponding regular cash dividends paid by GS Inc. in respect of a share of Common Stock the record date for which occurs on or after the Date of Grant. The payment will be in an amount (less applicable withholding) equal to such regular dividend payment as would have been made in respect of the RSU Shares underlying such Outstanding RSUs.

(g) [The timing of delivery or payment referred to in Paragraph 11(b)(i) will be the earlier of (i) the Delivery Date or (ii) a date that is within the calendar year in which the Committee receives satisfactory documentation relating to your Conflicted Employment, *provided* that such delivery or payment will be made, and any Committee action referred to in Paragraph 11(b)(ii) will be taken, only at such time as, and if and to the extent that it, as reasonably determined by the Firm, would not result in the imposition of any additional tax to you under Section 409A.]

(h) Paragraph 14 and Section 3.4 of the Plan will not apply to Awards that are 409A Deferred Compensation except to the extent permitted under Section 409A.

(i) Delivery of RSU Shares in respect of any Award may be made, if and to the extent elected by the Committee, later than the Delivery Date or other date or period specified hereinabove (but, in the case of any Award that constitutes 409A Deferred Compensation, only to the extent that the later delivery is permitted under Section 409A).

(j) You understand and agree that you are solely responsible for the payment of any taxes and penalties due pursuant to Section 409A, but in no event will you be permitted to designate, directly or indirectly, the taxable year of the delivery.

**18. Compliance of Award Agreement and Plan with Section 162(m).** The provisions of Paragraph 17(b) and this Paragraph 18 and the provisions of Sections 1.2.13, 1.3.3, 2.8.3, 3.1.2 and 3.21 of the Plan addressing the qualification of compensation realized from Awards as “performance-based” compensation under Section 162(m) of the Code shall apply only to the extent that Section 162(m) of the Code provides a “performance-based” compensation exception to the deduction limitations applicable thereunder. If you are or become considered by GS Inc. to be one of its “covered employees” within the meaning of Section 162(m) of the Code, then you will be subject to Section 3.21.3 of the Plan, as a result of which delivery of your RSU Shares may be delayed.

#### **COMMITTEE AUTHORITY, AMENDMENT AND CONSTRUCTION**

19. **Committee Authority.** The Committee has the authority to determine, in its sole discretion, that any event triggering forfeiture or repayment of your Award will not apply and to limit the forfeitures and repayments that result under Paragraphs 8 and 9. In addition, the Committee, in its sole discretion, may determine whether Paragraph[s] [10(a)(ii)] [and] [10(b)] will apply upon a termination of Employment[ and whether a termination of Employment constitutes an Approved Termination under Paragraph 10(c)].

20. **Amendment.** The Committee reserves the right at any time to amend the terms of this Award Agreement, and the Board may amend the Plan in any respect; *provided* that, notwithstanding the foregoing and Sections 1.3.2(f), 1.3.2(h) and 3.1 of the Plan, no such amendment will materially adversely affect your rights and obligations under this Award Agreement without your consent; and *provided further* that the Committee expressly reserves its rights to amend the Award Agreement and the Plan as described in Sections 1.3.2(h)(1), (2) and (4) of the Plan. A modification that impacts the tax consequences of this Award or the timing of delivery of RSU Shares will not be an amendment that materially adversely affects your rights and obligations under this Award Agreement. Any amendment of this Award Agreement will be in writing.

21. **Construction, Headings.** Unless the context requires otherwise, (a) words describing the singular number include the plural and vice versa, (b) words denoting any gender include all genders and (c) the words “include,” “includes” and “including” will be deemed to be followed by the words “without limitation.” The headings in this Award Agreement are for the purpose of convenience only and are not intended to define or limit the construction of the provisions hereof. References in this Award Agreement to any specific Plan provision will not be construed as limiting the applicability of any other Plan provision.

**IN WITNESS WHEREOF**, GS Inc. has caused this Award Agreement to be duly executed and delivered as of the Date of Grant.

**THE GOLDMAN SACHS GROUP, INC.**

## DEFINITIONS APPENDIX

### The following capitalized terms are used in this Award Agreement with the following meanings:

(a) “409A Deferred Compensation” means a “deferral of compensation” or “deferred compensation” as those terms are defined in the regulations under Section 409A.

(b) [“Approved Termination” means that you are classified by the Firm as a “program analyst” or “fixed-term employee” and you (i) successfully complete the analyst program or fixed-term engagement, as applicable and determined by the Firm in its sole discretion, including remaining Employed through the completion date specified by the Firm, and (ii) terminate Employment immediately after the completion date without any “stay-on” or other agreement or understanding to continue Employment with the Firm. If you agree to stay with the Firm as an employee after your analyst program or fixed-term engagement ends and then later terminate Employment, you will not have an Approved Termination.]

(c) “Associate With a Covered Enterprise” means that you (i) form, or acquire a 5% or greater equity ownership, voting or profit participation interest in, any Covered Enterprise or (ii) associate in any capacity (including association as an officer, employee, partner, director, consultant, agent or advisor) with any Covered Enterprise. Associate With a Covered Enterprise may include, as determined in the discretion of either the Committee or the SIP Committee, (i) becoming the subject of any publicly available announcement or report of a pending or future association with a Covered Enterprise and (ii) unpaid associations, including an association in contemplation of future employment. “Association With a Covered Enterprise” will have its correlative meaning.

(d) “Award Agreement” means the written document or documents by which each Award is evidenced, including any Award Statement or any related signature card.

(e) [“Conflicted Employment” means your employment at any U.S. Federal, state or local government, any non-U.S. government, any supranational or international organization, any self-regulatory organization, or any agency or instrumentality of any such government or organization, or any other employer (other than an “Accounting Firm” within the meaning of SEC Rule 2-01(f)(2) of Regulation S-X or any successor thereto) determined by the Committee, if, as a result of such employment, your continued holding of any Outstanding RSUs would result in an actual or perceived conflict of interest.]

(f) “Covered Enterprise” means a Competitive Enterprise and any other existing or planned business enterprise that: (i) offers, holds itself out as offering or reasonably may be expected to offer products or services that are the same as or similar to those offered by the Firm or that the Firm reasonably expects to offer (“Firm Products or Services”) or (ii) engages in, holds itself out as engaging in or reasonably may be expected to engage in any other activity that is the same as or similar to any financial activity engaged in by the Firm or in which the Firm reasonably expects to engage (“Firm Activities”). For the avoidance of doubt, Firm Activities include any activity that requires the same or similar skills as any financial activity engaged in by the Firm or in which the Firm reasonably expects to engage, irrespective of whether any such financial activity is in furtherance of an advisory, agency, proprietary or fiduciary undertaking.

The enterprises covered by this definition include enterprises that offer, hold themselves out as offering or reasonably may be expected to offer Firm Products or Services, or engage in, hold themselves out as engaging in or reasonably may be expected to engage in Firm Activities directly, as well as those that do so indirectly by ownership or control (*e.g.*, by owning, being owned by or by being under

common ownership with an enterprise that offers, holds itself out as offering or reasonably may be expected to offer Firm Products or Services or that engages in, holds itself out as engaging in or reasonably may be expected to engage in Firm Activities). The definition of Covered Enterprise includes, solely by way of example, any enterprise that offers, holds itself out as offering or reasonably may be expected to offer any product or service, or engages in, holds itself out as engaging in or reasonably may be expected to engage in any activity, in any case, associated with investment banking; public or private finance; lending; financial advisory services; private investing for anyone other than you or your family members (including, for the avoidance of doubt, any type of proprietary investing or trading); private wealth management; private banking; consumer, digital or commercial banking; merchant banking; asset, portfolio or hedge fund management; insurance or reinsurance underwriting or brokerage; property management; or securities, futures, commodities, energy, derivatives, currency or digital asset brokerage, sales, lending, custody, clearance, settlement or trading. An enterprise that offers, holds itself out as offering or reasonably may be expected to offer Firm Products or Services, or engages in, holds itself out as engaging in or reasonably may be expected to engage in Firm Activities is a Covered Enterprise, **irrespective of whether the enterprise is a customer, client or counterparty of the Firm and, because the Firm is a global enterprise, irrespective of where the Covered Enterprise is physically located.**

(g) “Failed to Consider Risk” means that you participated in the structuring or marketing of any product or service, or participated on behalf of the Firm or any of its clients in the purchase or sale of any security or other property, in any case without appropriate consideration of the risk to the Firm or the broader financial system as a whole (for example, where you have improperly analyzed such risk or where you have failed sufficiently to raise concerns about such risk) and, as a result of such action or omission, the Committee determines there has been, or reasonably could be expected to be, a material adverse impact on the Firm, your business unit or the broader financial system.

(h) “Qualifying Termination After a Change in Control” means that the Firm terminates your Employment other than for Cause or you terminate your Employment for Good Reason, in each case, within 18 months following a Change in Control.

(i) “SEC” means the U.S. Securities and Exchange Commission.

(j) “Selected Firm Personnel” means any individual who is or in the three months preceding the conduct prohibited by Paragraph 8 (b) was (i) a Firm employee or consultant with whom you personally worked while employed by the Firm, (ii) a Firm employee or consultant who, at any time during the year preceding the date of the termination of your Employment, worked in the same division in which you worked or (iii) an Advisory Director, a Managing Director or a Senior Advisor of the Firm.

**The following capitalized terms are used in this Award Agreement with the meanings that are assigned to them in the Plan.**

(a) “Account” means any brokerage account, custody account or similar account, as approved or required by GS Inc. from time to time, into which shares of Common Stock, cash or other property in respect of an Award are delivered.

(b) “Award Statement” means a written statement that reflects certain Award terms.

(c) “Business Day” means any day other than a Saturday, a Sunday or a day on which banking institutions in New York City are authorized or obligated by Federal law or executive order to be closed.

(d) “Cause” means (i) the Grantee’s conviction, whether following trial or by plea of guilty or *nolo contendere* (or similar plea), in a criminal proceeding (A) on a misdemeanor charge involving fraud, false statements or misleading omissions, wrongful taking, embezzlement, bribery, forgery, counterfeiting or extortion, or (B) on a felony charge, or (C) on an equivalent charge to those in clauses (A) and (B) in jurisdictions which do not use those designations, (ii) the Grantee’s engaging in any conduct which constitutes an employment disqualification under applicable law (including statutory disqualification as defined under the Exchange Act), (iii) the Grantee’s willful failure to perform the Grantee’s duties to the Firm, (iv) the Grantee’s violation of any securities or commodities laws, any rules or regulations issued pursuant to such laws, or the rules and regulations of any securities or commodities exchange or association of which the Firm is a member, (v) the Grantee’s violation of any Firm policy concerning hedging or pledging or confidential or proprietary information, or the Grantee’s material violation of any other Firm policy as in effect from time to time, (vi) the Grantee’s engaging in any act or making any statement which impairs, impugns, denigrates, disparages or negatively reflects upon the name, reputation or business interests of the Firm or (vii) the Grantee’s engaging in any conduct detrimental to the Firm. The determination as to whether Cause has occurred shall be made by the Committee in its sole discretion and, in such case, the Committee also may, but shall not be required to, specify the date such Cause occurred (including by determining that a prior termination of Employment was for Cause). Any rights the Firm may have hereunder and in any Award Agreement in respect of the events giving rise to Cause shall be in addition to the rights the Firm may have under any other agreement with a Grantee or at law or in equity.

(e) “Change in Control” means the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving GS Inc. (a “Reorganization”) or sale or other disposition of all or substantially all of GS Inc.’s assets to an entity that is not an affiliate of GS Inc. (a “Sale”), that in each case requires the approval of GS Inc.’s shareholders under the law of GS Inc.’s jurisdiction of organization, whether for such Reorganization or Sale (or the issuance of securities of GS Inc. in such Reorganization or Sale), unless immediately following such Reorganization or Sale, either: (i) at least 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of (A) the entity resulting from such Reorganization, or the entity which has acquired all or substantially all of the assets of GS Inc. in a Sale (in either case, the “Surviving Entity”), or (B) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, as such Rule is in effect on the date of the adoption of the 1999 SIP) of 50% or more of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the Surviving Entity (the “Parent Entity”) is represented by GS Inc.’s securities (the “GS Inc. Securities”) that were outstanding immediately prior to such Reorganization or Sale (or, if applicable, is represented by shares into which such GS Inc. Securities were converted pursuant to such Reorganization or Sale) or (ii) at least 50% of the members of the board of directors (or similar officials in the case of an entity other than a corporation) of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) following the

consummation of the Reorganization or Sale were, at the time of the Board's approval of the execution of the initial agreement providing for such Reorganization or Sale, individuals (the "Incumbent Directors") who either (A) were members of the Board on the Effective Date or (B) became directors subsequent to the Effective Date and whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of GS Inc.'s proxy statement in which such persons are named as nominees for director).

(f) "Client" means any client or prospective client of the Firm to whom the Grantee provided services, or for whom the Grantee transacted business, or whose identity became known to the Grantee in connection with the Grantee's relationship with or employment by the Firm.

(g) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and the applicable rulings and regulations thereunder.

(h) "Committee" means the committee appointed by the Board to administer the Plan pursuant to Section 1.3, and, to the extent the Board determines it is appropriate for the compensation realized from Awards under the Plan to be considered "performance based" compensation under Section 162(m) of the Code, shall be a committee or subcommittee of the Board composed of two or more members, each of whom is an "outside director" within the meaning of Code Section 162(m), and which, to the extent the Board determines it is appropriate for Awards under the Plan to qualify for the exemption available under Rule 16b-3(d)(1) or Rule 16b-3(e) promulgated under the Exchange Act, shall be a committee or subcommittee of the Board composed of two or more members, each of whom is a "non-employee director" within the meaning of Rule 16b-3. Unless otherwise determined by the Board, the Committee shall be the Compensation Committee of the Board.

(i) "Common Stock" means common stock of GS Inc., par value \$0.01 per share.

(j) "Competitive Enterprise" means an existing or planned business enterprise that (i) engages, or may reasonably be expected to engage, in any activity, (ii) owns or controls, or may reasonably be expected to own or control, a significant interest in or (iii) is, or may reasonably be expected to be, owned by, or a significant interest in which is, or may reasonably be expected to be, owned or controlled by, any entity that engages in any activity that, in any case, competes or will compete anywhere with any activity in which the Firm is engaged. The activities covered by this definition include, without limitation, financial services such as investment banking, public or private finance, lending, financial advisory services, private investing (for anyone other than the Grantee and members of the Grantee's family), merchant banking, asset or hedge fund management, insurance or reinsurance underwriting or brokerage, property management, or securities, futures, commodities, energy, derivatives or currency brokerage, sales, lending, custody, clearance, settlement or trading.

(k) "Covered Person" means a member of the Board or the Committee or any employee of the Firm.

(l) "Date of Grant" means the date specified in the Grantee's Award Agreement as the date of grant of the Award.

(m) "Delivery Date" means each date specified in the Grantee's Award Agreement as a delivery date, *provided*, unless the Committee determines otherwise, such date is during a Window Period or, if such date is not during a Window Period, the first trading day of the first Window Period beginning after such date.



(n) “Dividend Equivalent Right” means a dividend equivalent right granted under the Plan, which represents an unfunded and unsecured promise to pay to the Grantee amounts equal to all or any portion of the regular cash dividends that would be paid on shares of Common Stock covered by an Award if such shares had been delivered pursuant to an Award.

(o) “Employment” means the Grantee’s performance of services for the Firm, as determined by the Committee. The terms “employ” and “employed” shall have their correlative meanings. The Committee in its sole discretion may determine (i) whether and when a Grantee’s leave of absence results in a termination of Employment (for this purpose, unless the Committee determines otherwise, a Grantee shall be treated as terminating Employment with the Firm upon the occurrence of an Extended Absence), (ii) whether and when a change in a Grantee’s association with the Firm results in a termination of Employment and (iii) the impact, if any, of any such leave of absence or change in association on Awards theretofore made. Unless expressly provided otherwise, any references in the Plan or any Award Agreement to a Grantee’s Employment being terminated shall include both voluntary and involuntary terminations.

(p) “Extended Absence” means the Grantee’s inability to perform for six (6) continuous months, due to illness, injury or pregnancy-related complications, substantially all the essential duties of the Grantee’s occupation, as determined by the Committee.

(q) “Firm” means GS Inc. and its subsidiaries and affiliates.

(r) “Good Reason” means, in connection with a termination of employment by a Grantee following a Change in Control, (a) as determined by the Committee, a materially adverse alteration in the Grantee’s position or in the nature or status of the Grantee’s responsibilities from those in effect immediately prior to the Change in Control or (b) the Firm’s requiring the Grantee’s principal place of Employment to be located more than seventy-five (75) miles from the location where the Grantee is principally Employed at the time of the Change in Control (except for required travel on the Firm’s business to an extent substantially consistent with the Grantee’s customary business travel obligations in the ordinary course of business prior to the Change in Control).

(s) “Grantee” means a person who receives an Award.

(t) “GS Inc.” means The Goldman Sachs Group, Inc., and any successor thereto.

(u) “Outstanding” means any Award to the extent it has not been forfeited, cancelled, terminated, exercised or with respect to which the shares of Common Stock underlying the Award have not been previously delivered or other payments made.

(v) [“Retirement” means termination of the Grantee’s Employment (other than for Cause) on or after the Date of Grant at a time when (i) (A) the sum of the Grantee’s age plus years of service with the Firm (as determined by the Committee in its sole discretion) equals or exceeds 60 and (B) the Grantee has completed at least 10 years of service with the Firm (as determined by the Committee in its sole discretion) or, if earlier, (ii) (A) the Grantee has attained age 50 and (B) the Grantee has completed at least five years of service with the Firm (as determined by the Committee in its sole discretion).]

(w) “RSU” means a restricted stock unit Award granted under the Plan, which represents an unfunded and unsecured promise to deliver shares of Common Stock in accordance with the terms of the RSU Award Agreement.

(x) “RSU Shares” means shares of Common Stock that underlie an RSU.

(y) “Section 409A” means Section 409A of the Code, including any amendments or successor provisions to that Section and any regulations and other administrative guidance thereunder, in each case as they, from time to time, may be amended or interpreted through further administrative guidance.

(z) “SIP Administrator” means each person designated by the Committee as a “SIP Administrator” with the authority to perform day-to-day administrative functions for the Plan.

(aa) “SIP Committee” means the persons who have been delegated certain authority under the Plan by the Committee.

(bb) “Solicit” means any direct or indirect communication of any kind whatsoever, regardless of by whom initiated, inviting, advising, encouraging or requesting any person or entity, in any manner, to take or refrain from taking any action.

(cc) “Transfer Restrictions” means restrictions that prohibit the sale, exchange, transfer, assignment, pledge, hypothecation, fractionalization, hedge or other disposal (including through the use of any cash-settled instrument), whether voluntarily or involuntarily by the Grantee, of an Award or any shares of Common Stock, cash or other property delivered in respect of an Award.

(dd) “Vested” means, with respect to an Award, the portion of the Award that is not subject to a condition that the Grantee remain actively employed by the Firm in order for the Award to remain Outstanding. The fact that an Award becomes Vested shall not mean or otherwise indicate that the Grantee has an unconditional or nonforfeitable right to such Award, and such Award shall remain subject to such terms, conditions and forfeiture provisions as may be provided for in the Plan or in the Award Agreement.

(ee) “Vesting Date” means each date specified in the Grantee’s Award Agreement as a date on which part or all of an Award becomes Vested.

(ff) “Window Period” means a period designated by the Firm during which all employees of the Firm are permitted to purchase or sell shares of Common Stock (*provided* that, if the Grantee is a member of a designated group of employees who are subject to different restrictions, the Window Period may be a period designated by the Firm during which an employee of the Firm in such designated group is permitted to purchase or sell shares of Common Stock).

THE GOLDMAN SACHS GROUP, INC.  
YEAR-END RSU AWARD

This Award Agreement, together with The Goldman Sachs Amended and Restated Stock Incentive Plan (2015) (the “Plan”), governs your \_\_\_\_\_ year-end award of RSUs (your “Award”). You should read carefully this entire Award Agreement, which includes the Award Statement, any attached Appendix and the signature card.

#### ACCEPTANCE

1. **You Must Decide Whether to Accept this Award Agreement.** To be eligible to receive your Award, you must by the date specified (a) open and activate an Account and (b) agree to all the terms of your Award by executing the related signature card in accordance with its instructions. By executing the signature card, you confirm your agreement to all of the terms of this Award Agreement, including the arbitration and choice of forum provisions in Paragraph 16.

#### DOCUMENTS THAT GOVERN YOUR AWARD; DEFINITIONS

2. **The Plan.** Your Award is granted under the Plan, and the Plan’s terms apply to, and are a part of, this Award Agreement.
3. **Your Award Statement.** The Award Statement delivered to you contains some of your Award’s specific terms. For example, it contains the number of RSUs awarded to you and any applicable Vesting Dates, Delivery Dates and Transferability Dates.
4. **Definitions.** Capitalized terms are defined in the Definitions Appendix, which also includes terms that are defined in the Plan.

#### VESTING OF YOUR RSUS

5. **Vesting.** On each Vesting Date listed on your Award Statement, you will become Vested in the amount of Outstanding RSUs listed next to that date. When an RSU becomes Vested, it means **only** that your continued active Employment is not required for delivery of that portion of RSU Shares. **Vesting does not mean you have a non-forfeitable right to the Vested portion of your Award. The terms of this Award Agreement (including conditions to delivery and any applicable Transfer Restrictions) continue to apply to Vested RSUs, and you can still forfeit Vested RSUs and any RSU Shares.**

#### DELIVERY OF YOUR RSU SHARES

6. **Delivery.** Reasonably promptly (but no more than 30 Business Days) after each Delivery Date listed on your Award Statement, RSU Shares (less applicable withholding as described in Paragraph 13(a)) will be delivered (by book entry credit to your Account) in respect of the amount of Outstanding RSUs listed next to that date. The Committee or the SIP Committee may select multiple dates within the 30-Business-Day period following the Delivery Date to deliver RSU Shares in respect of all or a portion of the RSUs with the same Delivery Date listed on the Award Statement, and all such dates will be treated as a single Delivery Date for purposes of this Award. Until such delivery, you have only the rights of a general unsecured creditor, and no rights as a shareholder of GS Inc. Without limiting the Committee’s authority under Section 1.3.2(h) of the Plan, the Firm may accelerate any Delivery Date by up to 30 days.

## TRANSFER RESTRICTIONS FOLLOWING DELIVERY

7. **Transfer Restrictions and Shares at Risk.** Fifty percent of the RSU Shares that are delivered on any date, **before** tax withholding (or, if the applicable tax withholding rate is greater than 50%, all RSU Shares delivered after tax withholding), will be Shares at Risk. This means that if, for example, on a Delivery Date, you are scheduled to receive delivery of 1,000 RSU Shares, and you are subject to a 40% withholding rate, then (a) 400 RSU Shares will be withheld for taxes, (b) 500 RSU Shares delivered to you will be Shares at Risk and (c) 100 RSU Shares delivered to you will not be subject to Transfer Restrictions. Any purported sale, exchange, transfer, assignment, pledge, hypothecation, fractionalization, hedge or other disposition in violation of the Transfer Restrictions on Shares at Risk will be void. Within 30 Business Days after the Transferability Date listed on your Award Statement (or any other date on which the Transfer Restrictions are to be removed), GS Inc. will remove the Transfer Restrictions. The Committee or the SIP Committee may select multiple dates within such 30-Business-Day period on which to remove Transfer Restrictions for all or a portion of the Shares at Risk with the same Transferability Date listed on the Award Statement, and all such dates will be treated as a single Transferability Date for purposes of this Award.

## DIVIDENDS

8. **Dividend Equivalent Rights and Dividends.** Each RSU includes a Dividend Equivalent Right, which entitles you to receive an amount (less applicable withholding), at or after the time of distribution of any regular cash dividend paid by GS Inc. in respect of a share of Common Stock, equal to any regular cash dividend payment that would have been made in respect of an RSU Share underlying your Outstanding RSUs for any record date that occurs on or after the Date of Grant. In addition, you will be entitled to receive on a current basis any regular cash dividend paid in respect of your Shares at Risk.

## FORFEITURE OF YOUR AWARD

9. **How You May Forfeit Your Award.** This Paragraph 9 sets forth the events that result in forfeiture of up to all of your RSUs and Shares at Risk and may require repayment to the Firm of up to all other amounts previously delivered or paid to you under your Award in accordance with Paragraph 10. More than one event may apply, and in no case will the occurrence of one event limit the forfeiture and repayment obligations as a result of the occurrence of any other event. In addition, the Firm reserves the right to (a) suspend vesting of Outstanding RSUs, payments under Dividend Equivalent Rights, delivery of RSU Shares or release of Transfer Restrictions, (b) deliver any RSU Shares, dividends or payments under Dividend Equivalent Rights into an escrow account in accordance with Paragraph 13(f)(v) or (c) apply Transfer Restrictions to any RSU Shares in connection with any investigation of whether any of the events that result in forfeiture under the Plan or this Paragraph 9 have occurred. Paragraph 11 (relating to certain circumstances under which you will not forfeit your unvested RSUs upon Employment termination) and Paragraph 12 (relating to certain circumstances under which vesting, delivery and/or release of Transfer Restrictions may be accelerated) provide for exceptions to one or more provisions of this Paragraph 9.

(a) **Unvested RSUs Forfeited if Your Employment Terminates.** If your Employment terminates for any reason or you are otherwise no longer actively employed with the Firm (which includes off-premises notice periods, “garden leaves,” pay in lieu of notice or any other similar status), your rights to your Outstanding RSUs that are not Vested will terminate, and no RSU Shares will be delivered in respect of such RSUs.

(b) Vested and Unvested RSUs Forfeited if You Solicit Clients or Employees, Interfere with Client or Employee Relationships or Participate in the Hiring of Employees. If any of the following occurs before the applicable Delivery Date, your rights to all of your Outstanding RSUs (whether or not Vested) will terminate, and no RSU Shares will be delivered in respect of such RSUs:

(i) you, in any manner, directly or indirectly, (A) Solicit any Client to transact business with a Covered Enterprise or to reduce or refrain from doing any business with the Firm, (B) interfere with or damage (or attempt to interfere with or damage) any relationship between the Firm and any Client, (C) Solicit any person who is an employee of the Firm to resign from the Firm, (D) Solicit any Selected Firm Personnel to apply for or accept employment (or other association) with any person or entity other than the Firm, or (E) hire or participate in the hiring of any Selected Firm Personnel by any person or entity other than the Firm (including, without limitation, participating in the identification of individuals for potential hire, and participating in any hiring decision), whether as an employee or consultant or otherwise, or

(ii) Selected Firm Personnel are Solicited, hired or accepted into partnership, membership or similar status by (A) any entity that you form, that bears your name, or in which you possess or control greater than a *de minimis* equity ownership, voting or profit participation, or (B) any entity where you have, or will have, direct or indirect managerial responsibility for such Selected Firm Personnel.

(c) Vested and Unvested RSUs and Shares at Risk Forfeited upon Certain Events. If any of the following occurs (i) your rights to all of your Outstanding RSUs (whether or not Vested) will terminate, and no RSU Shares will be delivered in respect of such RSUs and (ii) your rights to all of your Shares at Risk will terminate and your Shares at Risk will be cancelled, in each case, as may be further described below:

(i) You Failed to Consider Risk. You Failed to Consider Risk during the Firm's \_\_\_\_ fiscal year.

(ii) Your Conduct Constitutes Cause. Any event that constitutes Cause has occurred before the applicable Delivery Date for RSUs or the Transferability Date for Shares at Risk.

(iii) You Do Not Meet Your Obligations to the Firm. The Committee determines that, before the applicable Delivery Date for RSUs or the Transferability Date for Shares at Risk, you failed to meet, in any respect, any obligation under any agreement with the Firm, or any agreement entered into in connection with your Employment or this Award, including the Firm's notice period requirement applicable to you, any offer letter, employment agreement or any shareholders' agreement relating to the Firm. Your failure to pay or reimburse the Firm, on demand, for any amount you owe to the Firm will constitute (A) failure to meet an obligation you have under an agreement, regardless of whether such obligation arises under a written agreement, and/or (B) a material violation of Firm policy constituting Cause.

(iv) You Do Not Provide Timely Certifications or Comply with Your Certifications. You fail to certify to GS Inc. that you have complied with all of the terms of the Plan and this Award Agreement, or the Committee determines that you have failed to comply with a term of the Plan or this Award Agreement to which you have certified compliance.

(v) You Do Not Follow Dispute Resolution/Arbitration Procedures. You attempt to have any dispute under the Plan or this Award Agreement resolved in any manner that is not provided for by Paragraph 16 or Section 3.17 of the Plan, or you attempt to arbitrate a dispute without first having exhausted your internal administrative remedies in accordance with Paragraph 13(f)(viii).

(vi) You Bring an Action that Results in a Determination that Any Award Agreement Term Is Invalid. As a result of any action brought by you, it is determined that any term of this Award Agreement is invalid.

(vii) You Receive Compensation in Respect of Your Award from Another Employer. Your Employment terminates for any reason or you otherwise are no longer actively employed with the Firm and another entity grants you cash, equity or other property (whether vested or unvested) to replace, substitute for or otherwise in respect of any Outstanding RSUs or Shares at Risk; *provided, however*, that your rights will only be terminated in respect of the RSUs and Shares at Risk that are replaced, substituted for or otherwise considered by such other entity in making its grant.

## **REPAYMENT OF YOUR AWARD**

10. **When You May Be Required to Repay Your Award**. If the Committee determines that any term of this Award was not satisfied, you will be required, immediately upon demand therefor, to repay to the Firm the following:

(a) Any RSU Shares (which, for the avoidance of doubt, includes any Shares at Risk) for which the terms (including the terms for delivery) of the related RSUs were not satisfied, in accordance with Section 2.6.3 of the Plan.

(b) Any Shares at Risk for which the terms (including the terms for the release of Transfer Restrictions) were not satisfied, in accordance with Section 2.5.3 of the Plan.

(c) Any RSU Shares that were delivered (but not subject to Transfer Restrictions) at the same time any Shares at Risk that are cancelled or required to be repaid were delivered.

(d) Any payments under Dividend Equivalent Rights for which the terms were not satisfied (including any such payments made in respect of RSUs that are forfeited or RSU Shares that are cancelled or required to be repaid), in accordance with Section 2.8.4 of the Plan.

(e) Any dividends paid in respect of any RSU Shares that are cancelled or required to be repaid.

(f) Any amount applied to satisfy tax withholding or other obligations with respect to any RSU, RSU Shares, dividend payments and payments under Dividend Equivalent Rights that are forfeited or required to be repaid.

## EXCEPTIONS TO THE VESTING, DELIVERY AND/OR TRANSFERABILITY DATES

11. **Circumstances Under Which You Will Not Forfeit Your Unvested RSUs on Employment Termination (but the Original Delivery Date and Transferability Date Continue to Apply)**. If your Employment terminates at a time when you meet the requirements for Extended Absence, Retirement, “downsizing” or Approved Termination, each as described below, then Paragraph 9(a) will not apply, and your Outstanding RSUs will be treated as described in this Paragraph 11. All other terms of this Award Agreement, including the other forfeiture and repayment events in Paragraphs 9 and 10, continue to apply.

(a) **Extended Absence or Retirement and No Association With a Covered Enterprise.**

(i) **Generally.** If your Employment terminates by Extended Absence or Retirement, your Outstanding RSUs that are not Vested will become Vested. **However, your rights to any Outstanding RSU that becomes Vested by this Paragraph 11(a)(i) will terminate and no RSU Share will be delivered in respect of that RSU if you Associate With a Covered Enterprise on or before the originally scheduled Vesting Date for that RSU.**

(ii) **Special Treatment for Involuntary or Mutual Agreement Termination.** The second sentence of Paragraph 11(a)(i) (relating to forfeiture if you Associate With a Covered Enterprise) will not apply if (A) the Firm characterizes your Employment termination as “involuntary” or by “mutual agreement” (and, in each case, you have not engaged in conduct constituting Cause) and (B) you execute a general waiver and release of claims and an agreement to pay any associated tax liability, in each case, in the form the Firm prescribes. No Employment termination that you initiate, including any purported “constructive termination,” a “termination for good reason” or similar concepts, can be “involuntary” or by “mutual agreement.”

(b) **Downsizing.** If (i) the Firm terminates your Employment solely by reason of a “downsizing” (and you have not engaged in conduct constituting Cause) and (ii) you execute a general waiver and release of claims and an agreement to pay any associated tax liability, in each case, in the form the Firm prescribes, your Outstanding RSUs that are not yet Vested will become Vested. Whether or not your Employment is terminated solely by reason of a “downsizing” will be determined by the Firm in its sole discretion.

(c) **Approved Terminations of Program Analysts and Fixed-Term Employees.** If the Firm classifies you as a “program analyst” or a “fixed-term” employee and your Employment terminates solely by reason of an Approved Termination (and you have not engaged in conduct constituting Cause), your Outstanding RSUs that are not yet Vested will become Vested.

12. **Accelerated Vesting, Delivery and/or Release of Transfer Restrictions in the Event of a Qualifying Termination After a Change in Control, Conflicted Employment or Death.** In the event of your Qualifying Termination After a Change in Control, Conflicted Employment or death, each as described below, then Paragraph 9(a) will not apply, your Outstanding RSUs and Shares at Risk will be treated as described in this Paragraph 12, and, except as set forth in Paragraph 12(a), all other terms of this Award Agreement, including the other forfeiture and repayment events in Paragraphs 9 and 10, continue to apply.

(a) **You Have a Qualifying Termination After a Change in Control.** If your Employment terminates when you meet the requirements of a Qualifying Termination After a Change in Control, the RSU Shares underlying your Outstanding RSUs (whether or not Vested) will be delivered, and any Transfer Restrictions will cease to apply. In addition, the forfeiture events in Paragraph 9 will not apply to your Award.

(b) You Are Determined to Have Accepted Conflicted Employment.

(i) Generally. Notwithstanding anything to the contrary in the Plan or otherwise, for purposes of this Award Agreement, “Conflicted Employment” means your employment at any U.S. Federal, state or local government, any non-U.S. government, any supranational or international organization, any self-regulatory organization, or any agency or instrumentality of any such government or organization, or any other employer (other than an “Accounting Firm” within the meaning of SEC Rule 2-01(f)(2) of Regulation S-X or any successor thereto) determined by the Committee, if, as a result of such employment, your continued holding of any Outstanding RSUs and Shares at Risk would result in an actual or perceived conflict of interest. The following will apply as soon as practicable after the Committee has received satisfactory documentation relating to your Conflicted Employment.

(A) Vesting. If your Employment terminates solely because you resign to accept Conflicted Employment and you have completed at least three years of continuous service with the Firm, your Outstanding RSUs will Vest; otherwise, you will forfeit any Outstanding RSUs that are not Vested in accordance with Paragraph 9(a).

(B) Delivery and Release of Transfer Restrictions. If your Employment terminates solely because you resign to accept Conflicted Employment or if, following your termination of Employment, you notify the Firm that you are accepting Conflicted Employment, RSU Shares will be delivered in respect of your Outstanding Vested RSUs (including in the form of cash as described in Paragraph 13(b)) and any Transfer Restrictions will cease to apply.

(ii) You May Have to Take Other Steps to Address Conflicts of Interest. The Committee retains the authority to exercise its rights under the Award Agreement or the Plan (including Section 1.3.2 of the Plan) to take or require you to take other steps it determines in its sole discretion to be necessary or appropriate to cure an actual or perceived conflict of interest (which may include a determination that the accelerated vesting, delivery and/or release of Transfer Restrictions described in Paragraph 12(b)(i) will not apply because such actions are not necessary or appropriate to cure an actual or perceived conflict of interest).

(c) Death. If you die, the RSU Shares underlying your Outstanding RSUs (whether or not Vested) will be delivered to the representative of your estate and any Transfer Restrictions will cease to apply as soon as practicable after the date of death and after such documentation as may be requested by the Committee is provided to the Committee.

**OTHER TERMS, CONDITIONS AND AGREEMENTS**

13. Additional Terms, Conditions and Agreements.

(a) You Must Satisfy Applicable Tax Withholding Requirements. Delivery of RSU Shares is conditioned on your satisfaction of any applicable withholding taxes in accordance with Section 3.2 of the Plan, which includes the Firm deducting or withholding amounts from any payment or distribution to you (which, notwithstanding Section 3.2.2 of the Plan, may exceed the statutory minimum rate if and to the extent determined by the Committee or the SIP Committee). In addition, to the extent permitted by applicable law, the Firm, in its sole discretion, may require



you to provide amounts equal to all or a portion of any Federal, state, local, foreign or other tax obligations imposed on you or the Firm in connection with the grant, Vesting or delivery of this Award by requiring you to choose between remitting the amount (i) in cash (or through payroll deduction or otherwise) or (ii) in the form of proceeds from the Firm's executing a sale of RSU Shares delivered to you under this Award. In addition, if you are an individual with separate employment contracts (at any time during and/or after the Firm's \_\_\_\_ fiscal year), the Firm, in its sole discretion, may require you to provide for a reserve in an amount the Firm determines is advisable or necessary in connection with any actual, anticipated or potential tax consequences related to your separate employment contracts by requiring you to choose between remitting such amount (i) in cash (or through payroll deduction or otherwise) or (ii) in the form of proceeds from the Firm's executing a sale of shares of Common Stock delivered to you pursuant to this Award (or any other Outstanding awards granted under the Plan or any predecessor or successor plan thereto). In no event, however, does this Paragraph 13(a) give you any discretion to determine or affect the timing of the delivery of RSU Shares or the timing of payment of tax obligations.

(b) Firm May Deliver Cash or Other Property Instead of RSU Shares. In accordance with Section 1.3.2(i) of the Plan, in the sole discretion of the Committee, in lieu of all or any portion of the RSU Shares, the Firm may deliver cash, other securities, other awards under the Plan or other property, and all references in this Award Agreement to deliveries of RSU Shares will include such deliveries of cash, other securities, other awards under the Plan or other property.

(c) Amounts May Be Rounded to Avoid Fractional Shares. RSUs that become Vested on a Vesting Date, RSU Shares that become deliverable on a Delivery Date and RSU Shares subject to Transfer Restrictions may, in each case, be rounded to avoid fractional Shares.

(d) You May Be Required to Become a Party to the Shareholders' Agreement. Your rights to your RSUs are conditioned on your becoming a party to any shareholders' agreement to which other similarly situated employees (*e.g.*, employees with a similar title or position) of the Firm are required to be a party.

(e) Firm May Affix Legends and Place Stop Orders on Restricted RSU Shares. GS Inc. may affix to Certificates representing RSU Shares any legend that the Committee determines to be necessary or advisable (including to reflect any restrictions to which you may be subject under a separate agreement). GS Inc. may advise the transfer agent to place a stop order against any legended RSU Shares.

(f) You Agree to Certain Consents, Terms and Conditions. By accepting this Award you understand and agree that:

(i) You Agree to Certain Consents as a Condition to the Award. You have expressly consented to all of the items listed in Section 3.3.3(d) of the Plan, including the Firm's supplying to any third-party recordkeeper of the Plan or other person such personal information of yours as the Committee deems advisable to administer the Plan, and you agree to provide any additional consents that the Committee determines to be necessary or advisable;

(ii) You Are Subject to the Firm's Policies, Rules and Procedures. You are subject to the Firm's policies in effect from time to time concerning trading in RSU Shares and hedging or pledging RSU Shares and equity-based compensation or other awards (including, without limitation, the Firm's "Policies with Respect to Personal Transactions Involving GS Securities and GS Equity Awards" or any successor policies), and confidential or proprietary

information, and you will effect sales of RSU Shares in accordance with such rules and procedures as may be adopted from time to time (which may include, without limitation, restrictions relating to the timing of sale requests, the manner in which sales are executed, pricing method, consolidation or aggregation of orders and volume limits determined by the Firm);

(iii) You Are Responsible for Costs Associated with Your Award. You will be responsible for all brokerage costs and other fees or expenses associated with your RSUs, including those related to the sale of RSU Shares;

(iv) You Will Be Deemed to Represent Your Compliance with All the Terms of Your Award if You Accept Delivery of, or Sell, RSU Shares. You will be deemed to have represented and certified that you have complied with all of the terms of the Plan and this Award Agreement when RSU Shares are delivered to you, you receive payment in respect of Dividend Equivalent Rights and you request the sale of RSU Shares following the release of Transfer Restrictions;

(v) Firm May Deliver Your Award into an Escrow Account. The Firm may establish and maintain an escrow account on such terms (which may include your executing any documents related to, and your paying for any costs associated with, such account) as it may deem necessary or appropriate, and the delivery of RSU Shares (including Shares at Risk) or the payment of cash (including dividends and payments under Dividend Equivalent Rights) or other property may initially be made into and held in that escrow account until such time as the Committee has received such documentation as it may have requested or until the Committee has determined that any other conditions or restrictions on delivery of RSU Shares, cash or other property required by this Award Agreement have been satisfied;

(vi) You May Be Required to Certify Compliance with Award Terms; You Are Responsible for Providing the Firm with Updated Address and Contact Information After Your Departure from the Firm. If your Employment terminates while you continue to hold RSUs or Shares at Risk, from time to time, you may be required to provide certifications of your compliance with all of the terms of the Plan and this Award Agreement as described in Paragraph 9(c)(iv). You understand and agree that (A) your address on file with the Firm at the time any certification is required will be deemed to be your current address, (B) it is your responsibility to inform the Firm of any changes to your address to ensure timely receipt of the certification materials, (C) you are responsible for contacting the Firm to obtain such certification materials if not received and (D) your failure to return properly completed certification materials by the specified deadline (which includes your failure to timely return the completed certification because you did not provide the Firm with updated contact information) will result in the forfeiture of all of your RSUs and Shares at Risk and subject previously delivered amounts to repayment under Paragraph 9(c)(iv);

(vii) You Authorize the Firm to Register, in Its or Its Designee's Name, Any Shares at Risk and Sell, Assign or Transfer Any Forfeited Shares at Risk. You are granting to the Firm the full power and authority to register any Shares at Risk in its or its designee's name and authorizing the Firm or its designee to sell, assign or transfer any Shares at Risk if you forfeit your Shares at Risk;

(viii) You Must Comply with Applicable Deadlines and Procedures to Appeal Determinations Made by the Committee, the SIP Committee or SIP Administrators. If you disagree with a determination made by the Committee, the SIP Committee, the SIP Administrators, or any of their delegates or designees and you wish to appeal such determination,

you must submit a written request to the SIP Committee for review within 180 days after the determination at issue. You must exhaust your internal administrative remedies (*i.e.*, submit your appeal and wait for resolution of that appeal) before seeking to resolve a dispute through arbitration pursuant to Paragraph 16 and Section 3.17 of the Plan; and

(ix) You Agree that Covered Persons Will Not Have Liability. In addition to and without limiting the generality of the provisions of Section 1.3.5 of the Plan, neither the Firm nor any Covered Person will have any liability to you or any other person for any action taken or omitted in respect of this or any other Award.

14. **Non-transferability**. Except as otherwise may be provided in this Paragraph 14 or as otherwise may be provided by the Committee, the limitations on transferability set forth in Section 3.5 of the Plan will apply to this Award. Any purported transfer or assignment in violation of the provisions of this Paragraph 14 or Section 3.5 of the Plan will be void. The Committee may adopt procedures pursuant to which some or all recipients of RSUs may transfer some or all of their RSUs and/or Shares at Risk (which will continue to be subject to Transfer Restrictions until the Transferability Date) through a gift for no consideration to any immediate family member, a trust or other estate planning vehicle approved by the Committee or SIP Committee in which the recipient and/or the recipient's immediate family members in the aggregate have 100% of the beneficial interest.

15. **Right of Offset**. Except as provided in Paragraph 18(h), the obligation to deliver RSU Shares, to pay dividends or payments under Dividend Equivalent Rights or to remove the Transfer Restrictions under this Award Agreement is subject to Section 3.4 of the Plan, which provides for the Firm's right to offset against such obligation any outstanding amounts you owe to the Firm and any amounts the Committee deems appropriate pursuant to any tax equalization policy or agreement.

#### **ARBITRATION, CHOICE OF FORUM AND GOVERNING LAW**

##### **16. Arbitration; Choice of Forum**

**(a) BY ACCEPTING THIS AWARD, YOU ARE INDICATING THAT YOU UNDERSTAND AND AGREE THAT THE ARBITRATION AND CHOICE OF FORUM PROVISIONS SET FORTH IN SECTION 3.17 OF THE PLAN WILL APPLY TO THIS AWARD. THESE PROVISIONS, WHICH ARE EXPRESSLY INCORPORATED HEREIN BY REFERENCE, PROVIDE AMONG OTHER THINGS THAT ANY DISPUTE, CONTROVERSY OR CLAIM BETWEEN THE FIRM AND YOU ARISING OUT OF OR RELATING TO OR CONCERNING THE PLAN OR THIS AWARD AGREEMENT WILL BE FINALLY SETTLED BY ARBITRATION IN NEW YORK CITY, PURSUANT TO THE TERMS MORE FULLY SET FORTH IN SECTION 3.17 OF THE PLAN; PROVIDED THAT NOTHING HEREIN SHALL PRECLUDE YOU FROM FILING A CHARGE WITH OR PARTICIPATING IN ANY INVESTIGATION OR PROCEEDING CONDUCTED BY ANY GOVERNMENTAL AUTHORITY, INCLUDING BUT NOT LIMITED TO THE SEC AND THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION.**

(b) To the fullest extent permitted by applicable law, no arbitrator will have the authority to consider class, collective or representative claims, to order consolidation or to join different claimants or grant relief other than on an individual basis to the individual claimant involved.

(c) Notwithstanding any applicable forum rules to the contrary, to the extent there is a question of enforceability of this Award Agreement arising from a challenge to the arbitrator's jurisdiction or to the arbitrability of a claim, it will be decided by a court and not an arbitrator.

(d) All references to the New York Stock Exchange in Section 3.17 of the Plan will be read as references to the Financial Industry Regulatory Authority.

(e) The Federal Arbitration Act governs interpretation and enforcement of all arbitration provisions under the Plan and this Award Agreement, and all arbitration proceedings thereunder.

(f) Nothing in this Award Agreement creates a substantive right to bring a claim under U.S. Federal, state, or local employment laws.

(g) By accepting your Award, you irrevocably appoint each General Counsel of GS Inc., or any person whom the General Counsel of GS Inc. designates, as your agent for service of process in connection with any suit, action or proceeding arising out of or relating to or concerning the Plan or any Award which is not arbitrated pursuant to the provisions of Section 3.17.1 of the Plan, who shall promptly advise you of any such service of process.

(h) To the fullest extent permitted by applicable law, no arbitrator will have the authority to consider any claim as to which you have not first exhausted your internal administrative remedies in accordance with Paragraph 13(f)(viii).

**17. Governing Law. THIS AWARD WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.**

#### **CERTAIN TAX PROVISIONS**

**18. Compliance of Award Agreement and Plan with Section 409A.** The provisions of this Paragraph 18 apply to you only if you are a U.S. taxpayer.

(a) This Award Agreement and the Plan provisions that apply to this Award are intended and will be construed to comply with Section 409A (including the requirements applicable to, or the conditions for exemption from treatment as, 409A Deferred Compensation), whether by reason of short-term deferral treatment or other exceptions or provisions. The Committee will have full authority to give effect to this intent. To the extent necessary to give effect to this intent, in the case of any conflict or potential inconsistency between the provisions of the Plan (including Sections 1.3.2 and 2.1 thereof) and this Award Agreement, the provisions of this Award Agreement will govern, and in the case of any conflict or potential inconsistency between this Paragraph 18 and the other provisions of this Award Agreement, this Paragraph 18 will govern.

(b) Delivery of RSU Shares will not be delayed beyond the date on which all applicable conditions or restrictions on delivery of RSU Shares required by this Agreement (including those specified in Paragraphs 6, 7, 11(a)(ii), 11(b), 12(c) and 13 and the consents and other items specified in Section 3.3 of the Plan) are satisfied. To the extent that any portion of this Award is intended to satisfy the requirements for short-term deferral treatment under Section 409A, delivery for such portion will occur by the March 15 coinciding with the last day of the applicable "short-term deferral" period described in Reg. 1.409A-1(b)(4) in order for the delivery of RSU Shares to be within the short-term deferral exception unless, in order to permit all applicable conditions or restrictions on delivery to be satisfied, the Committee elects, pursuant to Reg. 1.409A-1(b)(4)(i)(D) or otherwise as may be permitted in accordance with Section 409A, to delay delivery of RSU Shares to a later date within the same calendar year or to such later date as

may be permitted under Section 409A, including Reg. 1.409A-2(b)(7) (in conjunction with Section 3.21.3 of the Plan pertaining to Code Section 162(m)) and Reg. 1.409A-3(d). For the avoidance of doubt, if the Award includes a “series of installment payments” as described in Reg. 1.409A-2(b)(2)(iii), your right to the series of installment payments will be treated as a right to a series of separate payments and not as a right to a single payment.

(c) Notwithstanding the provisions of Paragraph 13(b) and Section 1.3.2(i) of the Plan, to the extent necessary to comply with Section 409A, any securities, other Awards or other property that the Firm may deliver in respect of your RSUs will not have the effect of deferring delivery or payment, income inclusion, or a substantial risk of forfeiture, beyond the date on which such delivery, payment or inclusion would occur or such risk of forfeiture would lapse, with respect to the RSU Shares that would otherwise have been deliverable (unless the Committee elects a later date for this purpose pursuant to Reg. 1.409A-1(b)(4)(i)(D) or otherwise as may be permitted under Section 409A, including and to the extent applicable, the subsequent election provisions of Section 409A(a)(4)(C) of the Code and Reg. 1.409A-2(b)).

(d) Notwithstanding the timing provisions of Paragraph 12(c), the delivery of RSU Shares referred to therein will be made after the date of death and during the calendar year that includes the date of death (or on such later date as may be permitted under Section 409A).

(e) The timing of delivery or payment pursuant to Paragraph 12(a) will occur on the earlier of (i) the Delivery Date or (ii) a date that is within the calendar year in which the termination of Employment occurs; *provided, however*, that, if you are a “specified employee” (as defined by the Firm in accordance with Section 409A(a)(2)(i)(B) of the Code), delivery will occur on the earlier of the Delivery Date or (to the extent required to avoid the imposition of additional tax under Section 409A) the date that is six months after your termination of Employment (or, if the latter date is not during a Window Period, the first trading day of the next Window Period). For purposes of Paragraph 12(a), references in this Award Agreement to termination of Employment mean a termination of Employment from the Firm (as defined by the Firm) which is also a separation from service (as defined by the Firm in accordance with Section 409A).

(f) Notwithstanding any provision of Paragraph 8 or Section 2.8.2 of the Plan to the contrary, the Dividend Equivalent Rights with respect to each of your Outstanding RSUs will be paid to you within the calendar year that includes the date of distribution of any corresponding regular cash dividends paid by GS Inc. in respect of a share of Common Stock the record date for which occurs on or after the Date of Grant. The payment will be in an amount (less applicable withholding) equal to such regular dividend payment as would have been made in respect of the RSU Shares underlying such Outstanding RSUs.

(g) The timing of delivery or payment referred to in Paragraph 12(b)(i) will be the earlier of (i) the Delivery Date or (ii) a date that is within the calendar year in which the Committee receives satisfactory documentation relating to your Conflicted Employment, *provided* that such delivery or payment will be made, and any Committee action referred to in Paragraph 12(b)(ii) will be taken, only at such time as, and if and to the extent that it, as reasonably determined by the Firm, would not result in the imposition of any additional tax to you under Section 409A.

(h) Paragraph 15 and Section 3.4 of the Plan will not apply to Awards that are 409A Deferred Compensation except to the extent permitted under Section 409A.

(i) Delivery of RSU Shares in respect of any Award may be made, if and to the extent elected by the Committee, later than the Delivery Date or other date or period specified hereinabove (but, in the case of any Award that constitutes 409A Deferred Compensation, only to the extent that the later delivery is permitted under Section 409A).

(j) You understand and agree that you are solely responsible for the payment of any taxes and penalties due pursuant to Section 409A, but in no event will you be permitted to designate, directly or indirectly, the taxable year of the delivery.

19. **Compliance of Award Agreement and Plan with Section 162(m).** The provisions of Paragraph 18(b) and this Paragraph 19 and the provisions of Sections 1.2.13, 1.3.3, 2.8.3, 3.1.2 and 3.21 of the Plan addressing the qualification of compensation realized from Awards as “performance-based” compensation under Section 162(m) of the Code shall apply only to the extent that Section 162(m) of the Code provides a “performance-based” compensation exception to the deduction limitations applicable thereunder. If you are or become considered by GS Inc. to be one of its “covered employees” within the meaning of Section 162(m) of the Code, then you will be subject to Section 3.21.3 of the Plan, as a result of which delivery of your RSU Shares may be delayed.

#### COMMITTEE AUTHORITY, AMENDMENT AND CONSTRUCTION

20. **Committee Authority.** The Committee has the authority to determine, in its sole discretion, that any event triggering forfeiture or repayment of your Award will not apply, to limit the forfeitures and repayments that result under Paragraphs 9 and 10 and to remove Transfer Restrictions before the Transferability Date. In addition, the Committee, in its sole discretion, may determine whether Paragraphs 11(a)(ii) and 11(b) will apply upon a termination of Employment and whether a termination of Employment constitutes an Approved Termination under Paragraph 11(c).

21. **Amendment.** The Committee reserves the right at any time to amend the terms of this Award Agreement, and the Board may amend the Plan in any respect; *provided* that, notwithstanding the foregoing and Sections 1.3.2(f), 1.3.2(h) and 3.1 of the Plan, no such amendment will materially adversely affect your rights and obligations under this Award Agreement without your consent; and *provided further* that the Committee expressly reserves its rights to amend the Award Agreement and the Plan as described in Sections 1.3.2(h)(1), (2) and (4) of the Plan. A modification that impacts the tax consequences of this Award or the timing of delivery of RSU Shares will not be an amendment that materially adversely affects your rights and obligations under this Award Agreement. Any amendment of this Award Agreement will be in writing.

22. **Construction, Headings.** Unless the context requires otherwise, (a) words describing the singular number include the plural and vice versa, (b) words denoting any gender include all genders and (c) the words “include,” “includes” and “including” will be deemed to be followed by the words “without limitation.” The headings in this Award Agreement are for the purpose of convenience only and are not intended to define or limit the construction of the provisions hereof. References in this Award Agreement to any specific Plan provision will not be construed as limiting the applicability of any other Plan provision.

**IN WITNESS WHEREOF**, GS Inc. has caused this Award Agreement to be duly executed and delivered as of the Date of Grant.

**THE GOLDMAN SACHS GROUP, INC.**

## DEFINITIONS APPENDIX

**The following capitalized terms are used in this Award Agreement with the following meanings:**

(a) “409A Deferred Compensation” means a “deferral of compensation” or “deferred compensation” as those terms are defined in the regulations under Section 409A.

(b) “Approved Termination” means that you are classified by the Firm as a “program analyst” or “fixed-term employee” and you (i) successfully complete the analyst program or fixed-term engagement, as applicable and determined by the Firm in its sole discretion, including remaining Employed through the completion date specified by the Firm, and (ii) terminate Employment immediately after the completion date without any “stay-on” or other agreement or understanding to continue Employment with the Firm. If you agree to stay with the Firm as an employee after your analyst program or fixed-term engagement ends and then later terminate Employment, you will not have an Approved Termination.

(c) “Associate With a Covered Enterprise” means that you (i) form, or acquire a 5% or greater equity ownership, voting or profit participation interest in, any Covered Enterprise or (ii) associate in any capacity (including association as an officer, employee, partner, director, consultant, agent or advisor) with any Covered Enterprise. Associate With a Covered Enterprise may include, as determined in the discretion of either the Committee or the SIP Committee, (i) becoming the subject of any publicly available announcement or report of a pending or future association with a Covered Enterprise and (ii) unpaid associations, including an association in contemplation of future employment. “Association With a Covered Enterprise” will have its correlative meaning.

(d) “Award Agreement” means the written document or documents by which each Award is evidenced, including any Award Statement or any related signature card.

(e) “Conflicted Employment” means your employment at any U.S. Federal, state or local government, any non-U.S. government, any supranational or international organization, any self-regulatory organization, or any agency or instrumentality of any such government or organization, or any other employer (other than an “Accounting Firm” within the meaning of SEC Rule 2-01(f)(2) of Regulation S-X or any successor thereto) determined by the Committee, if, as a result of such employment, your continued holding of any Outstanding RSUs and Shares at Risk would result in an actual or perceived conflict of interest.

(f) “Covered Enterprise” means a Competitive Enterprise and any other existing or planned business enterprise that: (i) offers, holds itself out as offering or reasonably may be expected to offer products or services that are the same as or similar to those offered by the Firm or that the Firm reasonably expects to offer (“Firm Products or Services”) or (ii) engages in, holds itself out as engaging in or reasonably may be expected to engage in any other activity that is the same as or similar to any financial activity engaged in by the Firm or in which the Firm reasonably expects to engage (“Firm Activities”). For the avoidance of doubt, Firm Activities include any activity that requires the same or similar skills as any financial activity engaged in by the Firm or in which the Firm reasonably expects to engage, irrespective of whether any such financial activity is in furtherance of an advisory, agency, proprietary or fiduciary undertaking.

The enterprises covered by this definition include enterprises that offer, hold themselves out as offering or reasonably may be expected to offer Firm Products or Services, or engage in, hold themselves out as engaging in or reasonably may be expected to engage in Firm Activities directly, as well as those that do so indirectly by ownership or control (*e.g.*, by owning, being owned by or by being under common ownership with an enterprise that offers, holds itself out as offering or reasonably may be



expected to offer Firm Products or Services or that engages in, holds itself out as engaging in or reasonably may be expected to engage in Firm Activities). The definition of Covered Enterprise includes, solely by way of example, any enterprise that offers, holds itself out as offering or reasonably may be expected to offer any product or service, or engages in, holds itself out as engaging in or reasonably may be expected to engage in any activity, in any case, associated with investment banking; public or private finance; lending; financial advisory services; private investing for anyone other than you or your family members (including, for the avoidance of doubt, any type of proprietary investing or trading); private wealth management; private banking; consumer, digital or commercial banking; merchant banking; asset, portfolio or hedge fund management; insurance or reinsurance underwriting or brokerage; property management; or securities, futures, commodities, energy, derivatives, currency or digital asset brokerage, sales, lending, custody, clearance, settlement or trading. An enterprise that offers, holds itself out as offering or reasonably may be expected to offer Firm Products or Services, or engages in, holds itself out as engaging in or reasonably may be expected to engage in Firm Activities is a Covered Enterprise, **irrespective of whether the enterprise is a customer, client or counterparty of the Firm and, because the Firm is a global enterprise, irrespective of where the Covered Enterprise is physically located.**

(g) “Failed to Consider Risk” means that you participated in the structuring or marketing of any product or service, or participated on behalf of the Firm or any of its clients in the purchase or sale of any security or other property, in any case without appropriate consideration of the risk to the Firm or the broader financial system as a whole (for example, where you have improperly analyzed such risk or where you have failed sufficiently to raise concerns about such risk) and, as a result of such action or omission, the Committee determines there has been, or reasonably could be expected to be, a material adverse impact on the Firm, your business unit or the broader financial system.

(h) “Qualifying Termination After a Change in Control” means that the Firm terminates your Employment other than for Cause or you terminate your Employment for Good Reason, in each case, within 18 months following a Change in Control.

(i) “SEC” means the U.S. Securities and Exchange Commission.

(j) “Selected Firm Personnel” means any individual who is or in the three months preceding the conduct prohibited by Paragraph 9 (b) was (i) a Firm employee or consultant with whom you personally worked while employed by the Firm, (ii) a Firm employee or consultant who, at any time during the year preceding the date of the termination of your Employment, worked in the same division in which you worked or (iii) an Advisory Director, a Managing Director or a Senior Advisor of the Firm.

(k) “Shares at Risk” means RSU Shares subject to Transfer Restrictions.

**The following capitalized terms are used in this Award Agreement with the meanings that are assigned to them in the Plan.**

(a) “Account” means any brokerage account, custody account or similar account, as approved or required by GS Inc. from time to time, into which shares of Common Stock, cash or other property in respect of an Award are delivered.

(b) “Award Statement” means a written statement that reflects certain Award terms.

(c) “Business Day” means any day other than a Saturday, a Sunday or a day on which banking institutions in New York City are authorized or obligated by Federal law or executive order to be closed.

(d) “Cause” means (i) the Grantee’s conviction, whether following trial or by plea of guilty or *nolo contendere* (or similar plea), in a criminal proceeding (A) on a misdemeanor charge involving fraud, false statements or misleading omissions, wrongful taking, embezzlement, bribery, forgery, counterfeiting or extortion, or (B) on a felony charge, or (C) on an equivalent charge to those in clauses (A) and (B) in jurisdictions which do not use those designations, (ii) the Grantee’s engaging in any conduct which constitutes an employment disqualification under applicable law (including statutory disqualification as defined under the Exchange Act), (iii) the Grantee’s willful failure to perform the Grantee’s duties to the Firm, (iv) the Grantee’s violation of any securities or commodities laws, any rules or regulations issued pursuant to such laws, or the rules and regulations of any securities or commodities exchange or association of which the Firm is a member, (v) the Grantee’s violation of any Firm policy concerning hedging or pledging or confidential or proprietary information, or the Grantee’s material violation of any other Firm policy as in effect from time to time, (vi) the Grantee’s engaging in any act or making any statement which impairs, impugns, denigrates, disparages or negatively reflects upon the name, reputation or business interests of the Firm or (vii) the Grantee’s engaging in any conduct detrimental to the Firm. The determination as to whether Cause has occurred shall be made by the Committee in its sole discretion and, in such case, the Committee also may, but shall not be required to, specify the date such Cause occurred (including by determining that a prior termination of Employment was for Cause). Any rights the Firm may have hereunder and in any Award Agreement in respect of the events giving rise to Cause shall be in addition to the rights the Firm may have under any other agreement with a Grantee or at law or in equity.

(e) “Change in Control” means the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving GS Inc. (a “Reorganization”) or sale or other disposition of all or substantially all of GS Inc.’s assets to an entity that is not an affiliate of GS Inc. (a “Sale”), that in each case requires the approval of GS Inc.’s shareholders under the law of GS Inc.’s jurisdiction of organization, whether for such Reorganization or Sale (or the issuance of securities of GS Inc. in such Reorganization or Sale), unless immediately following such Reorganization or Sale, either: (i) at least 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of (A) the entity resulting from such Reorganization, or the entity which has acquired all or substantially all of the assets of GS Inc. in a Sale (in either case, the “Surviving Entity”), or (B) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, as such Rule is in effect on the date of the adoption of the 1999 SIP) of 50% or more of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the Surviving Entity (the “Parent Entity”) is represented by GS Inc.’s securities (the “GS Inc. Securities”) that were outstanding immediately prior to such Reorganization or Sale (or, if applicable, is represented by shares into which such GS Inc. Securities were converted pursuant to such Reorganization or Sale) or (ii) at least 50% of the members of the board of directors (or similar officials in the case of an entity other than a corporation) of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) following the

consummation of the Reorganization or Sale were, at the time of the Board's approval of the execution of the initial agreement providing for such Reorganization or Sale, individuals (the "Incumbent Directors") who either (A) were members of the Board on the Effective Date or (B) became directors subsequent to the Effective Date and whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of GS Inc.'s proxy statement in which such persons are named as nominees for director).

(f) "Client" means any client or prospective client of the Firm to whom the Grantee provided services, or for whom the Grantee transacted business, or whose identity became known to the Grantee in connection with the Grantee's relationship with or employment by the Firm.

(g) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and the applicable rulings and regulations thereunder.

(h) "Committee" means the committee appointed by the Board to administer the Plan pursuant to Section 1.3, and, to the extent the Board determines it is appropriate for the compensation realized from Awards under the Plan to be considered "performance based" compensation under Section 162(m) of the Code, shall be a committee or subcommittee of the Board composed of two or more members, each of whom is an "outside director" within the meaning of Code Section 162(m), and which, to the extent the Board determines it is appropriate for Awards under the Plan to qualify for the exemption available under Rule 16b-3(d)(1) or Rule 16b-3(e) promulgated under the Exchange Act, shall be a committee or subcommittee of the Board composed of two or more members, each of whom is a "non-employee director" within the meaning of Rule 16b-3. Unless otherwise determined by the Board, the Committee shall be the Compensation Committee of the Board.

(i) "Common Stock" means common stock of GS Inc., par value \$0.01 per share.

(j) "Competitive Enterprise" means an existing or planned business enterprise that (i) engages, or may reasonably be expected to engage, in any activity, (ii) owns or controls, or may reasonably be expected to own or control, a significant interest in or (iii) is, or may reasonably be expected to be, owned by, or a significant interest in which is, or may reasonably be expected to be, owned or controlled by, any entity that engages in any activity that, in any case, competes or will compete anywhere with any activity in which the Firm is engaged. The activities covered by this definition include, without limitation, financial services such as investment banking, public or private finance, lending, financial advisory services, private investing (for anyone other than the Grantee and members of the Grantee's family), merchant banking, asset or hedge fund management, insurance or reinsurance underwriting or brokerage, property management, or securities, futures, commodities, energy, derivatives or currency brokerage, sales, lending, custody, clearance, settlement or trading.

(k) "Covered Person" means a member of the Board or the Committee or any employee of the Firm.

(l) "Date of Grant" means the date specified in the Grantee's Award Agreement as the date of grant of the Award.

(m) "Delivery Date" means each date specified in the Grantee's Award Agreement as a delivery date, *provided*, unless the Committee determines otherwise, such date is during a Window Period or, if such date is not during a Window Period, the first trading day of the first Window Period beginning after such date.

(n) “Dividend Equivalent Right” means a dividend equivalent right granted under the Plan, which represents an unfunded and unsecured promise to pay to the Grantee amounts equal to all or any portion of the regular cash dividends that would be paid on shares of Common Stock covered by an Award if such shares had been delivered pursuant to an Award.

(o) “Employment” means the Grantee’s performance of services for the Firm, as determined by the Committee. The terms “employ” and “employed” shall have their correlative meanings. The Committee in its sole discretion may determine (i) whether and when a Grantee’s leave of absence results in a termination of Employment (for this purpose, unless the Committee determines otherwise, a Grantee shall be treated as terminating Employment with the Firm upon the occurrence of an Extended Absence), (ii) whether and when a change in a Grantee’s association with the Firm results in a termination of Employment and (iii) the impact, if any, of any such leave of absence or change in association on Awards theretofore made. Unless expressly provided otherwise, any references in the Plan or any Award Agreement to a Grantee’s Employment being terminated shall include both voluntary and involuntary terminations.

(p) “Extended Absence” means the Grantee’s inability to perform for six (6) continuous months, due to illness, injury or pregnancy-related complications, substantially all the essential duties of the Grantee’s occupation, as determined by the Committee.

(q) “Firm” means GS Inc. and its subsidiaries and affiliates.

(r) “Good Reason” means, in connection with a termination of employment by a Grantee following a Change in Control, (a) as determined by the Committee, a materially adverse alteration in the Grantee’s position or in the nature or status of the Grantee’s responsibilities from those in effect immediately prior to the Change in Control or (b) the Firm’s requiring the Grantee’s principal place of Employment to be located more than seventy-five (75) miles from the location where the Grantee is principally Employed at the time of the Change in Control (except for required travel on the Firm’s business to an extent substantially consistent with the Grantee’s customary business travel obligations in the ordinary course of business prior to the Change in Control).

(s) “Grantee” means a person who receives an Award.

(t) “GS Inc.” means The Goldman Sachs Group, Inc., and any successor thereto.

(u) “Outstanding” means any Award to the extent it has not been forfeited, cancelled, terminated, exercised or with respect to which the shares of Common Stock underlying the Award have not been previously delivered or other payments made.

(v) “Retirement” means termination of the Grantee’s Employment (other than for Cause) on or after the Date of Grant at a time when (i) (A) the sum of the Grantee’s age plus years of service with the Firm (as determined by the Committee in its sole discretion) equals or exceeds 60 and (B) the Grantee has completed at least 10 years of service with the Firm (as determined by the Committee in its sole discretion) or, if earlier, (ii) (A) the Grantee has attained age 50 and (B) the Grantee has completed at least five years of service with the Firm (as determined by the Committee in its sole discretion).

(w) “RSU” means a restricted stock unit Award granted under the Plan, which represents an unfunded and unsecured promise to deliver shares of Common Stock in accordance with the terms of the RSU Award Agreement.

(x) “RSU Shares” means shares of Common Stock that underlie an RSU.

(y) “Section 409A” means Section 409A of the Code, including any amendments or successor provisions to that Section and any regulations and other administrative guidance thereunder, in each case as they, from time to time, may be amended or interpreted through further administrative guidance.

(z) “SIP Administrator” means each person designated by the Committee as a “SIP Administrator” with the authority to perform day-to-day administrative functions for the Plan.

(aa) “SIP Committee” means the persons who have been delegated certain authority under the Plan by the Committee.

(bb) “Solicit” means any direct or indirect communication of any kind whatsoever, regardless of by whom initiated, inviting, advising, encouraging or requesting any person or entity, in any manner, to take or refrain from taking any action.

(cc) “Transfer Restrictions” means restrictions that prohibit the sale, exchange, transfer, assignment, pledge, hypothecation, fractionalization, hedge or other disposal (including through the use of any cash-settled instrument), whether voluntarily or involuntarily by the Grantee, of an Award or any shares of Common Stock, cash or other property delivered in respect of an Award.

(dd) “Transferability Date” means the date Transfer Restrictions on a Restricted Share will be released. Within 30 Business Days after the applicable Transferability Date, GS Inc. shall take, or shall cause to be taken, such steps as may be necessary to remove Transfer Restrictions.

(ee) “Vested” means, with respect to an Award, the portion of the Award that is not subject to a condition that the Grantee remain actively employed by the Firm in order for the Award to remain Outstanding. The fact that an Award becomes Vested shall not mean or otherwise indicate that the Grantee has an unconditional or nonforfeitable right to such Award, and such Award shall remain subject to such terms, conditions and forfeiture provisions as may be provided for in the Plan or in the Award Agreement.

(ff) “Vesting Date” means each date specified in the Grantee’s Award Agreement as a date on which part or all of an Award becomes Vested.

(gg) “Window Period” means a period designated by the Firm during which all employees of the Firm are permitted to purchase or sell shares of Common Stock (*provided* that, if the Grantee is a member of a designated group of employees who are subject to different restrictions, the Window Period may be a period designated by the Firm during which an employee of the Firm in such designated group is permitted to purchase or sell shares of Common Stock).

THE GOLDMAN SACHS GROUP, INC.  
YEAR-END RSU AWARD

This Award Agreement, together with The Goldman Sachs Amended and Restated Stock Incentive Plan (2015) (the “Plan”), governs your \_\_\_\_ year-end award of RSUs (your “Award”). You should read carefully this entire Award Agreement, which includes the Award Statement, any attached Appendix and the signature card.

#### ACCEPTANCE

1. **You Must Decide Whether to Accept this Award Agreement.** To be eligible to receive your Award, you must by the date specified (a) open and activate an Account and (b) agree to all the terms of your Award by executing the related signature card in accordance with its instructions. By executing the signature card, you confirm your agreement to all of the terms of this Award Agreement, including the arbitration and choice of forum provisions in Paragraph 16.

#### DOCUMENTS THAT GOVERN YOUR AWARD; DEFINITIONS

2. **The Plan.** Your Award is granted under the Plan, and the Plan’s terms apply to, and are a part of, this Award Agreement.

3. **Your Award Statement.** The Award Statement delivered to you contains some of your Award’s specific terms. For example, it contains the number of RSUs awarded to you and any applicable Vesting Dates, Delivery Dates and Transferability Dates.[ The portion of your RSUs that are designated on the Award Statement as “\_\_\_\_ Year-End Base RSUs” are referred to in this Award Agreement as “Base RSUs.” The portion of your RSUs that are designated on the Award Statement as “\_\_\_\_ Year-End Additional Base RSUs” are referred to in this Award Agreement as “Additional Base RSUs.” All references to RSUs in this Award Agreement include both the Base RSUs and the Additional Base RSUs.]

4. **Definitions.** Capitalized terms are defined in the Definitions Appendix, which also includes terms that are defined in the Plan.

#### VESTING OF YOUR RSUS

5. **Vesting.** All of your RSUs are Vested. When an RSU is Vested, it means **only** that your continued active Employment is not required for delivery of that portion of RSU Shares. **Vesting does not mean you have a non-forfeitable right to the Vested portion of your Award. The terms of this Award Agreement (including conditions to delivery and any applicable Transfer Restrictions) continue to apply to Vested RSUs, and you can still forfeit Vested RSUs and any RSU Shares.**

#### DELIVERY OF YOUR RSU SHARES

6. **Delivery.** Reasonably promptly (but no more than 30 Business Days) after each Delivery Date listed on your Award Statement, RSU Shares (less applicable withholding as described in Paragraph 13(a)) will be delivered (by book entry credit to your Account) in respect of the amount of Outstanding RSUs listed next to that date. The Committee or the SIP Committee may select multiple dates within the 30-Business-Day period following the Delivery Date to deliver RSU Shares in respect of all or a portion of the RSUs with the same Delivery Date listed on the Award Statement, and all such dates will be treated as a single Delivery Date for purposes of this Award. Until such delivery, you have only the rights of a general unsecured creditor, and no rights as a shareholder of GS Inc. Without limiting the Committee’s authority under Section 1.3.2(h) of the Plan, the Firm may accelerate any Delivery Date by up to 30 days.

## TRANSFER RESTRICTIONS FOLLOWING DELIVERY

### 7. Transfer Restrictions and Shares at Risk.

(a) [Fifty percent of the RSU Shares that are delivered on any date, before tax withholding (or, if the applicable tax withholding rate is greater than 50%, all RSU Shares delivered after tax withholding), will be Shares at Risk. This means that if, for example, on a Delivery Date, you are scheduled to receive delivery of 1,000 RSU Shares, and you are subject to a 40% withholding rate, then (a) 400 RSU Shares will be withheld for taxes, (b) 500 RSU Shares delivered to you will be Shares at Risk and (c) 100 RSU Shares delivered to you will not be subject to Transfer Restrictions. Any purported sale, exchange, transfer, assignment, pledge, hypothecation, fractionalization, hedge or other disposition in violation of the Transfer Restrictions on Shares at Risk will be void. Within 30 Business Days after the Transferability Date listed on your Award Statement (or any other date on which the Transfer Restrictions are to be removed), GS Inc. will remove the Transfer Restrictions. The Committee or the SIP Committee may select multiple dates within such 30-Business-Day period on which to remove Transfer Restrictions for all or a portion of the Shares at Risk with the same Transferability Date listed on the Award Statement, and all such dates will be treated as a single Transferability Date for purposes of this Award.]

(b) [Base RSUs with a Delivery Date in or before \_\_\_\_\_. For Base RSUs with a Delivery Date in or before \_\_\_\_\_, 50% of the RSU Shares that are delivered on any date in respect of Base RSUs, **before** tax withholding (or, if the applicable tax withholding rate is greater than 50%, all RSU Shares delivered after tax withholding), will be Shares at Risk that are subject to Transfer Restrictions until the January \_\_\_\_ Transferability Date, as set forth on your Award Statement. If the tax withholding rate is less than 50%, then any remaining RSU Shares that are delivered after tax withholding will be Shares at Risk subject to Transfer Restrictions until the \_\_\_\_-Month Transferability Date.

(c) [Base RSUs with a Delivery Date in [or after] \_\_\_\_\_. For Base RSUs with a Delivery Date in [or after] \_\_\_\_\_, all RSU Shares delivered after tax withholding will be Shares at Risk subject to Transfer Restrictions until the \_\_\_\_-Month Transferability Date.

(d) [Additional Base RSUs. For Additional Base RSUs, all RSU Shares delivered after tax withholding will be Shares at Risk subject to Transfer Restrictions until the \_\_\_\_-Month Transferability Date.

(e) Example.

(i) [\_\_\_\_\_.]

(f) [Purported Transactions that Violate the Transfer Restrictions Are Void.] Any purported sale, exchange, transfer, assignment, pledge, hypothecation, fractionalization, hedge or other disposition in violation of the Transfer Restrictions on Shares at Risk will be void.

(g) [Removal of Transfer Restrictions.] Within 30 Business Days after the [applicable] Transferability Date [listed on your Award Statement] (or any other date on which the Transfer Restrictions are to be removed), GS Inc. will remove the Transfer Restrictions. The Committee or the SIP Committee may select multiple dates within such 30-Business-Day period on which to remove Transfer Restrictions for all or a portion of the Shares at Risk with the same Transferability Date [listed on your Award Statement], and all such dates will be treated as a single Transferability Date for purposes of this Award.

## DIVIDENDS

8. **[Dividend Equivalent Rights and] Dividends.** [Each RSU includes a Dividend Equivalent Right, which entitles you to receive an amount (less applicable withholding), at or after the time of distribution of any regular cash dividend paid by GS Inc. in respect of a share of Common Stock, equal to any regular cash dividend payment that would have been made in respect of an RSU Share underlying your Outstanding RSUs for any record date that occurs on or after the Date of Grant. In addition,] [y][Y]ou will be entitled to receive on a current basis any regular cash dividend paid in respect of your Shares at Risk. [The RSUs do **not** include Dividend Equivalent Rights.]

## FORFEITURE OF YOUR AWARD

9. **How You May Forfeit Your Award.** This Paragraph 9 sets forth the events that result in forfeiture of up to all of your RSUs and Shares at Risk and may require repayment to the Firm of up to all other amounts previously delivered or paid to you under your Award in accordance with Paragraph 10. More than one event may apply, and in no case will the occurrence of one event limit the forfeiture and repayment obligations as a result of the occurrence of any other event. In addition, the Firm reserves the right to (a) suspend [payments under Dividend Equivalent Rights,] delivery of RSU Shares or release of Transfer Restrictions, (b) deliver any RSU Shares [or][,] dividends [or payments under Dividend Equivalent Rights] into an escrow account in accordance with Paragraph 13 (f)(v) or (c) apply Transfer Restrictions to any RSU Shares in connection with any investigation of whether any of the events that result in forfeiture under the Plan or this Paragraph 9 have occurred. Paragraph 11 (relating to certain circumstances under which restrictions on Association With a Covered Enterprise will not apply) and Paragraph 12 (relating to certain circumstances under which delivery and/or release of Transfer Restrictions may be accelerated) provide for exceptions to one or more provisions of this Paragraph 9. [The Code Staff Forfeiture and Repayment Appendix supplements this Paragraph 9 and sets forth additional events that result in forfeiture of up to all of your RSUs and Shares at Risk and may require repayment to the Firm as described in Paragraph 10 and the Appendix.]

(a) **RSUs Forfeited Upon Certain Events.** If any of the following occurs, your rights to [all of] your Outstanding RSUs [as described below] will terminate, and no RSU Shares will be delivered in respect of such RSUs:

(i) You Associate With a Covered Enterprise.

(A) If you Associate With a Covered Enterprise before the earlier of \_\_\_\_\_ or a Qualifying Termination After a Change in Control, your rights to all your Outstanding RSUs will terminate, and no RSU Shares will be delivered in respect of such RSUs.

(B) [If you Associate With a Covered Enterprise on or after \_\_\_\_\_ but before the earlier of \_\_\_\_\_ or a Qualifying Termination After a Change in Control, your rights to your Outstanding RSUs that are scheduled to deliver in \_\_\_\_\_[, \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_] will terminate, and no RSU Shares will be delivered in respect of such RSUs.]



(ii) You Solicit Clients or Employees, Interfere with Client or Employee Relationships or Participate in the Hiring of Employees. Before the applicable Delivery Date, either:

(A) you, in any manner, directly or indirectly, (1) Solicit any Client to transact business with a Covered Enterprise or to reduce or refrain from doing any business with the Firm, (2) interfere with or damage (or attempt to interfere with or damage) any relationship between the Firm and any Client, (3) Solicit any person who is an employee of the Firm to resign from the Firm, (4) Solicit any Selected Firm Personnel to apply for or accept employment (or other association) with any person or entity other than the Firm, or (5) hire or participate in the hiring of any Selected Firm Personnel by any person or entity other than the Firm (including, without limitation, participating in the identification of individuals for potential hire, and participating in any hiring decision), whether as an employee or consultant or otherwise, or

(B) Selected Firm Personnel are Solicited, hired or accepted into partnership, membership or similar status by (1) any entity that you form, that bears your name, or in which you possess or control greater than a *de minimis* equity ownership, voting or profit participation, or (2) any entity where you have, or will have, direct or indirect managerial responsibility for such Selected Firm Personnel.

(iii) [GS Inc. Fails to Maintain the Minimum Tier 1 Capital Ratio. Before the applicable Delivery Date, GS Inc. fails to maintain the required “Minimum Tier 1 Capital Ratio” as defined under Federal Reserve Board Regulations applicable to GS Inc. for a period of 90 consecutive business days.]

(iv) [GS Inc. Is Determined to Be in Default. Before the applicable Delivery Date, the Board of Governors of the Federal Reserve or the Federal Deposit Insurance Corporation (the “FDIC”) makes a written recommendation under Title II (Orderly Liquidation Authority) of the Dodd-Frank Wall Street Reform and Consumer Protection Act for the appointment of the FDIC as a receiver of GS Inc. based on a determination that GS Inc. is “in default” or “in danger of default.”]

(b) RSUs and Shares at Risk Forfeited upon Certain Events. If any of the following occurs (i) your rights to all of your Outstanding RSUs will terminate, and no RSU Shares will be delivered in respect of such RSUs and (ii) your rights to all of your Shares at Risk will terminate and your Shares at Risk will be cancelled, in each case, as may be further described below:

(i) You Failed to Consider Risk. You Failed to Consider Risk during the Firm’s \_\_\_\_ fiscal year.

(ii) Your Conduct Constitutes Cause. Any event that constitutes Cause [(including, for the avoidance of doubt, “Serious Misconduct” as defined in the Code Staff Forfeiture and Repayment Appendix)] has occurred before the applicable Delivery Date for RSUs or the [applicable] Transferability Date for Shares at Risk.

(iii) You Do Not Meet Your Obligations to the Firm. The Committee determines that, before the applicable Delivery Date for RSUs or the [applicable] Transferability Date for Shares at Risk, you failed to meet, in any respect, any obligation under any agreement with the Firm, or any agreement entered into in connection with your Employment or this Award, including the Firm’s notice period requirement applicable to you, any offer letter, employment

agreement or any shareholders' agreement relating to the Firm. Your failure to pay or reimburse the Firm, on demand, for any amount you owe to the Firm will constitute (A) failure to meet an obligation you have under an agreement, regardless of whether such obligation arises under a written agreement, and/or (B) a material violation of Firm policy constituting Cause.

(iv) You Do Not Provide Timely Certifications or Comply with Your Certifications. You fail to certify to GS Inc. that you have complied with all of the terms of the Plan and this Award Agreement, or the Committee determines that you have failed to comply with a term of the Plan or this Award Agreement to which you have certified compliance.

(v) You Do Not Follow Dispute Resolution/Arbitration Procedures. You attempt to have any dispute under the Plan or this Award Agreement resolved in any manner that is not provided for by Paragraph 16 or Section 3.17 of the Plan, or you attempt to arbitrate a dispute without first having exhausted your internal administrative remedies in accordance with Paragraph 13(f)(viii).

(vi) You Bring an Action that Results in a Determination that Any Award Agreement Term Is Invalid. As a result of any action brought by you, it is determined that any term of this Award Agreement is invalid.

(vii) You Receive Compensation in Respect of Your Award from Another Employer. Your Employment terminates for any reason or you otherwise are no longer actively employed with the Firm and another entity grants you cash, equity or other property (whether vested or unvested) to replace, substitute for or otherwise in respect of any Outstanding RSUs or Shares at Risk; *provided, however*, that your rights will only be terminated in respect of the RSUs and Shares at Risk that are replaced, substituted for or otherwise considered by such other entity in making its grant.

(viii) [Accounting Restatement Required Under Sarbanes-Oxley. GS Inc. is required to prepare an accounting restatement due to GS Inc.'s material noncompliance, as a result of misconduct, with any financial reporting requirement under the securities laws as described in Section 304(a) of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"); *provided, however*, that your rights will only be terminated in respect of the RSUs and Shares at Risk to the same extent that would be required under Section 304(a) of Sarbanes-Oxley had you been a "chief executive officer" or "chief financial officer" of GS Inc. (regardless of whether you actually hold such position at the relevant time).]

## **REPAYMENT OF YOUR AWARD**

### **10. When You May Be Required to Repay Your Award.**

(a) [Repayment, Generally.] If the Committee determines that any term of this Award was not satisfied, you will be required, immediately upon demand therefor, to repay to the Firm the following:

(i) Any RSU Shares (which, for the avoidance of doubt, includes any Shares at Risk) for which the terms (including the terms for delivery) of the related RSUs were not satisfied, in accordance with Section 2.6.3 of the Plan.

(ii) Any Shares at Risk for which the terms (including the terms for the release of Transfer Restrictions) were not satisfied, in accordance with Section 2.5.3 of the Plan.

(iii) Any RSU Shares that were delivered (but not subject to Transfer Restrictions) at the same time any Shares at Risk that are cancelled or required to be repaid were delivered.

(iv) [Any payments under Dividend Equivalent Rights for which the terms were not satisfied (including any such payments made in respect of RSUs that are forfeited or RSU Shares that are cancelled or required to be repaid), in accordance with Section 2.8.4 of the Plan.]

(v) Any dividends paid in respect of any RSU Shares that are cancelled or required to be repaid.

(vi) Any amount applied to satisfy tax withholding or other obligations with respect to any RSU, RSU Shares[ and][,] dividend payments [and payments under Dividend Equivalent Rights] that are forfeited or required to be repaid.

(b) [Repayment Upon Accounting Restatement Required Under Sarbanes-Oxley]. If an event described in Paragraph 9(b) (viii) (relating to a requirement under Sarbanes-Oxley that GS Inc. prepare an accounting restatement) occurs, any RSU Shares, cash or other property delivered, paid or withheld in respect of this Award will be subject to repayment as described in Paragraph 10(a) to the same extent that would be required under Section 304(a) of Sarbanes-Oxley had you been a “chief executive officer” or “chief financial officer” of GS Inc. (regardless of whether you actually hold such position at the relevant time).]

#### **EXCEPTIONS TO ASSOCIATION WITH A COVERED ENTERPRISE, DELIVERY DATES AND/OR TRANSFERABILITY DATES**

11. **Restrictions on Association With a Covered Enterprise Cease to Apply After an Involuntary or Mutual Agreement Termination (but the Original Delivery Date and Transferability Date Continue to Apply)**. Paragraph 9(a)(i) (relating to forfeiture if you Associate With a Covered Enterprise) will not apply if (a) your Employment terminates and the Firm characterizes your Employment termination as “involuntary” or by “mutual agreement” (and, in each case, you have not engaged in conduct constituting Cause) and (b) you execute a general waiver and release of claims and an agreement to pay any associated tax liability, in each case, in the form the Firm prescribes. No Employment termination that you initiate, including any purported “constructive termination,” a “termination for good reason” or similar concepts, can be “involuntary” or by “mutual agreement.” All other terms of this Award Agreement, including the other forfeiture and repayment events in Paragraphs 9 and 10, continue to apply.

12. **Accelerated Delivery and/or Release of Transfer Restrictions in the Event of a Qualifying Termination After a Change in Control, Conflicted Employment or Death**. In the event of your Qualifying Termination After a Change in Control, Conflicted Employment or death, each as described below, your Outstanding RSUs and Shares at Risk will be treated as described in this Paragraph 12, and, except as set forth in Paragraph 12(a), all other terms of this Award Agreement, including the other forfeiture and repayment events in Paragraphs 9 and 10, continue to apply.

(a) You Have a Qualifying Termination After a Change in Control. If your Employment terminates when you meet the requirements of a Qualifying Termination After a Change in Control, the RSU Shares underlying your Outstanding RSUs will be delivered, and any Transfer Restrictions will cease to apply. In addition, the forfeiture events in Paragraph 9 will not apply to your Award.

(b) You Are Determined to Have Accepted Conflicted Employment.

(i) Generally. Notwithstanding anything to the contrary in the Plan or otherwise, for purposes of this Award Agreement, “Conflicted Employment” means your employment at any U.S. Federal, state or local government, any non-U.S. government, any supranational or international organization, any self-regulatory organization, or any agency or instrumentality of any such government or organization, or any other employer (other than an “Accounting Firm” within the meaning of SEC Rule 2-01(f)(2) of Regulation S-X or any successor thereto) determined by the Committee, if, as a result of such employment, your continued holding of any Outstanding RSUs and Shares at Risk would result in an actual or perceived conflict of interest. If your Employment terminates solely because you resign to accept Conflicted Employment or if, following your termination of Employment, you notify the Firm that you are accepting Conflicted Employment, RSU Shares will be delivered in respect of your Outstanding RSUs (including in the form of cash as described in Paragraph 13(b)) and any Transfer Restrictions will cease to apply as soon as practicable after the Committee has received satisfactory documentation relating to your Conflicted Employment.

(ii) You May Have to Take Other Steps to Address Conflicts of Interest. The Committee retains the authority to exercise its rights under the Award Agreement or the Plan (including Section 1.3.2 of the Plan) to take or require you to take other steps it determines in its sole discretion to be necessary or appropriate to cure an actual or perceived conflict of interest (which may include a determination that the accelerated delivery and/or release of Transfer Restrictions described in Paragraph 12(b)(i) will not apply because such actions are not necessary or appropriate to cure an actual or perceived conflict of interest).

(c) Death. If you die, the RSU Shares underlying your Outstanding RSUs will be delivered to the representative of your estate and any Transfer Restrictions will cease to apply as soon as practicable after the date of death and after such documentation as may be requested by the Committee is provided to the Committee.

**OTHER TERMS, CONDITIONS AND AGREEMENTS**

**13. Additional Terms, Conditions and Agreements.**

(a) You Must Satisfy Applicable Tax Withholding Requirements. Delivery of RSU Shares is conditioned on your satisfaction of any applicable withholding taxes in accordance with Section 3.2 of the Plan, which includes the Firm deducting or withholding amounts from any payment or distribution to you (which, notwithstanding Section 3.2.2 of the Plan, may exceed the statutory minimum rate if and to the extent determined by the Committee or the SIP Committee). In addition, to the extent permitted by applicable law, the Firm, in its sole discretion, may require you to provide amounts equal to all or a portion of any Federal, state, local, foreign or other tax obligations imposed on you or the Firm in connection with the grant or delivery of this Award by requiring you to choose between remitting the amount (i) in cash (or through payroll deduction or otherwise) or (ii) in the form of proceeds from the Firm’s executing a sale of RSU Shares delivered to you under this Award. In addition, if you are an individual with separate employment contracts (at any time during and/or after the Firm’s \_\_\_\_ fiscal year), the Firm, in its sole discretion, may require you to provide for a reserve in an amount the Firm determines is advisable or necessary in connection with any actual, anticipated or potential tax consequences related to your separate employment contracts by requiring you to choose between remitting such amount (i) in cash (or through payroll deduction or otherwise) or (ii) in the form of proceeds from the Firm’s executing a sale of shares of Common Stock delivered to you pursuant to this Award (or any other Outstanding awards granted under the Plan or any predecessor or successor plan thereto). In no event, however, does this Paragraph 13(a) give you any discretion to determine or affect the timing of the delivery of RSU Shares or the timing of payment of tax obligations.

(b) Firm May Deliver Cash or Other Property Instead of RSU Shares. In accordance with Section 1.3.2(i) of the Plan, in the sole discretion of the Committee, in lieu of all or any portion of the RSU Shares, the Firm may deliver cash, other securities, other awards under the Plan or other property, and all references in this Award Agreement to deliveries of RSU Shares will include such deliveries of cash, other securities, other awards under the Plan or other property.

(c) Amounts May Be Rounded to Avoid Fractional Shares. RSU Shares that become deliverable on a Delivery Date and RSU Shares subject to Transfer Restrictions may, in each case, be rounded to avoid fractional Shares.

(d) You May Be Required to Become a Party to the Shareholders' Agreement. Your rights to your RSUs are conditioned on your becoming a party to any shareholders' agreement to which other similarly situated employees (*e.g.*, employees with a similar title or position) of the Firm are required to be a party.

(e) Firm May Affix Legends and Place Stop Orders on Restricted RSU Shares. GS Inc. may affix to Certificates representing RSU Shares any legend that the Committee determines to be necessary or advisable (including to reflect any restrictions to which you may be subject under a separate agreement). GS Inc. may advise the transfer agent to place a stop order against any legended RSU Shares.

(f) You Agree to Certain Consents, Terms and Conditions. By accepting this Award you understand and agree that:

(i) You Agree to Certain Consents as a Condition to the Award. You have expressly consented to all of the items listed in Section 3.3.3(d) of the Plan, including the Firm's supplying to any third-party recordkeeper of the Plan or other person such personal information of yours as the Committee deems advisable to administer the Plan, and you agree to provide any additional consents that the Committee determines to be necessary or advisable;

(ii) You Are Subject to the Firm's Policies, Rules and Procedures. You are subject to the Firm's policies in effect from time to time concerning trading in RSU Shares and hedging or pledging RSU Shares and equity-based compensation or other awards (including, without limitation, the Firm's "Policies with Respect to Personal Transactions Involving GS Securities and GS Equity Awards" or any successor policies), and confidential or proprietary information, and you will effect sales of RSU Shares in accordance with such rules and procedures as may be adopted from time to time (which may include, without limitation, restrictions relating to the timing of sale requests, the manner in which sales are executed, pricing method, consolidation or aggregation of orders and volume limits determined by the Firm);

(iii) You Are Responsible for Costs Associated with Your Award. You will be responsible for all brokerage costs and other fees or expenses associated with your RSUs, including those related to the sale of RSU Shares;

(iv) You Will Be Deemed to Represent Your Compliance with All the Terms of Your Award if You Accept Delivery of, or Sell, RSU Shares. You will be deemed to have represented and certified that you have complied with all of the terms of the Plan and this Award Agreement when RSU Shares are delivered to you [, you receive payment in respect of Dividend Equivalent Rights] and you request the sale of RSU Shares following the release of Transfer Restrictions;

(v) Firm May Deliver Your Award into an Escrow Account. The Firm may establish and maintain an escrow account on such terms (which may include your executing any documents related to, and your paying for any costs associated with, such account) as it may deem necessary or appropriate, and the delivery of RSU Shares (including Shares at Risk) or the payment of cash (including dividends [and payments under Dividend Equivalent Rights]) or other property may initially be made into and held in that escrow account until such time as the Committee has received such documentation as it may have requested or until the Committee has determined that any other conditions or restrictions on delivery of RSU Shares, cash or other property required by this Award Agreement have been satisfied;

(vi) You May Be Required to Certify Compliance with Award Terms; You Are Responsible for Providing the Firm with Updated Address and Contact Information After Your Departure from the Firm. If your Employment terminates while you continue to hold RSUs or Shares at Risk, from time to time, you may be required to provide certifications of your compliance with all of the terms of the Plan and this Award Agreement as described in Paragraph 9(b)(iv). You understand and agree that (A) your address on file with the Firm at the time any certification is required will be deemed to be your current address, (B) it is your responsibility to inform the Firm of any changes to your address to ensure timely receipt of the certification materials, (C) you are responsible for contacting the Firm to obtain such certification materials if not received and (D) your failure to return properly completed certification materials by the specified deadline (which includes your failure to timely return the completed certification because you did not provide the Firm with updated contact information) will result in the forfeiture of all of your RSUs and Shares at Risk and subject previously delivered amounts to repayment under Paragraph 9(b)(iv);

(vii) You Authorize the Firm to Register, in Its or Its Designee's Name, Any Shares at Risk and Sell, Assign or Transfer Any Forfeited Shares at Risk. You are granting to the Firm the full power and authority to register any Shares at Risk in its or its designee's name and authorizing the Firm or its designee to sell, assign or transfer any Shares at Risk if you forfeit your Shares at Risk;

(viii) You Must Comply with Applicable Deadlines and Procedures to Appeal Determinations Made by the Committee, the SIP Committee or SIP Administrators. If you disagree with a determination made by the Committee, the SIP Committee, the SIP Administrators, or any of their delegates or designees and you wish to appeal such determination, you must submit a written request to the SIP Committee for review within 180 days after the determination at issue. You must exhaust your internal administrative remedies (*i.e.*, submit your appeal and wait for resolution of that appeal) before seeking to resolve a dispute through arbitration pursuant to Paragraph 16 and Section 3.17 of the Plan; and

(ix) You Agree that Covered Persons Will Not Have Liability. In addition to and without limiting the generality of the provisions of Section 1.3.5 of the Plan, neither the Firm nor any Covered Person will have any liability to you or any other person for any action taken or omitted in respect of this or any other Award.

14. **Non-transferability.** Except as otherwise may be provided in this Paragraph 14 or as otherwise may be provided by the Committee, the limitations on transferability set forth in Section 3.5 of the Plan will apply to this Award. Any purported transfer or assignment in violation of the provisions of this Paragraph 14 or Section 3.5 of the Plan will be void. The Committee may adopt procedures pursuant to which some or all recipients of RSUs may transfer some or all of their RSUs and/or Shares at Risk (which will continue to be subject to Transfer Restrictions until the [applicable] Transferability Date) through a gift for no consideration to any immediate family member, a trust or other estate planning vehicle approved by the Committee or SIP Committee in which the recipient and/or the recipient's immediate family members in the aggregate have 100% of the beneficial interest.

15. **Right of Offset.** Except as provided in Paragraph 18[(g)][(h)], the obligation to deliver RSU Shares, to pay dividends [or payments under Dividend Equivalent Rights] or to remove the Transfer Restrictions under this Award Agreement is subject to Section 3.4 of the Plan, which provides for the Firm's right to offset against such obligation any outstanding amounts you owe to the Firm and any amounts the Committee deems appropriate pursuant to any tax equalization policy or agreement.

#### **ARBITRATION, CHOICE OF FORUM AND GOVERNING LAW**

16. **Arbitration; Choice of Forum.**

**(a) BY ACCEPTING THIS AWARD, YOU ARE INDICATING THAT YOU UNDERSTAND AND AGREE THAT THE ARBITRATION AND CHOICE OF FORUM PROVISIONS SET FORTH IN SECTION 3.17 OF THE PLAN WILL APPLY TO THIS AWARD. THESE PROVISIONS, WHICH ARE EXPRESSLY INCORPORATED HEREIN BY REFERENCE, PROVIDE AMONG OTHER THINGS THAT ANY DISPUTE, CONTROVERSY OR CLAIM BETWEEN THE FIRM AND YOU ARISING OUT OF OR RELATING TO OR CONCERNING THE PLAN OR THIS AWARD AGREEMENT WILL BE FINALLY SETTLED BY ARBITRATION IN NEW YORK CITY, PURSUANT TO THE TERMS MORE FULLY SET FORTH IN SECTION 3.17 OF THE PLAN; PROVIDED THAT NOTHING HEREIN SHALL PRECLUDE YOU FROM FILING A CHARGE WITH OR PARTICIPATING IN ANY INVESTIGATION OR PROCEEDING CONDUCTED BY ANY GOVERNMENTAL AUTHORITY, INCLUDING BUT NOT LIMITED TO THE SEC AND THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION.**

(b) To the fullest extent permitted by applicable law, no arbitrator will have the authority to consider class, collective or representative claims, to order consolidation or to join different claimants or grant relief other than on an individual basis to the individual claimant involved.

(c) Notwithstanding any applicable forum rules to the contrary, to the extent there is a question of enforceability of this Award Agreement arising from a challenge to the arbitrator's jurisdiction or to the arbitrability of a claim, it will be decided by a court and not an arbitrator.

(d) All references to the New York Stock Exchange in Section 3.17 of the Plan will be read as references to the Financial Industry Regulatory Authority.

(e) The Federal Arbitration Act governs interpretation and enforcement of all arbitration provisions under the Plan and this Award Agreement, and all arbitration proceedings thereunder.

(f) Nothing in this Award Agreement creates a substantive right to bring a claim under U.S. Federal, state, or local employment laws.

(g) By accepting your Award, you irrevocably appoint each General Counsel of GS Inc., or any person whom the General Counsel of GS Inc. designates, as your agent for service of process in connection with any suit, action or proceeding arising out of or relating to or concerning the Plan or any Award which is not arbitrated pursuant to the provisions of Section 3.17.1 of the Plan, who shall promptly advise you of any such service of process.

(h) To the fullest extent permitted by applicable law, no arbitrator will have the authority to consider any claim as to which you have not first exhausted your internal administrative remedies in accordance with Paragraph 13(f)(viii).

**17. Governing Law. THIS AWARD WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.**

#### **CERTAIN TAX PROVISIONS**

**18. Compliance of Award Agreement and Plan with Section 409A.** The provisions of this Paragraph 18 apply to you only if you are a U.S. taxpayer.

(a) This Award Agreement and the Plan provisions that apply to this Award are intended and will be construed to comply with Section 409A (including the requirements applicable to, or the conditions for exemption from treatment as, 409A Deferred Compensation), whether by reason of short-term deferral treatment or other exceptions or provisions. The Committee will have full authority to give effect to this intent. To the extent necessary to give effect to this intent, in the case of any conflict or potential inconsistency between the provisions of the Plan (including Sections 1.3.2 and 2.1 thereof) and this Award Agreement, the provisions of this Award Agreement will govern, and in the case of any conflict or potential inconsistency between this Paragraph 18 and the other provisions of this Award Agreement, this Paragraph 18 will govern.

(b) Delivery of RSU Shares will not be delayed beyond the date on which all applicable conditions or restrictions on delivery of RSU Shares required by this Agreement (including those specified in Paragraphs 6, 7, 11, 12(c) and 13 and the consents and other items specified in Section 3.3 of the Plan) are satisfied. To the extent that any portion of this Award is intended to satisfy the requirements for short-term deferral treatment under Section 409A, delivery for such portion will occur by the March 15 coinciding with the last day of the applicable “short-term deferral” period described in Reg. 1.409A-1(b)(4) in order for the delivery of RSU Shares to be within the short-term deferral exception unless, in order to permit all applicable conditions or restrictions on delivery to be satisfied, the Committee elects, pursuant to Reg. 1.409A-1(b)(4)(i)(D) or otherwise as may be permitted in accordance with Section 409A, to delay delivery of RSU Shares to a later date within the same calendar year or to such later date as may be permitted under Section 409A, including Reg. 1.409A-2(b)(7) (in conjunction with Section 3.21.3 of the Plan pertaining to Code Section 162(m)) and Reg. 1.409A-3(d). For the avoidance of doubt, if the Award includes a “series of installment payments” as described in Reg. 1.409A-2(b)(2)(iii), your right to the series of installment payments will be treated as a right to a series of separate payments and not as a right to a single payment.

(c) Notwithstanding the provisions of Paragraph 13(b) and Section 1.3.2(i) of the Plan, to the extent necessary to comply with Section 409A, any securities, other Awards or other property that the Firm may deliver in respect of your RSUs will not have the effect of deferring delivery or payment, income inclusion, or a substantial risk of forfeiture, beyond the date on



which such delivery, payment or inclusion would occur or such risk of forfeiture would lapse, with respect to the RSU Shares that would otherwise have been deliverable (unless the Committee elects a later date for this purpose pursuant to Reg. 1.409A-1(b)(4)(i)(D) or otherwise as may be permitted under Section 409A, including and to the extent applicable, the subsequent election provisions of Section 409A(a)(4)(C) of the Code and Reg. 1.409A-2(b)).

(d) Notwithstanding the timing provisions of Paragraph 12(c), the delivery of RSU Shares referred to therein will be made after the date of death and during the calendar year that includes the date of death (or on such later date as may be permitted under Section 409A).

(e) The timing of delivery or payment pursuant to Paragraph 12(a) will occur on the earlier of (i) the Delivery Date or (ii) a date that is within the calendar year in which the termination of Employment occurs; *provided, however*, that, if you are a “specified employee” (as defined by the Firm in accordance with Section 409A(a)(2)(i)(B) of the Code), delivery will occur on the earlier of the Delivery Date or (to the extent required to avoid the imposition of additional tax under Section 409A) the date that is six months after your termination of Employment (or, if the latter date is not during a Window Period, the first trading day of the next Window Period). For purposes of Paragraph 12(a), references in this Award Agreement to termination of Employment mean a termination of Employment from the Firm (as defined by the Firm) which is also a separation from service (as defined by the Firm in accordance with Section 409A).

(f) [Notwithstanding any provision of Paragraph 8 or Section 2.8.2 of the Plan to the contrary, the Dividend Equivalent Rights with respect to each of your Outstanding RSUs will be paid to you within the calendar year that includes the date of distribution of any corresponding regular cash dividends paid by GS Inc. in respect of a share of Common Stock the record date for which occurs on or after the Date of Grant. The payment will be in an amount (less applicable withholding) equal to such regular dividend payment as would have been made in respect of the RSU Shares underlying such Outstanding RSUs.]

(g) The timing of delivery or payment referred to in Paragraph 12(b)(i) will be the earlier of (i) the Delivery Date or (ii) a date that is within the calendar year in which the Committee receives satisfactory documentation relating to your Conflicted Employment, *provided* that such delivery or payment will be made, and any Committee action referred to in Paragraph 12(b)(ii) will be taken, only at such time as, and if and to the extent that it, as reasonably determined by the Firm, would not result in the imposition of any additional tax to you under Section 409A.

(h) Paragraph 15 and Section 3.4 of the Plan will not apply to Awards that are 409A Deferred Compensation except to the extent permitted under Section 409A.

(i) Delivery of RSU Shares in respect of any Award may be made, if and to the extent elected by the Committee, later than the Delivery Date or other date or period specified hereinabove (but, in the case of any Award that constitutes 409A Deferred Compensation, only to the extent that the later delivery is permitted under Section 409A).

(j) You understand and agree that you are solely responsible for the payment of any taxes and penalties due pursuant to Section 409A, but in no event will you be permitted to designate, directly or indirectly, the taxable year of the delivery.

19. **Compliance of Award Agreement and Plan with Section 162(m)**. The provisions of Paragraph 18(b) and this Paragraph 19 and the provisions of Sections 1.2.13, 1.3.3, 2.8.3, 3.1.2 and 3.21 of the Plan addressing the qualification of compensation realized from Awards as “performance-based” compensation under Section 162(m) of the Code shall apply only to the extent that Section 162(m) of the Code provides a “performance-based” compensation exception to the deduction limitations applicable thereunder. If you are or become considered by GS Inc. to be one of its “covered employees” within the meaning of Section 162(m) of the Code, then you will be subject to Section 3.21.3 of the Plan, as a result of which delivery of your RSU Shares may be delayed.

#### **COMMITTEE AUTHORITY, AMENDMENT AND CONSTRUCTION**

20. **Committee Authority**. The Committee has the authority to determine, in its sole discretion, that any event triggering forfeiture or repayment of your Award will not apply, to limit the forfeitures and repayments that result under Paragraphs 9 and 10 and to remove Transfer Restrictions before the [applicable] Transferability Date. In addition, the Committee, in its sole discretion, may determine whether Paragraph 11 will apply upon a termination of Employment.

21. **Amendment**. The Committee reserves the right at any time to amend the terms of this Award Agreement, and the Board may amend the Plan in any respect; *provided that*, notwithstanding the foregoing and Sections 1.3.2(f), 1.3.2(h) and 3.1 of the Plan, no such amendment will materially adversely affect your rights and obligations under this Award Agreement without your consent; and *provided further* that the Committee expressly reserves its rights to amend the Award Agreement and the Plan as described in Sections 1.3.2(h)(1), (2) and (4) of the Plan. A modification that impacts the tax consequences of this Award or the timing of delivery of RSU Shares will not be an amendment that materially adversely affects your rights and obligations under this Award Agreement. Any amendment of this Award Agreement will be in writing.

22. **Construction, Headings**. Unless the context requires otherwise, (a) words describing the singular number include the plural and vice versa, (b) words denoting any gender include all genders and (c) the words “include,” “includes” and “including” will be deemed to be followed by the words “without limitation.” The headings in this Award Agreement are for the purpose of convenience only and are not intended to define or limit the construction of the provisions hereof. References in this Award Agreement to any specific Plan provision will not be construed as limiting the applicability of any other Plan provision.

**IN WITNESS WHEREOF**, GS Inc. has caused this Award Agreement to be duly executed and delivered as of the Date of Grant.

**THE GOLDMAN SACHS GROUP, INC.**

## [CODE STAFF FORFEITURE AND REPAYMENT APPENDIX

This Code Staff Appendix supplements Paragraph 9 and sets forth additional events that result in forfeiture of up to all of your RSUs and Shares at Risk and may require repayment to the Firm of up to all other amounts previously delivered or paid to you under your Award in accordance with Paragraph 10. As with the events described in Paragraph 9, more than one event may apply, in no case will the occurrence of one event limit the forfeiture and repayment obligations as a result of the occurrence of any other event and the Firm reserves the right to (a) suspend delivery of RSU Shares or release of Transfer Restrictions, (b) deliver any RSU Shares or dividends into an escrow account in accordance with Paragraph 13(f)(v) or (c) apply Transfer Restrictions to any RSU Shares in connection with any investigation of whether any of the events that result in forfeiture under this Code Staff Appendix have occurred.

With respect to the events described in Paragraphs (b) through (e) of this Appendix, the Committee will consider certain factors to determine whether and what portion of your Award will terminate, including the reason for the “Loss Event” (as defined below) or “Risk Event” (as defined below) and the extent to which: (1) you participated in the Loss Event or Risk Event, (2) your compensation for the Firm’s \_\_\_\_ fiscal year may or may not have been adjusted to take into account the risk associated with the Loss Event, Risk Event, your “Serious Misconduct” (as defined below) or the Serious Misconduct of a “Supervised Employee” (as defined below) and (3) your compensation may be adjusted for the year in which the Loss Event, Risk Event, your Serious Misconduct or a Supervised Employee’s Serious Misconduct is discovered.

(a) You Associate With a Material Covered Enterprise Prior to \_\_\_\_\_. If you “Associate With a Material Covered Enterprise” (as defined below) on or after the date the restrictions on Association With a Covered Enterprise lapse (as described in Paragraph 9(a)(i) of the Award Agreement) and before the earlier of \_\_\_\_\_ or a Qualifying Termination After a Change In Control, your rights to all of your Outstanding RSUs will terminate, and no RSU Shares will be delivered in respect of such RSUs and your rights to all of your Shares at Risk will terminate and your Shares at Risk will be cancelled.

(i) “**Associate With a Material Covered Enterprise**” means that you (A) form, or acquire a 5% or greater equity ownership, voting or profit participation interest in, any “Material Covered Enterprise” (as defined below) or (B) associate in any capacity (including association as an officer, employee, partner, director, consultant, agent or advisor) with any Material Covered Enterprise. Associate With a Material Covered Enterprise may include, as determined in the discretion of either the Committee or the SIP Committee, (A) becoming the subject of any publicly available announcement or report of a pending or future association with a Material Covered Enterprise and (B) unpaid associations, including an association in contemplation of future employment. The term “Association With a Material Covered Enterprise” has its correlative meaning.

(ii) The restriction described above on any Association With a Material Covered Enterprise will not apply if the Firm characterizes your Employment termination as “involuntary” or by “mutual agreement” (and, in each case, you have not engaged in conduct constituting Cause) and you execute a general waiver and release of claims and an agreement to pay any associated tax liability, in each case, in the form the Firm prescribes.

(iii) “**Material Covered Enterprise**” means a Covered Enterprise that the Firm determines, in its sole discretion, to be material.

(b) A Loss Event Occurs Prior to Delivery. If a Loss Event occurs prior to the delivery of RSU Shares, your rights in respect of all or a portion of your RSUs which are scheduled to deliver on the next Delivery Date immediately following the date that the Loss Event is identified (or, if not practicable, then the next following Delivery Date) will terminate, and no RSU Shares will be delivered in respect of such RSUs.

(i) A “**Loss Event**” means (A) an annual pre-tax loss at GS Inc. or (B) annual negative revenues in one or more reporting segments as disclosed in the Firm’s Form 10-K other than the Investing & Lending segment, or annual negative revenues in the Investing & Lending segment of \$5 billion or more, *provided* in either case that you are employed in a business within such reporting segment.

(c) A Risk Event Occurs Prior to \_\_\_\_\_. If a Risk Event occurs prior to \_\_\_\_\_, (i) your rights in respect of all or a portion of your RSUs will terminate and no RSU Shares will be delivered in respect of such RSUs, (ii) your rights to all or a portion of any Shares at Risk will terminate and such Shares at Risk will be cancelled and (iii) you will be obligated immediately upon demand therefor to pay the Firm an amount not in excess of the greater of the Fair Market Value of the RSU Shares (plus any dividend payments) delivered in respect of the Award (without reduction for any amount applied to satisfy tax withholding or other obligations) determined as of (A) the date the Risk Event occurred and (B) the date that the repayment request is made.

(i) A “**Risk Event**” means there occurs a loss of 5% or more of firmwide total capital from a reportable operational risk event determined in accordance with the firmwide Reporting Operational Risk Events Policy.

(d) You Engage in Serious Misconduct Prior to \_\_\_\_\_. If you engage in Serious Misconduct during the period beginning on the [applicable] Transferability Date through \_\_\_\_\_, you will be obligated immediately upon demand therefor to pay the Firm an amount not in excess of the greater of the Fair Market Value of the RSU Shares (plus any dividend payments) delivered in respect of the Award (without reduction for any amount applied to satisfy tax withholding or other obligations) determined as of (i) the date the Serious Misconduct occurred and (ii) the date that the repayment request is made.

(i) “**Serious Misconduct**” means that you engage in conduct that the Firm reasonably considers, in its sole discretion, to be misconduct sufficient to justify summary termination of employment under English law.

(e) A Supervised Employee Engages in Serious Misconduct. If the Committee determines that it is appropriate to hold you accountable in whole or in part for Serious Misconduct related to compliance, control or risk that occurred during the Firm’s \_\_\_\_\_ fiscal year by a Supervised Employee, your rights in respect of all or a portion of your RSUs will terminate and no RSU Shares will be delivered in respect of such RSUs and your rights to all or a portion of any Shares at Risk will terminate and such Shares at Risk will be cancelled.

(i) “**Supervised Employee**” means an individual with respect to whom the Committee determines you had supervisory responsibility as a result of direct or indirect reporting lines or your management responsibility for an office, division or business.

Notwithstanding any provision in the Plan, this Award Agreement or any other agreement or arrangement you may have with the Firm, the parties agree that to the extent that there is any dispute arising out of or relating to the payment required by Paragraphs (c) and (d) of this Appendix (including your refusal to remit payment) the parties will submit to arbitration in accordance with Paragraph 16 of this Award Agreement and Section 3.17 of the Plan as the sole means of resolution of such dispute (including the recovery by the Firm of the payment amount).]

## DEFINITIONS APPENDIX

**The following capitalized terms are used in this Award Agreement with the following meanings:**

(a) “409A Deferred Compensation” means a “deferral of compensation” or “deferred compensation” as those terms are defined in the regulations under Section 409A.

(b) “Associate With a Covered Enterprise” means that you (i) form, or acquire a 5% or greater equity ownership, voting or profit participation interest in, any Covered Enterprise or (ii) associate in any capacity (including association as an officer, employee, partner, director, consultant, agent or advisor) with any Covered Enterprise. Associate With a Covered Enterprise may include, as determined in the discretion of either the Committee or the SIP Committee, (i) becoming the subject of any publicly available announcement or report of a pending or future association with a Covered Enterprise and (ii) unpaid associations, including an association in contemplation of future employment. “Association With a Covered Enterprise” will have its correlative meaning.

(c) “Award Agreement” means the written document or documents by which each Award is evidenced, including any Award Statement or any related signature card.

(d) “Conflicted Employment” means your employment at any U.S. Federal, state or local government, any non-U.S. government, any supranational or international organization, any self-regulatory organization, or any agency or instrumentality of any such government or organization, or any other employer (other than an “Accounting Firm” within the meaning of SEC Rule 2-01(f)(2) of Regulation S-X or any successor thereto) determined by the Committee, if, as a result of such employment, your continued holding of any Outstanding RSUs and Shares at Risk would result in an actual or perceived conflict of interest.

(e) “Covered Enterprise” means a Competitive Enterprise and any other existing or planned business enterprise that: (i) offers, holds itself out as offering or reasonably may be expected to offer products or services that are the same as or similar to those offered by the Firm or that the Firm reasonably expects to offer (“Firm Products or Services”) or (ii) engages in, holds itself out as engaging in or reasonably may be expected to engage in any other activity that is the same as or similar to any financial activity engaged in by the Firm or in which the Firm reasonably expects to engage (“Firm Activities”). For the avoidance of doubt, Firm Activities include any activity that requires the same or similar skills as any financial activity engaged in by the Firm or in which the Firm reasonably expects to engage, irrespective of whether any such financial activity is in furtherance of an advisory, agency, proprietary or fiduciary undertaking.

The enterprises covered by this definition include enterprises that offer, hold themselves out as offering or reasonably may be expected to offer Firm Products or Services, or engage in, hold themselves out as engaging in or reasonably may be expected to engage in Firm Activities directly, as well as those that do so indirectly by ownership or control (*e.g.*, by owning, being owned by or by being under common ownership with an enterprise that offers, holds itself out as offering or reasonably may be expected to offer Firm Products or Services or that engages in, holds itself out as engaging in or reasonably may be expected to engage in Firm Activities). The definition of Covered Enterprise includes, solely by way of example, any enterprise that offers, holds itself out as offering or reasonably may be expected to offer any product or service, or engages in, holds itself out as engaging in or reasonably may be expected to engage in any activity, in any case, associated with investment banking; public or private finance; lending; financial advisory services; private investing for anyone other than you or your family members (including, for the avoidance of doubt, any type of proprietary investing or trading); private wealth management; private banking; consumer, digital or commercial banking; merchant banking; asset,

portfolio or hedge fund management; insurance or reinsurance underwriting or brokerage; property management; or securities, futures, commodities, energy, derivatives, currency or digital asset brokerage, sales, lending, custody, clearance, settlement or trading. An enterprise that offers, holds itself out as offering or reasonably may be expected to offer Firm Products or Services, or engages in, holds itself out as engaging in or reasonably may be expected to engage in Firm Activities is a Covered Enterprise, **irrespective of whether the enterprise is a customer, client or counterparty of the Firm and, because the Firm is a global enterprise, irrespective of where the Covered Enterprise is physically located.**

(f) “Failed to Consider Risk” means that you participated in the structuring or marketing of any product or service, or participated on behalf of the Firm or any of its clients in the purchase or sale of any security or other property, in any case without appropriate consideration of the risk to the Firm or the broader financial system as a whole (for example, where you have improperly analyzed such risk or where you have failed sufficiently to raise concerns about such risk) and, as a result of such action or omission, the Committee determines there has been, or reasonably could be expected to be, a material adverse impact on the Firm, your business unit or the broader financial system.

(g) [“January Transferability Date” means the first trading day in a Window Period that occurs in \_\_\_\_\_, or if no Window Period occurs in \_\_\_\_\_, the first trading day of the first Window Period following thereafter.]

(h) [“\_\_\_\_-Month Transferability Date” means the first trading day in a Window Period that occurs on or after the \_\_\_\_-month anniversary of the Delivery Date.]

(i) “Qualifying Termination After a Change in Control” means that the Firm terminates your Employment other than for Cause or you terminate your Employment for Good Reason, in each case, within 18 months following a Change in Control.

(j) “SEC” means the U.S. Securities and Exchange Commission.

(k) “Selected Firm Personnel” means any individual who is or in the three months preceding the conduct prohibited by Paragraph 9(a)(ii) was (i) a Firm employee or consultant with whom you personally worked while employed by the Firm, (ii) a Firm employee or consultant who, at any time during the year preceding the date of the termination of your Employment, worked in the same division in which you worked or (iii) an Advisory Director, a Managing Director or a Senior Advisor of the Firm.

(l) “Shares at Risk” means RSU Shares subject to Transfer Restrictions.



**The following capitalized terms are used in this Award Agreement with the meanings that are assigned to them in the Plan.**

(a) “Account” means any brokerage account, custody account or similar account, as approved or required by GS Inc. from time to time, into which shares of Common Stock, cash or other property in respect of an Award are delivered.

(b) “Award Statement” means a written statement that reflects certain Award terms.

(c) “Business Day” means any day other than a Saturday, a Sunday or a day on which banking institutions in New York City are authorized or obligated by Federal law or executive order to be closed.

(d) “Cause” means (i) the Grantee’s conviction, whether following trial or by plea of guilty or *nolo contendere* (or similar plea), in a criminal proceeding (A) on a misdemeanor charge involving fraud, false statements or misleading omissions, wrongful taking, embezzlement, bribery, forgery, counterfeiting or extortion, or (B) on a felony charge, or (C) on an equivalent charge to those in clauses (A) and (B) in jurisdictions which do not use those designations, (ii) the Grantee’s engaging in any conduct which constitutes an employment disqualification under applicable law (including statutory disqualification as defined under the Exchange Act), (iii) the Grantee’s willful failure to perform the Grantee’s duties to the Firm, (iv) the Grantee’s violation of any securities or commodities laws, any rules or regulations issued pursuant to such laws, or the rules and regulations of any securities or commodities exchange or association of which the Firm is a member, (v) the Grantee’s violation of any Firm policy concerning hedging or pledging or confidential or proprietary information, or the Grantee’s material violation of any other Firm policy as in effect from time to time, (vi) the Grantee’s engaging in any act or making any statement which impairs, impugns, denigrates, disparages or negatively reflects upon the name, reputation or business interests of the Firm or (vii) the Grantee’s engaging in any conduct detrimental to the Firm. The determination as to whether Cause has occurred shall be made by the Committee in its sole discretion and, in such case, the Committee also may, but shall not be required to, specify the date such Cause occurred (including by determining that a prior termination of Employment was for Cause). Any rights the Firm may have hereunder and in any Award Agreement in respect of the events giving rise to Cause shall be in addition to the rights the Firm may have under any other agreement with a Grantee or at law or in equity.

(e) “Change in Control” means the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving GS Inc. (a “Reorganization”) or sale or other disposition of all or substantially all of GS Inc.’s assets to an entity that is not an affiliate of GS Inc. (a “Sale”), that in each case requires the approval of GS Inc.’s shareholders under the law of GS Inc.’s jurisdiction of organization, whether for such Reorganization or Sale (or the issuance of securities of GS Inc. in such Reorganization or Sale), unless immediately following such Reorganization or Sale, either: (i) at least 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of (A) the entity resulting from such Reorganization, or the entity which has acquired all or substantially all of the assets of GS Inc. in a Sale (in either case, the “Surviving Entity”), or (B) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, as such Rule is in effect on the date of the adoption of the 1999 SIP) of 50% or more of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the Surviving Entity (the “Parent Entity”) is represented by GS Inc.’s securities (the “GS Inc. Securities”) that were outstanding immediately prior to such Reorganization or Sale (or, if applicable, is represented by shares into which such GS Inc. Securities were converted pursuant to such Reorganization or Sale) or (ii) at least 50% of the members of the board of directors (or similar officials in the case of an entity other than a

corporation) of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) following the consummation of the Reorganization or Sale were, at the time of the Board's approval of the execution of the initial agreement providing for such Reorganization or Sale, individuals (the "Incumbent Directors") who either (A) were members of the Board on the Effective Date or (B) became directors subsequent to the Effective Date and whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of GS Inc.'s proxy statement in which such persons are named as nominees for director).

(f) "Client" means any client or prospective client of the Firm to whom the Grantee provided services, or for whom the Grantee transacted business, or whose identity became known to the Grantee in connection with the Grantee's relationship with or employment by the Firm.

(g) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and the applicable rulings and regulations thereunder.

(h) "Committee" means the committee appointed by the Board to administer the Plan pursuant to Section 1.3, and, to the extent the Board determines it is appropriate for the compensation realized from Awards under the Plan to be considered "performance based" compensation under Section 162(m) of the Code, shall be a committee or subcommittee of the Board composed of two or more members, each of whom is an "outside director" within the meaning of Code Section 162(m), and which, to the extent the Board determines it is appropriate for Awards under the Plan to qualify for the exemption available under Rule 16b-3(d)(1) or Rule 16b-3(e) promulgated under the Exchange Act, shall be a committee or subcommittee of the Board composed of two or more members, each of whom is a "non-employee director" within the meaning of Rule 16b-3. Unless otherwise determined by the Board, the Committee shall be the Compensation Committee of the Board.

(i) "Common Stock" means common stock of GS Inc., par value \$0.01 per share.

(j) "Competitive Enterprise" means an existing or planned business enterprise that (i) engages, or may reasonably be expected to engage, in any activity, (ii) owns or controls, or may reasonably be expected to own or control, a significant interest in or (iii) is, or may reasonably be expected to be, owned by, or a significant interest in which is, or may reasonably be expected to be, owned or controlled by, any entity that engages in any activity that, in any case, competes or will compete anywhere with any activity in which the Firm is engaged. The activities covered by this definition include, without limitation, financial services such as investment banking, public or private finance, lending, financial advisory services, private investing (for anyone other than the Grantee and members of the Grantee's family), merchant banking, asset or hedge fund management, insurance or reinsurance underwriting or brokerage, property management, or securities, futures, commodities, energy, derivatives or currency brokerage, sales, lending, custody, clearance, settlement or trading.

(k) "Covered Person" means a member of the Board or the Committee or any employee of the Firm.

(l) "Date of Grant" means the date specified in the Grantee's Award Agreement as the date of grant of the Award.

(m) "Delivery Date" means each date specified in the Grantee's Award Agreement as a delivery date, *provided*, unless the Committee determines otherwise, such date is during a Window Period or, if such date is not during a Window Period, the first trading day of the first Window Period beginning after such date.

(n) “Dividend Equivalent Right” means a dividend equivalent right granted under the Plan, which represents an unfunded and unsecured promise to pay to the Grantee amounts equal to all or any portion of the regular cash dividends that would be paid on shares of Common Stock covered by an Award if such shares had been delivered pursuant to an Award.

(o) “Employment” means the Grantee’s performance of services for the Firm, as determined by the Committee. The terms “employ” and “employed” shall have their correlative meanings. The Committee in its sole discretion may determine (i) whether and when a Grantee’s leave of absence results in a termination of Employment (for this purpose, unless the Committee determines otherwise, a Grantee shall be treated as terminating Employment with the Firm upon the occurrence of an Extended Absence), (ii) whether and when a change in a Grantee’s association with the Firm results in a termination of Employment and (iii) the impact, if any, of any such leave of absence or change in association on Awards theretofore made. Unless expressly provided otherwise, any references in the Plan or any Award Agreement to a Grantee’s Employment being terminated shall include both voluntary and involuntary terminations.

(p) “Extended Absence” means the Grantee’s inability to perform for six (6) continuous months, due to illness, injury or pregnancy-related complications, substantially all the essential duties of the Grantee’s occupation, as determined by the Committee.

(q) “Firm” means GS Inc. and its subsidiaries and affiliates.

(r) “Good Reason” means, in connection with a termination of employment by a Grantee following a Change in Control, (a) as determined by the Committee, a materially adverse alteration in the Grantee’s position or in the nature or status of the Grantee’s responsibilities from those in effect immediately prior to the Change in Control or (b) the Firm’s requiring the Grantee’s principal place of Employment to be located more than seventy-five (75) miles from the location where the Grantee is principally Employed at the time of the Change in Control (except for required travel on the Firm’s business to an extent substantially consistent with the Grantee’s customary business travel obligations in the ordinary course of business prior to the Change in Control).

(s) “Grantee” means a person who receives an Award.

(t) “GS Inc.” means The Goldman Sachs Group, Inc., and any successor thereto.

(u) “Outstanding” means any Award to the extent it has not been forfeited, cancelled, terminated, exercised or with respect to which the shares of Common Stock underlying the Award have not been previously delivered or other payments made.

(v) “RSU” means a restricted stock unit Award granted under the Plan, which represents an unfunded and unsecured promise to deliver shares of Common Stock in accordance with the terms of the RSU Award Agreement.

(w) “RSU Shares” means shares of Common Stock that underlie an RSU.

(x) “Section 409A” means Section 409A of the Code, including any amendments or successor provisions to that Section and any regulations and other administrative guidance thereunder, in each case as they, from time to time, may be amended or interpreted through further administrative guidance.

(y) “SIP Administrator” means each person designated by the Committee as a “SIP Administrator” with the authority to perform day-to-day administrative functions for the Plan.

(z) “SIP Committee” means the persons who have been delegated certain authority under the Plan by the Committee.

(aa) “Solicit” means any direct or indirect communication of any kind whatsoever, regardless of by whom initiated, inviting, advising, encouraging or requesting any person or entity, in any manner, to take or refrain from taking any action.

(bb) “Transfer Restrictions” means restrictions that prohibit the sale, exchange, transfer, assignment, pledge, hypothecation, fractionalization, hedge or other disposal (including through the use of any cash-settled instrument), whether voluntarily or involuntarily by the Grantee, of an Award or any shares of Common Stock, cash or other property delivered in respect of an Award.

(cc) “Transferability Date” means the date Transfer Restrictions on a Restricted Share will be released. Within 30 Business Days after the applicable Transferability Date, GS Inc. shall take, or shall cause to be taken, such steps as may be necessary to remove Transfer Restrictions.

(dd) “Vested” means, with respect to an Award, the portion of the Award that is not subject to a condition that the Grantee remain actively employed by the Firm in order for the Award to remain Outstanding. The fact that an Award becomes Vested shall not mean or otherwise indicate that the Grantee has an unconditional or nonforfeitable right to such Award, and such Award shall remain subject to such terms, conditions and forfeiture provisions as may be provided for in the Plan or in the Award Agreement.

(ee) “Vesting Date” means each date specified in the Grantee’s Award Agreement as a date on which part or all of an Award becomes Vested.

(ff) “Window Period” means a period designated by the Firm during which all employees of the Firm are permitted to purchase or sell shares of Common Stock (*provided* that, if the Grantee is a member of a designated group of employees who are subject to different restrictions, the Window Period may be a period designated by the Firm during which an employee of the Firm in such designated group is permitted to purchase or sell shares of Common Stock).

THE GOLDMAN SACHS GROUP, INC.  
YEAR-END RSU AWARD

This Award Agreement, together with The Goldman Sachs Amended and Restated Stock Incentive Plan (2015) (the “Plan”), governs your \_\_\_\_ year-end award of RSUs (your “Award”). You should read carefully this entire Award Agreement, which includes the Award Statement, any attached Appendix and the signature card.

#### ACCEPTANCE

1. **You Must Decide Whether to Accept this Award Agreement.** To be eligible to receive your Award, you must by the date specified (a) open and activate an Account and (b) agree to all the terms of your Award by executing the related signature card in accordance with its instructions. By executing the signature card, you confirm your agreement to all of the terms of this Award Agreement, including the arbitration and choice of forum provisions in Paragraph 16.

#### DOCUMENTS THAT GOVERN YOUR AWARD; DEFINITIONS

2. **The Plan.** Your Award is granted under the Plan, and the Plan’s terms apply to, and are a part of, this Award Agreement.

3. **Your Award Statement.** The Award Statement delivered to you contains some of your Award’s specific terms. For example, it contains the type and number of RSUs awarded to you and any applicable Vesting Dates, Delivery Dates and Transferability Dates. The portion of your RSUs that are designated on the Award Statement as “\_\_\_\_ Year-End Base RSUs” are referred to in this Award Agreement as “Base RSUs.” The portion of your RSUs that are designated on the Award Statement as “\_\_\_\_ Year-End Additional Base RSUs” are referred to in this Award Agreement as “Additional Base RSUs.” The portion of your RSUs that are designated on the Award Statement as “\_\_\_\_ Year-End Supplemental RSUs” are referred to in this Award Agreement as “Supplemental RSUs.” All references to RSUs in this Award Agreement include the Base RSUs, the Additional Base RSUs and the Supplemental RSUs. This Award Agreement does not govern the terms and conditions of any RSUs designated on your Award Statement as “Short-Term RSUs,” which, if applicable to you, are addressed in a separate Award Agreement.

4. **Definitions.** Capitalized terms are defined in the Definitions Appendix, which also includes terms that are defined in the Plan.

#### VESTING OF YOUR RSUS

5. **Vesting.**

(a) **Base RSUs and Additional Base RSUs.** On each Vesting Date listed on your Award Statement, you will become Vested in the amount of Outstanding Base RSUs and Outstanding Additional Base RSUs listed next to that date.

(b) **Supplemental RSUs.** All of your Supplemental RSUs are Vested.

(c) **What Vesting Means.** When an RSU becomes Vested, it means **only** that your continued active Employment is not required for delivery of that portion of RSU Shares. **Vesting does not mean you have a non-forfeitable right to the Vested portion of your Award. The terms of this Award Agreement (including conditions to delivery and any applicable Transfer Restrictions) continue to apply to Vested RSUs, and you can still forfeit Vested RSUs and any RSU Shares.**

## DELIVERY OF YOUR RSU SHARES

6. **Delivery.** Reasonably promptly (but no more than 30 Business Days) after each Delivery Date listed on your Award Statement, RSU Shares (less applicable withholding as described in Paragraph 13(a)) will be delivered (by book entry credit to your Account) in respect of the amount of Outstanding RSUs listed next to that date [provided that such delivery applies first to RSU Shares underlying the Supplemental RSUs and then to RSU Shares underlying the Base RSUs]. The Committee or the SIP Committee may select multiple dates within the 30-Business-Day period following the Delivery Date to deliver RSU Shares in respect of all or a portion of the RSUs with the same Delivery Date listed on the Award Statement, and all such dates will be treated as a single Delivery Date for purposes of this Award. Until such delivery, you have only the rights of a general unsecured creditor, and no rights as a shareholder of GS Inc. Without limiting the Committee's authority under Section 1.3.2(h) of the Plan, the Firm may accelerate any Delivery Date by up to 30 days.

## TRANSFER RESTRICTIONS FOLLOWING DELIVERY

### 7. **Transfer Restrictions and Shares at Risk.**

#### (a) Base and Additional Base RSUs.

(i) Base RSUs with a Delivery Date in or before \_\_\_\_\_. [For Base RSUs with a Delivery Date in or before \_\_\_\_\_,] fifty percent of the RSU Shares that are delivered on any date in respect of Base RSUs, **before** tax withholding (or, if the applicable tax withholding rate is greater than 50%, all RSU Shares delivered after tax withholding), will be Shares at Risk that are subject to Transfer Restrictions until the January \_\_\_\_ Transferability Date, as set forth on your Award Statement. If the tax withholding rate is less than 50%, then any remaining RSU Shares that are delivered in respect of Base RSUs after tax withholding will be Shares at Risk subject to Transfer Restrictions until the \_\_\_\_-Month Transferability Date.

(ii) Base RSUs with a Delivery Date in or after \_\_\_\_\_. [For Base RSUs with a Delivery Date in \_\_\_\_\_, all RSU Shares delivered after tax withholding will be Shares at Risk subject to Transfer Restrictions until the \_\_\_\_-Month Transferability Date.]

(iii) Additional Base RSUs. For Additional Base RSUs, all RSU Shares delivered after tax withholding will be Shares at Risk subject to Transfer Restrictions until the \_\_\_\_-Month Transferability Date.

(b) Supplemental RSUs. For Supplemental RSUs, all RSU Shares delivered after tax withholding will be Shares at Risk subject to Transfer Restrictions until the \_\_\_\_-Month Transferability Date.

#### (c) Example.

(i) [\_\_\_\_\_.]

(d) Purported Transactions that Violate the Transfer Restrictions Are Void. Any purported sale, exchange, transfer, assignment, pledge, hypothecation, fractionalization, hedge or other disposition in violation of the Transfer Restrictions on Shares at Risk will be void.

(e) Removal of Transfer Restrictions. Within 30 Business Days after the applicable Transferability Date (or any other date on which the Transfer Restrictions are to be removed), GS Inc. will remove the Transfer Restrictions. The Committee or the SIP Committee may select multiple dates within such 30-Business-Day period on which to remove Transfer Restrictions for all or a portion of the Shares at Risk with the same Transferability Date, and all such dates will be treated as a single Transferability Date for purposes of this Award.

## **DIVIDENDS**

8. **[Dividend Equivalent Rights and] Dividends.** [Each RSU includes a Dividend Equivalent Right, which entitles you to receive an amount (less applicable withholding), at or after the time of distribution of any regular cash dividend paid by GS Inc. in respect of a share of Common Stock, equal to any regular cash dividend payment that would have been made in respect of an RSU Share underlying your Outstanding RSUs for any record date that occurs on or after the Date of Grant. In addition,] you will be entitled to receive on a current basis any regular cash dividend paid in respect of your Shares at Risk. [The RSUs do **not** include Dividend Equivalent Rights.]

## **FORFEITURE OF YOUR AWARD**

9. **How You May Forfeit Your Award.** This Paragraph 9 sets forth the events that result in forfeiture of up to all of your RSUs and Shares at Risk and may require repayment to the Firm of up to all other amounts previously delivered or paid to you under your Award in accordance with Paragraph 10. More than one event may apply, and in no case will the occurrence of one event limit the forfeiture and repayment obligations as a result of the occurrence of any other event. In addition, the Firm reserves the right to (a) suspend vesting of Outstanding RSUs, [payments under Dividend Equivalent Rights,] delivery of RSU Shares or release of Transfer Restrictions, (b) deliver any RSU Shares[,] [or] dividends [or payments under Dividend Equivalent Rights] into an escrow account in accordance with Paragraph 13(f)(v) or (c) apply Transfer Restrictions to any RSU Shares in connection with any investigation of whether any of the events that result in forfeiture under the Plan or this Paragraph 9 have occurred. Paragraph 11 (relating to certain circumstances under which you will not forfeit your unvested RSUs upon Employment termination) and Paragraph 12 (relating to certain circumstances under which vesting, delivery and/or release of Transfer Restrictions may be accelerated) provide for exceptions to one or more provisions of this Paragraph 9. [The Code Staff Forfeiture and Repayment Appendix supplements this Paragraph 9 and sets forth additional events that result in forfeiture of up to all of your RSUs and Shares at Risk and may require repayment to the Firm as described in Paragraph 10 and the Appendix.]

(a) Unvested RSUs Forfeited if Your Employment Terminates. If your Employment terminates for any reason or you are otherwise no longer actively employed with the Firm (which includes off-premises notice periods, “garden leaves,” pay in lieu of notice or any other similar status), your rights to your Outstanding RSUs that are not Vested will terminate, and no RSU Shares will be delivered in respect of such RSUs.

(b) Supplemental RSUs Forfeited if You Associate With a Covered Enterprise. Your rights to your Outstanding Supplemental RSUs that are scheduled to deliver on an applicable Delivery Date will terminate, and no RSU Shares will be delivered in respect of such Supplemental RSUs if you Associate With a Covered Enterprise before the earlier of the January 1 immediately preceding that Delivery Date or a Qualifying Termination After a Change In Control.

(c) Vested and Unvested RSUs Forfeited Upon Certain Events. If any of the following occurs before the applicable Delivery Date, your rights to all of your Outstanding RSUs (whether or not Vested) will terminate, and no RSU Shares will be delivered in respect of such RSUs:

(i) You Solicit Clients or Employees, Interfere with Client or Employee Relationships or Participate in the Hiring of Employees. Either:

(A) you, in any manner, directly or indirectly, (1) Solicit any Client to transact business with a Covered Enterprise or to reduce or refrain from doing any business with the Firm, (2) interfere with or damage (or attempt to interfere with or damage) any relationship between the Firm and any Client, (3) Solicit any person who is an employee of the Firm to resign from the Firm, (4) Solicit any Selected Firm Personnel to apply for or accept employment (or other association) with any person or entity other than the Firm, or (5) hire or participate in the hiring of any Selected Firm Personnel by any person or entity other than the Firm (including, without limitation, participating in the identification of individuals for potential hire, and participating in any hiring decision), whether as an employee or consultant or otherwise, or

(B) Selected Firm Personnel are Solicited, hired or accepted into partnership, membership or similar status by (1) any entity that you form, that bears your name, or in which you possess or control greater than a *de minimis* equity ownership, voting or profit participation, or (2) any entity where you have, or will have, direct or indirect managerial responsibility for such Selected Firm Personnel.

(ii) GS Inc. Fails to Maintain the Minimum Tier 1 Capital Ratio. GS Inc. fails to maintain the required “Minimum Tier 1 Capital Ratio” as defined under Federal Reserve Board Regulations applicable to GS Inc. for a period of 90 consecutive business days.

(iii) GS Inc. Is Determined to Be in Default. The Board of Governors of the Federal Reserve or the Federal Deposit Insurance Corporation (the “FDIC”) makes a written recommendation under Title II (Orderly Liquidation Authority) of the Dodd-Frank Wall Street Reform and Consumer Protection Act for the appointment of the FDIC as a receiver of GS Inc. based on a determination that GS Inc. is “in default” or “in danger of default.”

(d) Vested and Unvested RSUs and Shares at Risk Forfeited upon Certain Events. If any of the following occurs (i) your rights to all of your Outstanding RSUs (whether or not Vested) will terminate, and no RSU Shares will be delivered in respect of such RSUs and (ii) your rights to all of your Shares at Risk will terminate and your Shares at Risk will be cancelled, in each case, as may be further described below:

(i) You Failed to Consider Risk. You Failed to Consider Risk during the Firm’s \_\_\_\_ fiscal year.

(ii) Your Conduct Constitutes Cause. Any event that constitutes Cause [(including, for the avoidance of doubt, “Serious Misconduct” as defined in the Code Staff Forfeiture and Repayment Appendix)] has occurred before the applicable Delivery Date for RSUs or the applicable Transferability Date for Shares at Risk.



(iii) You Do Not Meet Your Obligations to the Firm. The Committee determines that, before the applicable Delivery Date for RSUs or the applicable Transferability Date for Shares at Risk, you failed to meet, in any respect, any obligation under any agreement with the Firm, or any agreement entered into in connection with your Employment or this Award, including the Firm's notice period requirement applicable to you, any offer letter, employment agreement or any shareholders' agreement relating to the Firm. Your failure to pay or reimburse the Firm, on demand, for any amount you owe to the Firm will constitute (A) failure to meet an obligation you have under an agreement, regardless of whether such obligation arises under a written agreement, and/or (B) a material violation of Firm policy constituting Cause.

(iv) You Do Not Provide Timely Certifications or Comply with Your Certifications. You fail to certify to GS Inc. that you have complied with all of the terms of the Plan and this Award Agreement, or the Committee determines that you have failed to comply with a term of the Plan or this Award Agreement to which you have certified compliance.

(v) You Do Not Follow Dispute Resolution/Arbitration Procedures. You attempt to have any dispute under the Plan or this Award Agreement resolved in any manner that is not provided for by Paragraph 16 or Section 3.17 of the Plan, or you attempt to arbitrate a dispute without first having exhausted your internal administrative remedies in accordance with Paragraph 13(f)(viii).

(vi) You Bring an Action that Results in a Determination that Any Award Agreement Term Is Invalid. As a result of any action brought by you, it is determined that any term of this Award Agreement is invalid.

(vii) You Receive Compensation in Respect of Your Award from Another Employer. Your Employment terminates for any reason or you otherwise are no longer actively employed with the Firm and another entity grants you cash, equity or other property (whether vested or unvested) to replace, substitute for or otherwise in respect of any Outstanding RSUs or Shares at Risk; *provided, however*, that your rights will only be terminated in respect of the RSUs and Shares at Risk that are replaced, substituted for or otherwise considered by such other entity in making its grant.

#### **REPAYMENT OF YOUR AWARD**

10. **When You May Be Required to Repay Your Award**. If the Committee determines that any term of this Award was not satisfied, you will be required, immediately upon demand therefor, to repay to the Firm the following:

(a) Any RSU Shares (which, for the avoidance of doubt, includes any Shares at Risk) for which the terms (including the terms for delivery) of the related RSUs were not satisfied, in accordance with Section 2.6.3 of the Plan.

(b) Any Shares at Risk for which the terms (including the terms for the release of Transfer Restrictions) were not satisfied, in accordance with Section 2.5.3 of the Plan.

(c) Any RSU Shares that were delivered (but not subject to Transfer Restrictions) at the same time any Shares at Risk that are cancelled or required to be repaid were delivered.

(d) [Any payments under Dividend Equivalent Rights for which the terms were not satisfied (including any such payments made in respect of RSUs that are forfeited or RSU Shares that are cancelled or required to be repaid), in accordance with Section 2.8.4 of the Plan.]

(e) Any dividends paid in respect of any RSU Shares that are cancelled or required to be repaid.

(f) Any amount applied to satisfy tax withholding or other obligations with respect to any RSU, RSU Shares[,] [and] dividend payments [and payments under Dividend Equivalent Rights] that are forfeited or required to be repaid.

#### EXCEPTIONS TO THE VESTING, DELIVERY AND/OR TRANSFERABILITY DATES

**11. Circumstances Under Which You Will Not Forfeit Your Unvested RSUs on Employment Termination (but the Original Delivery Date and Transferability Date Continue to Apply).** If your Employment terminates at a time when you meet the requirements for Extended Absence, Retirement, “downsizing” or Approved Termination, each as described below, then Paragraph 9(a) will not apply, and your Outstanding RSUs will be treated as described in this Paragraph 11. All other terms of this Award Agreement, including the other forfeiture and repayment events in Paragraphs 9 and 10, continue to apply.

(a) Extended Absence or Retirement and No Association With a Covered Enterprise.

(i) Generally. If your Employment terminates by Extended Absence or Retirement, your Outstanding RSUs that are not Vested will become Vested. **However, your rights to any Outstanding RSU that becomes Vested by this Paragraph 11(a)(i) will terminate and no RSU Share will be delivered in respect of that RSU if you Associate With a Covered Enterprise on or before the originally scheduled Vesting Date for that RSU.**

(ii) Special Treatment for Involuntary or Mutual Agreement Termination. Paragraph 9(b) and the second sentence of Paragraph 11(a)(i) (each relating to forfeiture if you Associate With a Covered Enterprise) will not apply if (A) the Firm characterizes your Employment termination as “involuntary” or by “mutual agreement” (and, in each case, you have not engaged in conduct constituting Cause) and (B) you execute a general waiver and release of claims and an agreement to pay any associated tax liability, in each case, in the form the Firm prescribes. No Employment termination that you initiate, including any purported “constructive termination,” a “termination for good reason” or similar concepts, can be “involuntary” or by “mutual agreement.”

(b) Downsizing. If (i) the Firm terminates your Employment solely by reason of a “downsizing” (and you have not engaged in conduct constituting Cause) and (ii) you execute a general waiver and release of claims and an agreement to pay any associated tax liability, in each case, in the form the Firm prescribes, your Outstanding RSUs that are not yet Vested will become Vested and Paragraph 9(b) will not apply. Whether or not your Employment is terminated solely by reason of a “downsizing” will be determined by the Firm in its sole discretion.

(c) Approved Terminations of Program Analysts and Fixed-Term Employees. If the Firm classifies you as a “program analyst” or a “fixed-term” employee and your Employment terminates solely by reason of an Approved Termination (and you have not engaged in conduct constituting Cause), your Outstanding RSUs that are not yet Vested will become Vested and Paragraph 9(b) will not apply.

12. **Accelerated Vesting, Delivery and/or Release of Transfer Restrictions in the Event of a Qualifying Termination After a Change in Control, Conflicted Employment or Death.** In the event of your Qualifying Termination After a Change in Control, Conflicted Employment or death, each as described below, then Paragraph 9(a) will not apply, your Outstanding RSUs and Shares at Risk will be treated as described in this Paragraph 12, and, except as set forth in Paragraph 12(a), all other terms of this Award Agreement, including the other forfeiture and repayment events in Paragraphs 9 and 10, continue to apply.

(a) **You Have a Qualifying Termination After a Change in Control.** If your Employment terminates when you meet the requirements of a Qualifying Termination After a Change in Control, the RSU Shares underlying your Outstanding RSUs (whether or not Vested) will be delivered, and any Transfer Restrictions will cease to apply. In addition, the forfeiture events in Paragraph 9 will not apply to your Award.

(b) **You Are Determined to Have Accepted Conflicted Employment.**

(i) **Generally.** Notwithstanding anything to the contrary in the Plan or otherwise, for purposes of this Award Agreement, “Conflicted Employment” means your employment at any U.S. Federal, state or local government, any non-U.S. government, any supranational or international organization, any self-regulatory organization, or any agency or instrumentality of any such government or organization, or any other employer (other than an “Accounting Firm” within the meaning of SEC Rule 2-01(f)(2) of Regulation S-X or any successor thereto) determined by the Committee, if, as a result of such employment, your continued holding of any Outstanding RSUs and Shares at Risk would result in an actual or perceived conflict of interest. The following will apply as soon as practicable after the Committee has received satisfactory documentation relating to your Conflicted Employment.

(A) **Vesting.** If your Employment terminates solely because you resign to accept Conflicted Employment and you have completed at least three years of continuous service with the Firm, your Outstanding RSUs will Vest; otherwise, you will forfeit any Outstanding RSUs that are not Vested in accordance with Paragraph 9(a).

(B) **Delivery and Release of Transfer Restrictions.** If your Employment terminates solely because you resign to accept Conflicted Employment or if, following your termination of Employment, you notify the Firm that you are accepting Conflicted Employment, RSU Shares will be delivered in respect of your Outstanding Vested RSUs (including in the form of cash as described in Paragraph 13(b)) and any Transfer Restrictions will cease to apply.

(ii) **You May Have to Take Other Steps to Address Conflicts of Interest.** The Committee retains the authority to exercise its rights under the Award Agreement or the Plan (including Section 1.3.2 of the Plan) to take or require you to take other steps it determines in its sole discretion to be necessary or appropriate to cure an actual or perceived conflict of interest (which may include a determination that the accelerated vesting, delivery and/or release of Transfer Restrictions described in Paragraph 12(b)(i) will not apply because such actions are not necessary or appropriate to cure an actual or perceived conflict of interest).

(c) **Death.** If you die, the RSU Shares underlying your Outstanding RSUs (whether or not Vested) will be delivered to the representative of your estate and any Transfer Restrictions will cease to apply as soon as practicable after the date of death and after such documentation as may be requested by the Committee is provided to the Committee.

## OTHER TERMS, CONDITIONS AND AGREEMENTS

### 13. Additional Terms, Conditions and Agreements.

(a) You Must Satisfy Applicable Tax Withholding Requirements. Delivery of RSU Shares is conditioned on your satisfaction of any applicable withholding taxes in accordance with Section 3.2 of the Plan, which includes the Firm deducting or withholding amounts from any payment or distribution to you (which, notwithstanding Section 3.2.2 of the Plan, may exceed the statutory minimum rate if and to the extent determined by the Committee or the SIP Committee). In addition, to the extent permitted by applicable law, the Firm, in its sole discretion, may require you to provide amounts equal to all or a portion of any Federal, state, local, foreign or other tax obligations imposed on you or the Firm in connection with the grant, Vesting or delivery of this Award by requiring you to choose between remitting the amount (i) in cash (or through payroll deduction or otherwise) or (ii) in the form of proceeds from the Firm's executing a sale of RSU Shares delivered to you under this Award. In addition, if you are an individual with separate employment contracts (at any time during and/or after the Firm's \_\_\_\_\_ fiscal year), the Firm, in its sole discretion, may require you to provide for a reserve in an amount the Firm determines is advisable or necessary in connection with any actual, anticipated or potential tax consequences related to your separate employment contracts by requiring you to choose between remitting such amount (i) in cash (or through payroll deduction or otherwise) or (ii) in the form of proceeds from the Firm's executing a sale of shares of Common Stock delivered to you pursuant to this Award (or any other Outstanding awards granted under the Plan or any predecessor or successor plan thereto). In no event, however, does this Paragraph 13(a) give you any discretion to determine or affect the timing of the delivery of RSU Shares or the timing of payment of tax obligations.

(b) Firm May Deliver Cash or Other Property Instead of RSU Shares. In accordance with Section 1.3.2(i) of the Plan, in the sole discretion of the Committee, in lieu of all or any portion of the RSU Shares, the Firm may deliver cash, other securities, other awards under the Plan or other property, and all references in this Award Agreement to deliveries of RSU Shares will include such deliveries of cash, other securities, other awards under the Plan or other property.

(c) Amounts May Be Rounded to Avoid Fractional Shares. RSUs that become Vested on a Vesting Date, RSU Shares that become deliverable on a Delivery Date and RSU Shares subject to Transfer Restrictions may, in each case, be rounded to avoid fractional Shares.

(d) You May Be Required to Become a Party to the Shareholders' Agreement. Your rights to your RSUs are conditioned on your becoming a party to any shareholders' agreement to which other similarly situated employees (*e.g.*, employees with a similar title or position) of the Firm are required to be a party.

(e) Firm May Affix Legends and Place Stop Orders on Restricted RSU Shares. GS Inc. may affix to Certificates representing RSU Shares any legend that the Committee determines to be necessary or advisable (including to reflect any restrictions to which you may be subject under a separate agreement). GS Inc. may advise the transfer agent to place a stop order against any legended RSU Shares.

(f) You Agree to Certain Consents, Terms and Conditions. By accepting this Award you understand and agree that:

(i) You Agree to Certain Consents as a Condition to the Award. You have expressly consented to all of the items listed in Section 3.3.3(d) of the Plan, including the Firm's supplying to any third-party recordkeeper of the Plan or other person such personal information of yours as the Committee deems advisable to administer the Plan, and you agree to provide any additional consents that the Committee determines to be necessary or advisable;

(ii) You Are Subject to the Firm's Policies, Rules and Procedures. You are subject to the Firm's policies in effect from time to time concerning trading in RSU Shares and hedging or pledging RSU Shares and equity-based compensation or other awards (including, without limitation, the Firm's "Policies with Respect to Personal Transactions Involving GS Securities and GS Equity Awards" or any successor policies), and confidential or proprietary information, and you will effect sales of RSU Shares in accordance with such rules and procedures as may be adopted from time to time (which may include, without limitation, restrictions relating to the timing of sale requests, the manner in which sales are executed, pricing method, consolidation or aggregation of orders and volume limits determined by the Firm);

(iii) You Are Responsible for Costs Associated with Your Award. You will be responsible for all brokerage costs and other fees or expenses associated with your RSUs, including those related to the sale of RSU Shares;

(iv) You Will Be Deemed to Represent Your Compliance with All the Terms of Your Award if You Accept Delivery of, or Sell, RSU Shares. You will be deemed to have represented and certified that you have complied with all of the terms of the Plan and this Award Agreement when RSU Shares are delivered to you[, you receive payment in respect of Dividend Equivalent Rights] and you request the sale of RSU Shares following the release of Transfer Restrictions;

(v) Firm May Deliver Your Award into an Escrow Account. The Firm may establish and maintain an escrow account on such terms (which may include your executing any documents related to, and your paying for any costs associated with, such account) as it may deem necessary or appropriate, and the delivery of RSU Shares (including Shares at Risk) or the payment of cash (including dividends [and payments under Dividend Equivalent Rights]) or other property may initially be made into and held in that escrow account until such time as the Committee has received such documentation as it may have requested or until the Committee has determined that any other conditions or restrictions on delivery of RSU Shares, cash or other property required by this Award Agreement have been satisfied;

(vi) You May Be Required to Certify Compliance with Award Terms; You Are Responsible for Providing the Firm with Updated Address and Contact Information After Your Departure from the Firm. If your Employment terminates while you continue to hold RSUs or Shares at Risk, from time to time, you may be required to provide certifications of your compliance with all of the terms of the Plan and this Award Agreement as described in Paragraph 9(d)(iv). You understand and agree that (A) your address on file with the Firm at the time any certification is required will be deemed to be your current address, (B) it is your responsibility to inform the Firm of any changes to your address to ensure timely receipt of the certification materials, (C) you are responsible for contacting the Firm to obtain such certification materials if not received and (D) your failure to return properly completed certification materials by the specified deadline (which includes your failure to timely return the completed certification because you did not provide the Firm with updated contact information) will result in the forfeiture of all of your RSUs and Shares at Risk and subject previously delivered amounts to repayment under Paragraph 9(d)(iv);

(vii) You Authorize the Firm to Register, in Its or Its Designee's Name, Any Shares at Risk and Sell, Assign or Transfer Any Forfeited Shares at Risk. You are granting to the Firm the full power and authority to register any Shares at Risk in its or its designee's name and authorizing the Firm or its designee to sell, assign or transfer any Shares at Risk if you forfeit your Shares at Risk;

(viii) You Must Comply with Applicable Deadlines and Procedures to Appeal Determinations Made by the Committee, the SIP Committee or SIP Administrators. If you disagree with a determination made by the Committee, the SIP Committee, the SIP Administrators, or any of their delegates or designees and you wish to appeal such determination, you must submit a written request to the SIP Committee for review within 180 days after the determination at issue. You must exhaust your internal administrative remedies (*i.e.*, submit your appeal and wait for resolution of that appeal) before seeking to resolve a dispute through arbitration pursuant to Paragraph 16 and Section 3.17 of the Plan; and

(ix) You Agree that Covered Persons Will Not Have Liability. In addition to and without limiting the generality of the provisions of Section 1.3.5 of the Plan, neither the Firm nor any Covered Person will have any liability to you or any other person for any action taken or omitted in respect of this or any other Award.

14. **Non-transferability.** Except as otherwise may be provided in this Paragraph 14 or as otherwise may be provided by the Committee, the limitations on transferability set forth in Section 3.5 of the Plan will apply to this Award. Any purported transfer or assignment in violation of the provisions of this Paragraph 14 or Section 3.5 of the Plan will be void. The Committee may adopt procedures pursuant to which some or all recipients of RSUs may transfer some or all of their RSUs and/or Shares at Risk (which will continue to be subject to Transfer Restrictions until the applicable Transferability Date) through a gift for no consideration to any immediate family member, a trust or other estate planning vehicle approved by the Committee or SIP Committee in which the recipient and/or the recipient's immediate family members in the aggregate have 100% of the beneficial interest.

15. **Right of Offset.** Except as provided in Paragraph 18([g][h]), the obligation to deliver RSU Shares, to pay dividends [or payments under Dividend Equivalent Rights] or to remove the Transfer Restrictions under this Award Agreement is subject to Section 3.4 of the Plan, which provides for the Firm's right to offset against such obligation any outstanding amounts you owe to the Firm and any amounts the Committee deems appropriate pursuant to any tax equalization policy or agreement.

#### **ARBITRATION, CHOICE OF FORUM AND GOVERNING LAW**

16. **Arbitration; Choice of Forum.**

**(a) BY ACCEPTING THIS AWARD, YOU ARE INDICATING THAT YOU UNDERSTAND AND AGREE THAT THE ARBITRATION AND CHOICE OF FORUM PROVISIONS SET FORTH IN SECTION 3.17 OF THE PLAN WILL APPLY TO THIS AWARD. THESE PROVISIONS, WHICH ARE EXPRESSLY INCORPORATED HEREIN BY REFERENCE, PROVIDE AMONG OTHER THINGS THAT ANY DISPUTE, CONTROVERSY OR CLAIM BETWEEN THE FIRM AND YOU ARISING OUT OF OR RELATING TO OR CONCERNING THE PLAN OR THIS AWARD AGREEMENT WILL BE FINALLY SETTLED BY ARBITRATION IN NEW YORK CITY, PURSUANT TO THE TERMS MORE FULLY SET FORTH IN SECTION 3.17 OF THE PLAN; PROVIDED THAT NOTHING HEREIN SHALL PRECLUDE YOU FROM FILING A CHARGE WITH OR PARTICIPATING IN ANY INVESTIGATION OR PROCEEDING CONDUCTED BY ANY GOVERNMENTAL AUTHORITY, INCLUDING BUT NOT LIMITED TO THE SEC AND THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION.**

(b) To the fullest extent permitted by applicable law, no arbitrator will have the authority to consider class, collective or representative claims, to order consolidation or to join different claimants or grant relief other than on an individual basis to the individual claimant involved.

(c) Notwithstanding any applicable forum rules to the contrary, to the extent there is a question of enforceability of this Award Agreement arising from a challenge to the arbitrator's jurisdiction or to the arbitrability of a claim, it will be decided by a court and not an arbitrator.

(d) All references to the New York Stock Exchange in Section 3.17 of the Plan will be read as references to the Financial Industry Regulatory Authority.

(e) The Federal Arbitration Act governs interpretation and enforcement of all arbitration provisions under the Plan and this Award Agreement, and all arbitration proceedings thereunder.

(f) Nothing in this Award Agreement creates a substantive right to bring a claim under U.S. Federal, state, or local employment laws.

(g) By accepting your Award, you irrevocably appoint each General Counsel of GS Inc., or any person whom the General Counsel of GS Inc. designates, as your agent for service of process in connection with any suit, action or proceeding arising out of or relating to or concerning the Plan or any Award which is not arbitrated pursuant to the provisions of Section 3.17.1 of the Plan, who shall promptly advise you of any such service of process.

(h) To the fullest extent permitted by applicable law, no arbitrator will have the authority to consider any claim as to which you have not first exhausted your internal administrative remedies in accordance with Paragraph 13(f)(viii).

**17. Governing Law. THIS AWARD WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.**

#### **CERTAIN TAX PROVISIONS**

**18. Compliance of Award Agreement and Plan with Section 409A.** The provisions of this Paragraph 18 apply to you only if you are a U.S. taxpayer.

(a) This Award Agreement and the Plan provisions that apply to this Award are intended and will be construed to comply with Section 409A (including the requirements applicable to, or the conditions for exemption from treatment as, 409A Deferred Compensation), whether by reason of short-term deferral treatment or other exceptions or provisions. The Committee will have full authority to give effect to this intent. To the extent necessary to give effect to this intent, in the case of any conflict or potential inconsistency between the provisions of the Plan (including Sections 1.3.2 and 2.1 thereof) and this Award Agreement, the provisions of this Award Agreement will govern, and in the case of any conflict or potential inconsistency between this Paragraph 18 and the other provisions of this Award Agreement, this Paragraph 18 will govern.

(b) Delivery of RSU Shares will not be delayed beyond the date on which all applicable conditions or restrictions on delivery of RSU Shares required by this Agreement (including those specified in Paragraphs 6, 7, 11(a)(ii), 11(b), 12(c) and 13 and the consents and other items specified in Section 3.3 of the Plan) are satisfied. To the extent that any portion of this Award is intended to satisfy the requirements for short-term deferral treatment under Section 409A, delivery for such portion will occur by the March 15 coinciding with the last day of the applicable “short-term deferral” period described in Reg. 1.409A-1(b)(4) in order for the delivery of RSU Shares to be within the short-term deferral exception unless, in order to permit all applicable conditions or restrictions on delivery to be satisfied, the Committee elects, pursuant to Reg. 1.409A-1(b)(4)(i)(D) or otherwise as may be permitted in accordance with Section 409A, to delay delivery of RSU Shares to a later date within the same calendar year or to such later date as may be permitted under Section 409A, including Reg. 1.409A-2(b)(7) (in conjunction with Section 3.21.3 of the Plan pertaining to Code Section 162(m)) and Reg. 1.409A-3(d). For the avoidance of doubt, if the Award includes a “series of installment payments” as described in Reg. 1.409A-2(b)(2)(iii), your right to the series of installment payments will be treated as a right to a series of separate payments and not as a right to a single payment.

(c) Notwithstanding the provisions of Paragraph 13(b) and Section 1.3.2(i) of the Plan, to the extent necessary to comply with Section 409A, any securities, other Awards or other property that the Firm may deliver in respect of your RSUs will not have the effect of deferring delivery or payment, income inclusion, or a substantial risk of forfeiture, beyond the date on which such delivery, payment or inclusion would occur or such risk of forfeiture would lapse, with respect to the RSU Shares that would otherwise have been deliverable (unless the Committee elects a later date for this purpose pursuant to Reg. 1.409A-1(b)(4)(i)(D) or otherwise as may be permitted under Section 409A, including and to the extent applicable, the subsequent election provisions of Section 409A(a)(4)(C) of the Code and Reg. 1.409A-2(b)).

(d) Notwithstanding the timing provisions of Paragraph 12(c), the delivery of RSU Shares referred to therein will be made after the date of death and during the calendar year that includes the date of death (or on such later date as may be permitted under Section 409A).

(e) The timing of delivery or payment pursuant to Paragraph 12(a) will occur on the earlier of (i) the Delivery Date or (ii) a date that is within the calendar year in which the termination of Employment occurs; *provided, however*, that, if you are a “specified employee” (as defined by the Firm in accordance with Section 409A(a)(2)(i)(B) of the Code), delivery will occur on the earlier of the Delivery Date or (to the extent required to avoid the imposition of additional tax under Section 409A) the date that is six months after your termination of Employment (or, if the latter date is not during a Window Period, the first trading day of the next Window Period). For purposes of Paragraph 12(a), references in this Award Agreement to termination of Employment mean a termination of Employment from the Firm (as defined by the Firm) which is also a separation from service (as defined by the Firm in accordance with Section 409A).

(f) [Notwithstanding any provision of Paragraph 8 or Section 2.8.2 of the Plan to the contrary, the Dividend Equivalent Rights with respect to each of your Outstanding RSUs will be paid to you within the calendar year that includes the date of distribution of any corresponding regular cash dividends paid by GS Inc. in respect of a share of Common Stock the record date for which occurs on or after the Date of Grant. The payment will be in an amount (less applicable withholding) equal to such regular dividend payment as would have been made in respect of the RSU Shares underlying such Outstanding RSUs.]



(g) The timing of delivery or payment referred to in Paragraph 12(b)(i) will be the earlier of (i) the Delivery Date or (ii) a date that is within the calendar year in which the Committee receives satisfactory documentation relating to your Conflicted Employment, *provided* that such delivery or payment will be made, and any Committee action referred to in Paragraph 12(b)(ii) will be taken, only at such time as, and if and to the extent that it, as reasonably determined by the Firm, would not result in the imposition of any additional tax to you under Section 409A.

(h) Paragraph 15 and Section 3.4 of the Plan will not apply to Awards that are 409A Deferred Compensation except to the extent permitted under Section 409A.

(i) Delivery of RSU Shares in respect of any Award may be made, if and to the extent elected by the Committee, later than the Delivery Date or other date or period specified hereinabove (but, in the case of any Award that constitutes 409A Deferred Compensation, only to the extent that the later delivery is permitted under Section 409A).

(j) You understand and agree that you are solely responsible for the payment of any taxes and penalties due pursuant to Section 409A, but in no event will you be permitted to designate, directly or indirectly, the taxable year of the delivery.

19. **Compliance of Award Agreement and Plan with Section 162(m)**. The provisions of Paragraph 18(b) and this Paragraph 19 and the provisions of Sections 1.2.13, 1.3.3, 2.8.3, 3.1.2 and 3.21 of the Plan addressing the qualification of compensation realized from Awards as “performance-based” compensation under Section 162(m) of the Code shall apply only to the extent that Section 162(m) of the Code provides a “performance-based” compensation exception to the deduction limitations applicable thereunder. If you are or become considered by GS Inc. to be one of its “covered employees” within the meaning of Section 162(m) of the Code, then you will be subject to Section 3.21.3 of the Plan, as a result of which delivery of your RSU Shares may be delayed.

#### **COMMITTEE AUTHORITY, AMENDMENT AND CONSTRUCTION**

20. **Committee Authority**. The Committee has the authority to determine, in its sole discretion, that any event triggering forfeiture or repayment of your Award will not apply, to limit the forfeitures and repayments that result under Paragraphs 9 and 10 and to remove Transfer Restrictions before the applicable Transferability Date. In addition, the Committee, in its sole discretion, may determine whether Paragraphs 11(a)(ii) and 11(b) will apply upon a termination of Employment and whether a termination of Employment constitutes an Approved Termination under Paragraph 11(c).

21. **Amendment**. The Committee reserves the right at any time to amend the terms of this Award Agreement, and the Board may amend the Plan in any respect; *provided* that, notwithstanding the foregoing and Sections 1.3.2(f), 1.3.2(h) and 3.1 of the Plan, no such amendment will materially adversely affect your rights and obligations under this Award Agreement without your consent; and *provided further* that the Committee expressly reserves its rights to amend the Award Agreement and the Plan as described in Sections 1.3.2(h)(1), (2) and (4) of the Plan. A modification that impacts the tax consequences of this Award or the timing of delivery of RSU Shares will not be an amendment that materially adversely affects your rights and obligations under this Award Agreement. Any amendment of this Award Agreement will be in writing.

22. **Construction, Headings.** Unless the context requires otherwise, (a) words describing the singular number include the plural and vice versa, (b) words denoting any gender include all genders and (c) the words “include,” “includes” and “including” will be deemed to be followed by the words “without limitation.” The headings in this Award Agreement are for the purpose of convenience only and are not intended to define or limit the construction of the provisions hereof. References in this Award Agreement to any specific Plan provision will not be construed as limiting the applicability of any other Plan provision.

**IN WITNESS WHEREOF**, GS Inc. has caused this Award Agreement to be duly executed and delivered as of the Date of Grant.

**THE GOLDMAN SACHS GROUP, INC.**

## [CODE STAFF FORFEITURE AND REPAYMENT APPENDIX

This Code Staff Appendix supplements Paragraph 9 and sets forth additional events that result in forfeiture of up to all of your RSUs and Shares at Risk and may require repayment to the Firm of up to all other amounts previously delivered or paid to you under your Award in accordance with Paragraph 10. As with the events described in Paragraph 9, more than one event may apply, in no case will the occurrence of one event limit the forfeiture and repayment obligations as a result of the occurrence of any other event and the Firm reserves the right to (a) suspend vesting of Outstanding RSUs, delivery of RSU Shares or release of Transfer Restrictions, (b) deliver any RSU Shares or dividends into an escrow account in accordance with Paragraph 13(f)(v) or (c) apply Transfer Restrictions to any RSU Shares in connection with any investigation of whether any of the events that result in forfeiture under this Code Staff Appendix have occurred.

With respect to the events described in Paragraphs ([a][b]) through ([d][e]) of this Appendix, the Committee will consider certain factors to determine whether and what portion of your Award will terminate, including the reason for the “Loss Event” (as defined below) or “Risk Event” (as defined below) and the extent to which: (1) you participated in the Loss Event or Risk Event, (2) your compensation for the Firm’s \_\_\_\_ fiscal year may or may not have been adjusted to take into account the risk associated with the Loss Event, Risk Event, your “Serious Misconduct” (as defined below) or the Serious Misconduct of a “Supervised Employee” (as defined below) and (3) your compensation may be adjusted for the year in which the Loss Event, Risk Event, your Serious Misconduct or a Supervised Employee’s Serious Misconduct is discovered.

(a) [You Associate With a Material Covered Enterprise Prior to \_\_\_\_\_. If you “Associate With a Material Covered Enterprise” (as defined below) before the earlier of \_\_\_\_\_ or a Qualifying Termination After a Change In Control, your rights to all of your Outstanding RSUs (whether or not Vested) will terminate, and no RSU Shares will be delivered in respect of such RSUs and your rights to all of your Shares at Risk will terminate and your Shares at Risk will be cancelled. For the avoidance of doubt, notwithstanding the foregoing, (i) the restrictions on Association With a Covered Enterprise described in Paragraph 9(b) will supersede the restrictions on Association With a Material Covered Enterprise described in this Appendix until the January 1 immediately preceding the applicable Delivery Date for your Supplemental RSUs and (ii) if your Base RSUs or Additional Base RSUs become Vested by reason of Extended Absence or Retirement and are subject to forfeiture if you Associate With a Covered Enterprise as described in Paragraph 11(a)(i), the restrictions on Association With a Covered Enterprise in Paragraph 11(a)(i) will supersede the restrictions on Association With a Material Covered Enterprise described in this Appendix until the applicable originally scheduled Vesting Date.

(i) “Associate With a Material Covered Enterprise” means that you (A) form, or acquire a 5% or greater equity ownership, voting or profit participation interest in, any “Material Covered Enterprise” (as defined below) or (B) associate in any capacity (including association as an officer, employee, partner, director, consultant, agent or advisor) with any Material Covered Enterprise. Associate With a Material Covered Enterprise may include, as determined in the discretion of either the Committee or the SIP Committee, (A) becoming the subject of any publicly available announcement or report of a pending or future association with a Material Covered Enterprise and (B) unpaid associations, including an association in contemplation of future employment. The term “Association With a Material Covered Enterprise” has its correlative meaning.

(ii) The restriction described above on any Association With a Material Covered Enterprise will not apply if (A) the Firm terminates your Employment solely by reason of a “downsizing” or the Firm characterizes your Employment termination as “involuntary” or by “mutual agreement” (and, in each case, you have not engaged in conduct constituting Cause) and (B) you execute a general waiver and release of claims and an agreement to pay any associated tax liability, in each case, in the form the Firm prescribes.

(iii) “**Material Covered Enterprise**” means a Covered Enterprise that the Firm determines, in its sole discretion, to be material.]

(b) A Loss Event Occurs Prior to Delivery. If a Loss Event occurs prior to the delivery of RSU Shares, your rights in respect of all or a portion of your RSUs (whether or not Vested) which are scheduled to deliver on the next Delivery Date immediately following the date that the Loss Event is identified (or, if not practicable, then the next following Delivery Date) will terminate, and no RSU Shares will be delivered in respect of such RSUs.

(i) A “**Loss Event**” means (A) an annual pre-tax loss at GS Inc. or (B) annual negative revenues in one or more reporting segments as disclosed in the Firm’s Form 10-K other than the Investing & Lending segment, or annual negative revenues in the Investing & Lending segment of \$5 billion or more, *provided* in either case that you are employed in a business within such reporting segment.

(c) A Risk Event Occurs Prior to \_\_\_\_\_. If a Risk Event occurs prior to \_\_\_\_\_, (i) your rights in respect of all or a portion of your RSUs (whether or not Vested) will terminate and no RSU Shares will be delivered in respect of such RSUs, (ii) your rights to all or a portion of any Shares at Risk will terminate and such Shares at Risk will be cancelled and (iii) you will be obligated immediately upon demand therefor to pay the Firm an amount not in excess of the greater of the Fair Market Value of the RSU Shares (plus any dividend payments) delivered in respect of the Award (without reduction for any amount applied to satisfy tax withholding or other obligations) determined as of (A) the date the Risk Event occurred and (B) the date that the repayment request is made.

(i) A “**Risk Event**” means there occurs a loss of 5% or more of firmwide total capital from a reportable operational risk event determined in accordance with the firmwide Reporting Operational Risk Events Policy.

(d) You Engage in Serious Misconduct Prior to \_\_\_\_\_. If you engage in Serious Misconduct during the period beginning on the applicable Transferability Date through \_\_\_\_\_, you will be obligated immediately upon demand therefor to pay the Firm an amount not in excess of the greater of the Fair Market Value of the RSU Shares (plus any dividend payments) delivered in respect of the Award (without reduction for any amount applied to satisfy tax withholding or other obligations) determined as of (i) the date the Serious Misconduct occurred and (ii) the date that the repayment request is made.

(i) “**Serious Misconduct**” means that you engage in conduct that the Firm reasonably considers, in its sole discretion, to be misconduct sufficient to justify summary termination of employment under English law.

(e) A Supervised Employee Engages in Serious Misconduct. If the Committee determines that it is appropriate to hold you accountable in whole or in part for Serious Misconduct related to compliance, control or risk that occurred during the Firm’s \_\_\_\_\_ fiscal year by a Supervised Employee, your rights in respect of all or a portion of your RSUs (whether or not Vested) will terminate and no RSU Shares will be delivered in respect of such RSUs and your rights to all or a portion of any Shares at Risk will terminate and such Shares at Risk will be cancelled.

(i) “**Supervised Employee**” means an individual with respect to whom the Committee determines you had supervisory responsibility as a result of direct or indirect reporting lines or your management responsibility for an office, division or business.

Notwithstanding any provision in the Plan, this Award Agreement or any other agreement or arrangement you may have with the Firm, the parties agree that to the extent that there is any dispute arising out of or relating to the payment required by Paragraphs ([b][c]) and ([c][d]) of this Appendix (including your refusal to remit payment) the parties will submit to arbitration in accordance with Paragraph 16 of this Award Agreement and Section 3.17 of the Plan as the sole means of resolution of such dispute (including the recovery by the Firm of the payment amount).]

## DEFINITIONS APPENDIX

**The following capitalized terms are used in this Award Agreement with the following meanings:**

(a) “409A Deferred Compensation” means a “deferral of compensation” or “deferred compensation” as those terms are defined in the regulations under Section 409A.

(b) “Approved Termination” means that you are classified by the Firm as a “program analyst” or “fixed-term employee” and you (i) successfully complete the analyst program or fixed-term engagement, as applicable and determined by the Firm in its sole discretion, including remaining Employed through the completion date specified by the Firm, and (ii) terminate Employment immediately after the completion date without any “stay-on” or other agreement or understanding to continue Employment with the Firm. If you agree to stay with the Firm as an employee after your analyst program or fixed-term engagement ends and then later terminate Employment, you will not have an Approved Termination.

(c) “Associate With a Covered Enterprise” means that you (i) form, or acquire a 5% or greater equity ownership, voting or profit participation interest in, any Covered Enterprise or (ii) associate in any capacity (including association as an officer, employee, partner, director, consultant, agent or advisor) with any Covered Enterprise. Associate With a Covered Enterprise may include, as determined in the discretion of either the Committee or the SIP Committee, (i) becoming the subject of any publicly available announcement or report of a pending or future association with a Covered Enterprise and (ii) unpaid associations, including an association in contemplation of future employment. “Association With a Covered Enterprise” will have its correlative meaning.

(d) “Award Agreement” means the written document or documents by which each Award is evidenced, including any Award Statement or any related signature card.

(e) “Conflicted Employment” means your employment at any U.S. Federal, state or local government, any non-U.S. government, any supranational or international organization, any self-regulatory organization, or any agency or instrumentality of any such government or organization, or any other employer (other than an “Accounting Firm” within the meaning of SEC Rule 2-01(f)(2) of Regulation S-X or any successor thereto) determined by the Committee, if, as a result of such employment, your continued holding of any Outstanding RSUs and Shares at Risk would result in an actual or perceived conflict of interest.

(f) “Covered Enterprise” means a Competitive Enterprise and any other existing or planned business enterprise that: (i) offers, holds itself out as offering or reasonably may be expected to offer products or services that are the same as or similar to those offered by the Firm or that the Firm reasonably expects to offer (“Firm Products or Services”) or (ii) engages in, holds itself out as engaging in or reasonably may be expected to engage in any other activity that is the same as or similar to any financial activity engaged in by the Firm or in which the Firm reasonably expects to engage (“Firm Activities”). For the avoidance of doubt, Firm Activities include any activity that requires the same or similar skills as any financial activity engaged in by the Firm or in which the Firm reasonably expects to engage, irrespective of whether any such financial activity is in furtherance of an advisory, agency, proprietary or fiduciary undertaking.

The enterprises covered by this definition include enterprises that offer, hold themselves out as offering or reasonably may be expected to offer Firm Products or Services, or engage in, hold themselves out as engaging in or reasonably may be expected to engage in Firm Activities directly, as well as those that do so indirectly by ownership or control (*e.g.*, by owning, being owned by or by being

under common ownership with an enterprise that offers, holds itself out as offering or reasonably may be expected to offer Firm Products or Services or that engages in, holds itself out as engaging in or reasonably may be expected to engage in Firm Activities). The definition of Covered Enterprise includes, solely by way of example, any enterprise that offers, holds itself out as offering or reasonably may be expected to offer any product or service, or engages in, holds itself out as engaging in or reasonably may be expected to engage in any activity, in any case, associated with investment banking; public or private finance; lending; financial advisory services; private investing for anyone other than you or your family members (including, for the avoidance of doubt, any type of proprietary investing or trading); private wealth management; private banking; consumer, digital or commercial banking; merchant banking; asset, portfolio or hedge fund management; insurance or reinsurance underwriting or brokerage; property management; or securities, futures, commodities, energy, derivatives, currency or digital asset brokerage, sales, lending, custody, clearance, settlement or trading. An enterprise that offers, holds itself out as offering or reasonably may be expected to offer Firm Products or Services, or engages in, holds itself out as engaging in or reasonably may be expected to engage in Firm Activities is a Covered Enterprise, **irrespective of whether the enterprise is a customer, client or counterparty of the Firm and, because the Firm is a global enterprise, irrespective of where the Covered Enterprise is physically located.**

(g) “Failed to Consider Risk” means that you participated in the structuring or marketing of any product or service, or participated on behalf of the Firm or any of its clients in the purchase or sale of any security or other property, in any case without appropriate consideration of the risk to the Firm or the broader financial system as a whole (for example, where you have improperly analyzed such risk or where you have failed sufficiently to raise concerns about such risk) and, as a result of such action or omission, the Committee determines there has been, or reasonably could be expected to be, a material adverse impact on the Firm, your business unit or the broader financial system.

(h) “January Transferability Date” means the first trading day in a Window Period that occurs in \_\_\_\_\_, or if no Window Period occurs in \_\_\_\_\_, the first trading day of the first Window Period following thereafter.

(i) “\_\_\_\_-Month Transferability Date” means the first trading day in a Window Period that occurs on or after the \_\_\_\_-month anniversary of the Delivery Date.

(j) “Qualifying Termination After a Change in Control” means that the Firm terminates your Employment other than for Cause or you terminate your Employment for Good Reason, in each case, within 18 months following a Change in Control.

(k) “SEC” means the U.S. Securities and Exchange Commission.

(l) “Selected Firm Personnel” means any individual who is or in the three months preceding the conduct prohibited by Paragraph 9 (c)(i) was (i) a Firm employee or consultant with whom you personally worked while employed by the Firm, (ii) a Firm employee or consultant who, at any time during the year preceding the date of the termination of your Employment, worked in the same division in which you worked or (iii) an Advisory Director, a Managing Director or a Senior Advisor of the Firm.

(m) “Shares at Risk” means RSU Shares subject to Transfer Restrictions.



**The following capitalized terms are used in this Award Agreement with the meanings that are assigned to them in the Plan.**

(a) “Account” means any brokerage account, custody account or similar account, as approved or required by GS Inc. from time to time, into which shares of Common Stock, cash or other property in respect of an Award are delivered.

(b) “Award Statement” means a written statement that reflects certain Award terms.

(c) “Business Day” means any day other than a Saturday, a Sunday or a day on which banking institutions in New York City are authorized or obligated by Federal law or executive order to be closed.

(d) “Cause” means (i) the Grantee’s conviction, whether following trial or by plea of guilty or *nolo contendere* (or similar plea), in a criminal proceeding (A) on a misdemeanor charge involving fraud, false statements or misleading omissions, wrongful taking, embezzlement, bribery, forgery, counterfeiting or extortion, or (B) on a felony charge, or (C) on an equivalent charge to those in clauses (A) and (B) in jurisdictions which do not use those designations, (ii) the Grantee’s engaging in any conduct which constitutes an employment disqualification under applicable law (including statutory disqualification as defined under the Exchange Act), (iii) the Grantee’s willful failure to perform the Grantee’s duties to the Firm, (iv) the Grantee’s violation of any securities or commodities laws, any rules or regulations issued pursuant to such laws, or the rules and regulations of any securities or commodities exchange or association of which the Firm is a member, (v) the Grantee’s violation of any Firm policy concerning hedging or pledging or confidential or proprietary information, or the Grantee’s material violation of any other Firm policy as in effect from time to time, (vi) the Grantee’s engaging in any act or making any statement which impairs, impugns, denigrates, disparages or negatively reflects upon the name, reputation or business interests of the Firm or (vii) the Grantee’s engaging in any conduct detrimental to the Firm. The determination as to whether Cause has occurred shall be made by the Committee in its sole discretion and, in such case, the Committee also may, but shall not be required to, specify the date such Cause occurred (including by determining that a prior termination of Employment was for Cause). Any rights the Firm may have hereunder and in any Award Agreement in respect of the events giving rise to Cause shall be in addition to the rights the Firm may have under any other agreement with a Grantee or at law or in equity.

(e) “Change in Control” means the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving GS Inc. (a “Reorganization”) or sale or other disposition of all or substantially all of GS Inc.’s assets to an entity that is not an affiliate of GS Inc. (a “Sale”), that in each case requires the approval of GS Inc.’s shareholders under the law of GS Inc.’s jurisdiction of organization, whether for such Reorganization or Sale (or the issuance of securities of GS Inc. in such Reorganization or Sale), unless immediately following such Reorganization or Sale, either: (i) at least 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of (A) the entity resulting from such Reorganization, or the entity which has acquired all or substantially all of the assets of GS Inc. in a Sale (in either case, the “Surviving Entity”), or (B) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, as such Rule is in effect on the date of the adoption of the 1999 SIP) of 50% or more of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the Surviving Entity (the “Parent Entity”) is represented by GS Inc.’s securities (the “GS Inc. Securities”) that were outstanding immediately prior to such Reorganization or Sale (or, if applicable, is represented by shares into which such GS Inc. Securities were converted pursuant to such Reorganization or Sale) or (ii) at least 50% of the members of the board of directors (or similar officials in the case of an entity other than a

corporation) of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) following the consummation of the Reorganization or Sale were, at the time of the Board's approval of the execution of the initial agreement providing for such Reorganization or Sale, individuals (the "Incumbent Directors") who either (A) were members of the Board on the Effective Date or (B) became directors subsequent to the Effective Date and whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of GS Inc.'s proxy statement in which such persons are named as nominees for director).

(f) "Client" means any client or prospective client of the Firm to whom the Grantee provided services, or for whom the Grantee transacted business, or whose identity became known to the Grantee in connection with the Grantee's relationship with or employment by the Firm.

(g) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and the applicable rulings and regulations thereunder.

(h) "Committee" means the committee appointed by the Board to administer the Plan pursuant to Section 1.3, and, to the extent the Board determines it is appropriate for the compensation realized from Awards under the Plan to be considered "performance based" compensation under Section 162(m) of the Code, shall be a committee or subcommittee of the Board composed of two or more members, each of whom is an "outside director" within the meaning of Code Section 162(m), and which, to the extent the Board determines it is appropriate for Awards under the Plan to qualify for the exemption available under Rule 16b-3(d)(1) or Rule 16b-3(e) promulgated under the Exchange Act, shall be a committee or subcommittee of the Board composed of two or more members, each of whom is a "non-employee director" within the meaning of Rule 16b-3. Unless otherwise determined by the Board, the Committee shall be the Compensation Committee of the Board.

(i) "Common Stock" means common stock of GS Inc., par value \$0.01 per share.

(j) "Competitive Enterprise" means an existing or planned business enterprise that (i) engages, or may reasonably be expected to engage, in any activity, (ii) owns or controls, or may reasonably be expected to own or control, a significant interest in or (iii) is, or may reasonably be expected to be, owned by, or a significant interest in which is, or may reasonably be expected to be, owned or controlled by, any entity that engages in any activity that, in any case, competes or will compete anywhere with any activity in which the Firm is engaged. The activities covered by this definition include, without limitation, financial services such as investment banking, public or private finance, lending, financial advisory services, private investing (for anyone other than the Grantee and members of the Grantee's family), merchant banking, asset or hedge fund management, insurance or reinsurance underwriting or brokerage, property management, or securities, futures, commodities, energy, derivatives or currency brokerage, sales, lending, custody, clearance, settlement or trading.

(k) "Covered Person" means a member of the Board or the Committee or any employee of the Firm.

(l) "Date of Grant" means the date specified in the Grantee's Award Agreement as the date of grant of the Award.

(m) "Delivery Date" means each date specified in the Grantee's Award Agreement as a delivery date, *provided*, unless the Committee determines otherwise, such date is during a Window Period or, if such date is not during a Window Period, the first trading day of the first Window Period beginning after such date.

(n) “Dividend Equivalent Right” means a dividend equivalent right granted under the Plan, which represents an unfunded and unsecured promise to pay to the Grantee amounts equal to all or any portion of the regular cash dividends that would be paid on shares of Common Stock covered by an Award if such shares had been delivered pursuant to an Award.

(o) “Employment” means the Grantee’s performance of services for the Firm, as determined by the Committee. The terms “employ” and “employed” shall have their correlative meanings. The Committee in its sole discretion may determine (i) whether and when a Grantee’s leave of absence results in a termination of Employment (for this purpose, unless the Committee determines otherwise, a Grantee shall be treated as terminating Employment with the Firm upon the occurrence of an Extended Absence), (ii) whether and when a change in a Grantee’s association with the Firm results in a termination of Employment and (iii) the impact, if any, of any such leave of absence or change in association on Awards theretofore made. Unless expressly provided otherwise, any references in the Plan or any Award Agreement to a Grantee’s Employment being terminated shall include both voluntary and involuntary terminations.

(p) “Extended Absence” means the Grantee’s inability to perform for six (6) continuous months, due to illness, injury or pregnancy-related complications, substantially all the essential duties of the Grantee’s occupation, as determined by the Committee.

(q) “Firm” means GS Inc. and its subsidiaries and affiliates.

(r) “Good Reason” means, in connection with a termination of employment by a Grantee following a Change in Control, (a) as determined by the Committee, a materially adverse alteration in the Grantee’s position or in the nature or status of the Grantee’s responsibilities from those in effect immediately prior to the Change in Control or (b) the Firm’s requiring the Grantee’s principal place of Employment to be located more than seventy-five (75) miles from the location where the Grantee is principally Employed at the time of the Change in Control (except for required travel on the Firm’s business to an extent substantially consistent with the Grantee’s customary business travel obligations in the ordinary course of business prior to the Change in Control).

(s) “Grantee” means a person who receives an Award.

(t) “GS Inc.” means The Goldman Sachs Group, Inc., and any successor thereto.

(u) “Outstanding” means any Award to the extent it has not been forfeited, cancelled, terminated, exercised or with respect to which the shares of Common Stock underlying the Award have not been previously delivered or other payments made.

(v) “Retirement” means termination of the Grantee’s Employment (other than for Cause) on or after the Date of Grant at a time when (i) (A) the sum of the Grantee’s age plus years of service with the Firm (as determined by the Committee in its sole discretion) equals or exceeds 60 and (B) the Grantee has completed at least 10 years of service with the Firm (as determined by the Committee in its sole discretion) or, if earlier, (ii) (A) the Grantee has attained age 50 and (B) the Grantee has completed at least five years of service with the Firm (as determined by the Committee in its sole discretion).

(w) “RSU” means a restricted stock unit Award granted under the Plan, which represents an unfunded and unsecured promise to deliver shares of Common Stock in accordance with the terms of the RSU Award Agreement.

(x) “RSU Shares” means shares of Common Stock that underlie an RSU.

(y) “Section 409A” means Section 409A of the Code, including any amendments or successor provisions to that Section and any regulations and other administrative guidance thereunder, in each case as they, from time to time, may be amended or interpreted through further administrative guidance.

(z) “SIP Administrator” means each person designated by the Committee as a “SIP Administrator” with the authority to perform day-to-day administrative functions for the Plan.

(aa) “SIP Committee” means the persons who have been delegated certain authority under the Plan by the Committee.

(bb) “Solicit” means any direct or indirect communication of any kind whatsoever, regardless of by whom initiated, inviting, advising, encouraging or requesting any person or entity, in any manner, to take or refrain from taking any action.

(cc) “Transfer Restrictions” means restrictions that prohibit the sale, exchange, transfer, assignment, pledge, hypothecation, fractionalization, hedge or other disposal (including through the use of any cash-settled instrument), whether voluntarily or involuntarily by the Grantee, of an Award or any shares of Common Stock, cash or other property delivered in respect of an Award.

(dd) “Transferability Date” means the date Transfer Restrictions on a Restricted Share will be released. Within 30 Business Days after the applicable Transferability Date, GS Inc. shall take, or shall cause to be taken, such steps as may be necessary to remove Transfer Restrictions.

(ee) “Vested” means, with respect to an Award, the portion of the Award that is not subject to a condition that the Grantee remain actively employed by the Firm in order for the Award to remain Outstanding. The fact that an Award becomes Vested shall not mean or otherwise indicate that the Grantee has an unconditional or nonforfeitable right to such Award, and such Award shall remain subject to such terms, conditions and forfeiture provisions as may be provided for in the Plan or in the Award Agreement.

(ff) “Vesting Date” means each date specified in the Grantee’s Award Agreement as a date on which part or all of an Award becomes Vested.

(gg) “Window Period” means a period designated by the Firm during which all employees of the Firm are permitted to purchase or sell shares of Common Stock (*provided* that, if the Grantee is a member of a designated group of employees who are subject to different restrictions, the Window Period may be a period designated by the Firm during which an employee of the Firm in such designated group is permitted to purchase or sell shares of Common Stock).

THE GOLDMAN SACHS GROUP, INC.  
YEAR-END SHORT-TERM RSU AWARD

This Award Agreement, together with The Goldman Sachs Amended and Restated Stock Incentive Plan (2015) (the “Plan”), governs your \_\_\_\_ year-end award of Short-Term RSUs (your “Award”). You should read carefully this entire Award Agreement, which includes the Award Statement, any attached Appendix and the signature card.

#### ACCEPTANCE

1. **You Must Decide Whether to Accept this Award Agreement.** To be eligible to receive your Award, you must by the date specified (a) open and activate an Account and (b) agree to all the terms of your Award by executing the related signature card in accordance with its instructions. By executing the signature card, you confirm your agreement to all of the terms of this Award Agreement, including the arbitration and choice of forum provisions in Paragraph 14.

#### DOCUMENTS THAT GOVERN YOUR AWARD; DEFINITIONS

2. **The Plan.** Your Award is granted under the Plan, and the Plan’s terms apply to, and are a part of, this Award Agreement.
3. **Your Award Statement.** The Award Statement delivered to you contains some of your Award’s specific terms. For example, it contains the number of Short-Term RSUs awarded to you and the Delivery Date.
4. **Definitions.** Capitalized terms are defined in the Definitions Appendix, which also includes terms that are defined in the Plan.

#### VESTING OF YOUR RSUS

5. **Vesting.** All of your Short-Term RSUs are Vested. When an RSU is Vested, it means **only** that your continued active Employment is not required for delivery of that portion of RSU Shares. **Vesting does not mean you have a non-forfeitable right to the Vested portion of your Award. The terms of this Award Agreement (including conditions to delivery) continue to apply to Vested Short-Term RSUs, and you can still forfeit Vested Short-Term RSUs and any RSU Shares.**

#### DELIVERY OF YOUR RSU SHARES

6. **Delivery.** Reasonably promptly (but no more than 30 Business Days) after each Delivery Date listed on your Award Statement, RSU Shares (less applicable withholding as described in Paragraph 11(a)) will be delivered (by book entry credit to your Account) in respect of the amount of Outstanding Short-Term RSUs listed next to that date. The Committee or the SIP Committee may select multiple dates within the 30-Business-Day period following the Delivery Date to deliver RSU Shares in respect of all or a portion of the Short-Term RSUs with the same Delivery Date listed on the Award Statement, and all such dates will be treated as a single Delivery Date for purposes of this Award. Until such delivery, you have only the rights of a general unsecured creditor, and no rights as a shareholder of GS Inc. Without limiting the Committee’s authority under Section 1.3.2(h) of the Plan, the Firm may accelerate any Delivery Date by up to 30 days.

## DIVIDENDS

7. **Dividend Equivalent Rights and Dividends.** Each Short-Term RSU includes a Dividend Equivalent Right, which entitles you to receive an amount (less applicable withholding), at or after the time of distribution of any regular cash dividend paid by GS Inc. in respect of a share of Common Stock, equal to any regular cash dividend payment that would have been made in respect of an RSU Share underlying your Outstanding Short-Term RSUs for any record date that occurs on or after the Date of Grant.

## FORFEITURE OF YOUR AWARD

8. **How You May Forfeit Your Award.** This Paragraph 8 sets forth the events that result in forfeiture of up to all of your Short-Term RSUs and may require repayment to the Firm of up to all other amounts previously delivered or paid to you under your Award in accordance with Paragraph 9. More than one event may apply, and in no case will the occurrence of one event limit the forfeiture and repayment obligations as a result of the occurrence of any other event. In addition, the Firm reserves the right to (a) suspend payments under Dividend Equivalent Rights or delivery of RSU Shares, (b) deliver any RSU Shares, dividends or payments under Dividend Equivalent Rights into an escrow account in accordance with Paragraph 11(f)(v) or (c) apply Transfer Restrictions to any RSU Shares in connection with any investigation of whether any of the events that result in forfeiture under the Plan or this Paragraph 8 have occurred. Paragraph 10 (relating to certain circumstances under which delivery may be accelerated) provides for exceptions to one or more provisions of this Paragraph 8. [The Code Staff Forfeiture and Repayment Appendix supplements this Paragraph 8 and sets forth additional events that result in forfeiture of up to all of your Short-Term RSUs and may require repayment to the Firm as described in Paragraph 9 and the Appendix.]

(a) **Short-Term RSUs Forfeited Upon Certain Events.** If any of the following occurs, your rights to all of your Outstanding Short-Term RSUs will terminate, and no RSU Shares will be delivered in respect of such RSUs, as may be further described below:

(i) **You Failed to Consider Risk.** You Failed to Consider Risk during the Firm's \_\_\_\_ fiscal year.

(ii) **Your Conduct Constitutes Cause.** Any event that constitutes Cause [(including, for the avoidance of doubt, "Serious Misconduct" as defined in the Code Staff Forfeiture and Repayment Appendix)] has occurred before the Delivery Date.

(iii) **You Do Not Meet Your Obligations to the Firm.** The Committee determines that, before the Delivery Date, you failed to meet, in any respect, any obligation under any agreement with the Firm, or any agreement entered into in connection with your Employment or this Award, including the Firm's notice period requirement applicable to you, any offer letter, employment agreement or any shareholders' agreement relating to the Firm. Your failure to pay or reimburse the Firm, on demand, for any amount you owe to the Firm will constitute (A) failure to meet an obligation you have under an agreement, regardless of whether such obligation arises under a written agreement, and/or (B) a material violation of Firm policy constituting Cause.

(iv) **You Do Not Provide Timely Certifications or Comply with Your Certifications.** You fail to certify to GS Inc. that you have complied with all of the terms of the Plan and this Award Agreement, or the Committee determines that you have failed to comply with a term of the Plan or this Award Agreement to which you have certified compliance.

(v) You Do Not Follow Dispute Resolution/Arbitration Procedures. You attempt to have any dispute under the Plan or this Award Agreement resolved in any manner that is not provided for by Paragraph 14 or Section 3.17 of the Plan, or you attempt to arbitrate a dispute without first having exhausted your internal administrative remedies in accordance with Paragraph 13(f)(viii).

(vi) You Bring an Action that Results in a Determination that Any Award Agreement Term Is Invalid. As a result of any action brought by you, it is determined that any term of this Award Agreement is invalid.

(vii) You Receive Compensation in Respect of Your Award from Another Employer. Your Employment terminates for any reason or you otherwise are no longer actively employed with the Firm and another entity grants you cash, equity or other property (whether vested or unvested) to replace, substitute for or otherwise in respect of any Outstanding Short-Term RSUs; *provided, however*, that your rights will only be terminated in respect of the Short-Term RSUs that are replaced, substituted for or otherwise considered by such other entity in making its grant.

#### **REPAYMENT OF YOUR AWARD**

9. **When You May Be Required to Repay Your Award**. If the Committee determines that any term of this Award was not satisfied, you will be required, immediately upon demand therefor, to repay to the Firm the following:

(a) Any RSU Shares for which the terms (including the terms for delivery) of the related Short-Term RSUs were not satisfied, in accordance with Section 2.6.3 of the Plan.

(b) Any payments under Dividend Equivalent Rights for which the terms were not satisfied (including any such payments made in respect of Short-Term RSUs that are forfeited or RSU Shares that are cancelled or required to be repaid), in accordance with Section 2.8.4 of the Plan.

(c) Any dividends paid in respect of any RSU Shares that are cancelled or required to be repaid.

(d) Any amount applied to satisfy tax withholding or other obligations with respect to any Short-Term RSU, RSU Shares, dividend payments and payments under Dividend Equivalent Rights that are forfeited or required to be repaid.

#### **EXCEPTIONS TO THE DELIVERY DATE**

10. **Accelerated Delivery in the Event of a Qualifying Termination After a Change in Control, Conflicted Employment or Death**. In the event of your Qualifying Termination After a Change in Control, Conflicted Employment or death, each as described below, your Outstanding Short-Term RSUs will be treated as described in this Paragraph 10, and, except as set forth in Paragraph 10(a), all other terms of this Award Agreement, including the other forfeiture and repayment events in Paragraphs 8 and 9, continue to apply.

(a) You Have a Qualifying Termination After a Change in Control. If your Employment terminates when you meet the requirements of a Qualifying Termination After a Change in Control, the RSU Shares underlying your Outstanding Short-Term RSUs will be delivered. In addition, the forfeiture events in Paragraph 8 will not apply to your Award.

(b) You Are Determined to Have Accepted Conflicted Employment.

(i) Generally. Notwithstanding anything to the contrary in the Plan or otherwise, for purposes of this Award Agreement, “Conflicted Employment” means your employment at any U.S. Federal, state or local government, any non-U.S. government, any supranational or international organization, any self-regulatory organization, or any agency or instrumentality of any such government or organization, or any other employer (other than an “Accounting Firm” within the meaning of SEC Rule 2-01(f)(2) of Regulation S-X or any successor thereto) determined by the Committee, if, as a result of such employment, your continued holding of any Outstanding Short-Term RSUs would result in an actual or perceived conflict of interest. If your Employment terminates solely because you resign to accept Conflicted Employment or if, following your termination of Employment, you notify the Firm that you are accepting Conflicted Employment, RSU Shares will be delivered in respect of your Outstanding Short-Term RSUs (including in the form of cash as described in Paragraph 11(b)) as soon as practicable after the Committee has received satisfactory documentation relating to your Conflicted Employment.

(ii) You May Have to Take Other Steps to Address Conflicts of Interest. The Committee retains the authority to exercise its rights under the Award Agreement or the Plan (including Section 1.3.2 of the Plan) to take or require you to take other steps it determines in its sole discretion to be necessary or appropriate to cure an actual or perceived conflict of interest (which may include a determination that the accelerated delivery described in Paragraph 10(b)(i) will not apply because such actions are not necessary or appropriate to cure an actual or perceived conflict of interest).

(c) Death. If you die, the RSU Shares underlying your Outstanding Short-Term RSUs will be delivered to the representative of your estate as soon as practicable after the date of death and after such documentation as may be requested by the Committee is provided to the Committee.

## **OTHER TERMS, CONDITIONS AND AGREEMENTS**

### **11. Additional Terms, Conditions and Agreements.**

(a) You Must Satisfy Applicable Tax Withholding Requirements. Delivery of RSU Shares is conditioned on your satisfaction of any applicable withholding taxes in accordance with Section 3.2 of the Plan, which includes the Firm deducting or withholding amounts from any payment or distribution to you (which, notwithstanding Section 3.2.2 of the Plan, may exceed the statutory minimum rate if and to the extent determined by the Committee or the SIP Committee). In addition, to the extent permitted by applicable law, the Firm, in its sole discretion, may require you to provide amounts equal to all or a portion of any Federal, state, local, foreign or other tax obligations imposed on you or the Firm in connection with the grant or delivery of this Award by requiring you to choose between remitting the amount (i) in cash (or through payroll deduction or otherwise) or (ii) in the form of proceeds from the Firm’s executing a sale of RSU Shares delivered to you under this Award. In addition, if you are an individual with separate employment contracts (at any time during and/or after the Firm’s \_\_\_\_ fiscal year), the Firm, in its sole discretion, may require you to provide for a reserve in an amount the Firm determines is advisable or necessary in connection with any actual, anticipated or potential tax consequences



related to your separate employment contracts by requiring you to choose between remitting such amount (i) in cash (or through payroll deduction or otherwise) or (ii) in the form of proceeds from the Firm's executing a sale of shares of Common Stock delivered to you pursuant to this Award (or any other Outstanding awards granted under the Plan or any predecessor or successor plan thereto). In no event, however, does this Paragraph 11(a) give you any discretion to determine or affect the timing of the delivery of RSU Shares or the timing of payment of tax obligations.

(b) Firm May Deliver Cash or Other Property Instead of RSU Shares. In accordance with Section 1.3.2(i) of the Plan, in the sole discretion of the Committee, in lieu of all or any portion of the RSU Shares, the Firm may deliver cash, other securities, other awards under the Plan or other property, and all references in this Award Agreement to deliveries of RSU Shares will include such deliveries of cash, other securities, other awards under the Plan or other property.

(c) Amounts May Be Rounded to Avoid Fractional Shares. RSU Shares that become deliverable on a Delivery Date may, in each case, be rounded to avoid fractional Shares.

(d) You May Be Required to Become a Party to the Shareholders' Agreement. Your rights to your Short-Term RSUs are conditioned on your becoming a party to any shareholders' agreement to which other similarly situated employees (*e.g.*, employees with a similar title or position) of the Firm are required to be a party.

(e) Firm May Affix Legends and Place Stop Orders on Restricted RSU Shares. GS Inc. may affix to Certificates representing RSU Shares any legend that the Committee determines to be necessary or advisable (including to reflect any restrictions to which you may be subject under a separate agreement). GS Inc. may advise the transfer agent to place a stop order against any legended RSU Shares.

(f) You Agree to Certain Consents, Terms and Conditions. By accepting this Award you understand and agree that:

(i) You Agree to Certain Consents as a Condition to the Award. You have expressly consented to all of the items listed in Section 3.3.3(d) of the Plan, including the Firm's supplying to any third-party recordkeeper of the Plan or other person such personal information of yours as the Committee deems advisable to administer the Plan, and you agree to provide any additional consents that the Committee determines to be necessary or advisable;

(ii) You Are Subject to the Firm's Policies, Rules and Procedures. You are subject to the Firm's policies in effect from time to time concerning trading in RSU Shares and hedging or pledging RSU Shares and equity-based compensation or other awards (including, without limitation, the Firm's "Policies with Respect to Personal Transactions Involving GS Securities and GS Equity Awards" or any successor policies), and confidential or proprietary information, and you will effect sales of RSU Shares in accordance with such rules and procedures as may be adopted from time to time (which may include, without limitation, restrictions relating to the timing of sale requests, the manner in which sales are executed, pricing method, consolidation or aggregation of orders and volume limits determined by the Firm);

(iii) You Are Responsible for Costs Associated with Your Award. You will be responsible for all brokerage costs and other fees or expenses associated with your Short-Term RSUs, including those related to the sale of RSU Shares;

(iv) You Will Be Deemed to Represent Your Compliance with All the Terms of Your Award if You Accept Delivery of, or Sell, RSU Shares. You will be deemed to have represented and certified that you have complied with all of the terms of the Plan and this Award Agreement when RSU Shares are delivered to you, and you receive payment in respect of Dividend Equivalent Rights;

(v) Firm May Deliver Your Award into an Escrow Account. The Firm may establish and maintain an escrow account on such terms (which may include your executing any documents related to, and your paying for any costs associated with, such account) as it may deem necessary or appropriate, and the delivery of RSU Shares or the payment of cash (including dividends and payments under Dividend Equivalent Rights) or other property may initially be made into and held in that escrow account until such time as the Committee has received such documentation as it may have requested or until the Committee has determined that any other conditions or restrictions on delivery of RSU Shares, cash or other property required by this Award Agreement have been satisfied;

(vi) You May Be Required to Certify Compliance with Award Terms; You Are Responsible for Providing the Firm with Updated Address and Contact Information After Your Departure from the Firm. If your Employment terminates while you continue to hold Short-Term RSUs, from time to time, you may be required to provide certifications of your compliance with all of the terms of the Plan and this Award Agreement as described in Paragraph 8(a)(iv). You understand and agree that (A) your address on file with the Firm at the time any certification is required will be deemed to be your current address, (B) it is your responsibility to inform the Firm of any changes to your address to ensure timely receipt of the certification materials, (C) you are responsible for contacting the Firm to obtain such certification materials if not received and (D) your failure to return properly completed certification materials by the specified deadline (which includes your failure to timely return the completed certification because you did not provide the Firm with updated contact information) will result in the forfeiture of all of your Short-Term RSUs and subject previously delivered amounts to repayment under Paragraph 8(a)(iv);

(vii) You Must Comply with Applicable Deadlines and Procedures to Appeal Determinations Made by the Committee, the SIP Committee or SIP Administrators. If you disagree with a determination made by the Committee, the SIP Committee, the SIP Administrators, or any of their delegates or designees and you wish to appeal such determination, you must submit a written request to the SIP Committee for review within 180 days after the determination at issue. You must exhaust your internal administrative remedies (*i.e.*, submit your appeal and wait for resolution of that appeal) before seeking to resolve a dispute through arbitration pursuant to Paragraph 14 and Section 3.17 of the Plan; and

(viii) You Agree that Covered Persons Will Not Have Liability. In addition to and without limiting the generality of the provisions of Section 1.3.5 of the Plan, neither the Firm nor any Covered Person will have any liability to you or any other person for any action taken or omitted in respect of this or any other Award.

12. **Non-transferability.** Except as otherwise may be provided in this Paragraph 12 or as otherwise may be provided by the Committee, the limitations on transferability set forth in Section 3.5 of the Plan will apply to this Award. Any purported transfer or assignment in violation of the provisions of this Paragraph 12 or Section 3.5 of the Plan will be void. The Committee may adopt procedures pursuant to which some or all recipients of Short-Term RSUs may transfer some or all of their Short-Term RSUs through a gift for no consideration to any immediate family member, a trust or other estate planning vehicle approved by the Committee or SIP Committee in which the recipient and/or the recipient's immediate family members in the aggregate have 100% of the beneficial interest.

13. **Right of Offset.** Except as provided in Paragraph 16(h), the obligation to deliver RSU Shares or to make payments under Dividend Equivalent Rights under this Award Agreement is subject to Section 3.4 of the Plan, which provides for the Firm's right to offset against such obligation any outstanding amounts you owe to the Firm and any amounts the Committee deems appropriate pursuant to any tax equalization policy or agreement.

#### ARBITRATION, CHOICE OF FORUM AND GOVERNING LAW

##### 14. **Arbitration; Choice of Forum.**

**(a) BY ACCEPTING THIS AWARD, YOU ARE INDICATING THAT YOU UNDERSTAND AND AGREE THAT THE ARBITRATION AND CHOICE OF FORUM PROVISIONS SET FORTH IN SECTION 3.17 OF THE PLAN WILL APPLY TO THIS AWARD. THESE PROVISIONS, WHICH ARE EXPRESSLY INCORPORATED HEREIN BY REFERENCE, PROVIDE AMONG OTHER THINGS THAT ANY DISPUTE, CONTROVERSY OR CLAIM BETWEEN THE FIRM AND YOU ARISING OUT OF OR RELATING TO OR CONCERNING THE PLAN OR THIS AWARD AGREEMENT WILL BE FINALLY SETTLED BY ARBITRATION IN NEW YORK CITY, PURSUANT TO THE TERMS MORE FULLY SET FORTH IN SECTION 3.17 OF THE PLAN; PROVIDED THAT NOTHING HEREIN SHALL PRECLUDE YOU FROM FILING A CHARGE WITH OR PARTICIPATING IN ANY INVESTIGATION OR PROCEEDING CONDUCTED BY ANY GOVERNMENTAL AUTHORITY, INCLUDING BUT NOT LIMITED TO THE SEC AND THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION.**

(b) To the fullest extent permitted by applicable law, no arbitrator will have the authority to consider class, collective or representative claims, to order consolidation or to join different claimants or grant relief other than on an individual basis to the individual claimant involved.

(c) Notwithstanding any applicable forum rules to the contrary, to the extent there is a question of enforceability of this Award Agreement arising from a challenge to the arbitrator's jurisdiction or to the arbitrability of a claim, it will be decided by a court and not an arbitrator.

(d) All references to the New York Stock Exchange in Section 3.17 of the Plan will be read as references to the Financial Industry Regulatory Authority.

(e) The Federal Arbitration Act governs interpretation and enforcement of all arbitration provisions under the Plan and this Award Agreement, and all arbitration proceedings thereunder.

(f) Nothing in this Award Agreement creates a substantive right to bring a claim under U.S. Federal, state, or local employment laws.

(g) By accepting your Award, you irrevocably appoint each General Counsel of GS Inc., or any person whom the General Counsel of GS Inc. designates, as your agent for service of process in connection with any suit, action or proceeding arising out of or relating to or concerning the Plan or any Award which is not arbitrated pursuant to the provisions of Section 3.17.1 of the Plan, who shall promptly advise you of any such service of process.

(h) To the fullest extent permitted by applicable law, no arbitrator will have the authority to consider any claim as to which you have not first exhausted your internal administrative remedies in accordance with Paragraph 11(f)(vii).

15. **Governing Law.** THIS AWARD WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.

#### CERTAIN TAX PROVISIONS

16. **Compliance of Award Agreement and Plan with Section 409A.** The provisions of this Paragraph 16 apply to you only if you are a U.S. taxpayer.

(a) This Award Agreement and the Plan provisions that apply to this Award are intended and will be construed to comply with Section 409A (including the requirements applicable to, or the conditions for exemption from treatment as, 409A Deferred Compensation), whether by reason of short-term deferral treatment or other exceptions or provisions. The Committee will have full authority to give effect to this intent. To the extent necessary to give effect to this intent, in the case of any conflict or potential inconsistency between the provisions of the Plan (including Sections 1.3.2 and 2.1 thereof) and this Award Agreement, the provisions of this Award Agreement will govern, and in the case of any conflict or potential inconsistency between this Paragraph 16 and the other provisions of this Award Agreement, this Paragraph 16 will govern.

(b) Delivery of RSU Shares will not be delayed beyond the date on which all applicable conditions or restrictions on delivery of RSU Shares required by this Agreement (including those specified in Paragraphs 6, 10(c) and 11 and the consents and other items specified in Section 3.3 of the Plan) are satisfied. To the extent that any portion of this Award is intended to satisfy the requirements for short-term deferral treatment under Section 409A, delivery for such portion will occur by the March 15 coinciding with the last day of the applicable “short-term deferral” period described in Reg. 1.409A-1(b)(4) in order for the delivery of RSU Shares to be within the short-term deferral exception unless, in order to permit all applicable conditions or restrictions on delivery to be satisfied, the Committee elects, pursuant to Reg. 1.409A-1(b)(4)(i)(D) or otherwise as may be permitted in accordance with Section 409A, to delay delivery of RSU Shares to a later date within the same calendar year or to such later date as may be permitted under Section 409A, including Reg. 1.409A-2(b)(7) (in conjunction with Section 3.21.3 of the Plan pertaining to Code Section 162(m)) and Reg. 1.409A-3(d). For the avoidance of doubt, if the Award includes a “series of installment payments” as described in Reg. 1.409A-2(b)(2)(iii), your right to the series of installment payments will be treated as a right to a series of separate payments and not as a right to a single payment.

(c) Notwithstanding the provisions of Paragraph 11(b) and Section 1.3.2(i) of the Plan, to the extent necessary to comply with Section 409A, any securities, other Awards or other property that the Firm may deliver in respect of your Short-Term RSUs will not have the effect of deferring delivery or payment, income inclusion, or a substantial risk of forfeiture, beyond the date on which such delivery, payment or inclusion would occur or such risk of forfeiture would lapse, with respect to the RSU Shares that would otherwise have been deliverable (unless the Committee elects a later date for this purpose pursuant to Reg. 1.409A-1(b)(4)(i)(D) or otherwise as may be permitted under Section 409A, including and to the extent applicable, the subsequent election provisions of Section 409A(a)(4)(C) of the Code and Reg. 1.409A-2(b)).

(d) Notwithstanding the timing provisions of Paragraph 10(c), the delivery of RSU Shares referred to therein will be made after the date of death and during the calendar year that includes the date of death (or on such later date as may be permitted under Section 409A).

(e) The timing of delivery or payment pursuant to Paragraph 10(a) will occur on the earlier of (i) the Delivery Date or (ii) a date that is within the calendar year in which the termination of Employment occurs; *provided, however*, that, if you are a “specified employee” (as defined by the Firm in accordance with Section 409A(a)(2)(i)(B) of the Code), delivery will occur on the earlier of the Delivery Date or (to the extent required to avoid the imposition of additional tax under Section 409A) the date that is six months after your termination of Employment (or, if the latter date is not during a Window Period, the first trading day of the next Window Period). For purposes of Paragraph 10(a), references in this Award Agreement to termination of Employment mean a termination of Employment from the Firm (as defined by the Firm) which is also a separation from service (as defined by the Firm in accordance with Section 409A).

(f) Notwithstanding any provision of Paragraph 7 or Section 2.8.2 of the Plan to the contrary, the Dividend Equivalent Rights with respect to each of your Outstanding Short-Term RSUs will be paid to you within the calendar year that includes the date of distribution of any corresponding regular cash dividends paid by GS Inc. in respect of a share of Common Stock the record date for which occurs on or after the Date of Grant. The payment will be in an amount (less applicable withholding) equal to such regular dividend payment as would have been made in respect of the RSU Shares underlying such Outstanding Short-Term RSUs.

(g) The timing of delivery or payment referred to in Paragraph 10(b)(i) will be the earlier of (i) the Delivery Date or (ii) a date that is within the calendar year in which the Committee receives satisfactory documentation relating to your Conflicted Employment, *provided* that such delivery or payment will be made, and any Committee action referred to in Paragraph 10(b)(ii) will be taken, only at such time as, and if and to the extent that it, as reasonably determined by the Firm, would not result in the imposition of any additional tax to you under Section 409A.

(h) Paragraph 13 and Section 3.4 of the Plan will not apply to Awards that are 409A Deferred Compensation except to the extent permitted under Section 409A.

(i) Delivery of RSU Shares in respect of any Award may be made, if and to the extent elected by the Committee, later than the Delivery Date or other date or period specified hereinabove (but, in the case of any Award that constitutes 409A Deferred Compensation, only to the extent that the later delivery is permitted under Section 409A).

(j) You understand and agree that you are solely responsible for the payment of any taxes and penalties due pursuant to Section 409A, but in no event will you be permitted to designate, directly or indirectly, the taxable year of the delivery.

17. **Compliance of Award Agreement and Plan with Section 162(m)**. The provisions of Paragraph 16(b) and this Paragraph 17 and the provisions of Sections 1.2.13, 1.3.3, 2.8.3, 3.1.2 and 3.21 of the Plan addressing the qualification of compensation realized from Awards as “performance-based” compensation under Section 162(m) of the Code shall apply only to the extent that Section 162(m) of the Code provides a “performance-based” compensation exception to the deduction limitations applicable thereunder. If you are or become considered by GS Inc. to be one of its “covered employees” within the meaning of Section 162(m) of the Code, then you will be subject to Section 3.21.3 of the Plan, as a result of which delivery of your RSU Shares may be delayed.

## COMMITTEE AUTHORITY, AMENDMENT AND CONSTRUCTION

18. **Committee Authority.** The Committee has the authority to determine, in its sole discretion, that any event triggering forfeiture or repayment of your Award will not apply and to limit the forfeitures and repayments that result under Paragraphs 8 and 9.

19. **Amendment.** The Committee reserves the right at any time to amend the terms of this Award Agreement, and the Board may amend the Plan in any respect; *provided* that, notwithstanding the foregoing and Sections 1.3.2(f), 1.3.2(h) and 3.1 of the Plan, no such amendment will materially adversely affect your rights and obligations under this Award Agreement without your consent; and *provided further* that the Committee expressly reserves its rights to amend the Award Agreement and the Plan as described in Sections 1.3.2(h)(1), (2) and (4) of the Plan. A modification that impacts the tax consequences of this Award or the timing of delivery of RSU Shares will not be an amendment that materially adversely affects your rights and obligations under this Award Agreement. Any amendment of this Award Agreement will be in writing.

20. **Construction, Headings.** Unless the context requires otherwise, (a) words describing the singular number include the plural and vice versa, (b) words denoting any gender include all genders and (c) the words “include,” “includes” and “including” will be deemed to be followed by the words “without limitation.” The headings in this Award Agreement are for the purpose of convenience only and are not intended to define or limit the construction of the provisions hereof. References in this Award Agreement to any specific Plan provision will not be construed as limiting the applicability of any other Plan provision.

**IN WITNESS WHEREOF**, GS Inc. has caused this Award Agreement to be duly executed and delivered as of the Date of Grant.

**THE GOLDMAN SACHS GROUP, INC.**

## [CODE STAFF FORFEITURE AND REPAYMENT APPENDIX

This Code Staff Appendix supplements Paragraph 8 and sets forth additional events that result in forfeiture of up to all of your Short-Term RSUs and may require repayment to the Firm of up to all other amounts previously delivered or paid to you under your Award in accordance with Paragraph 9. As with the events described in Paragraph 8, more than one event may apply, in no case will the occurrence of one event limit the forfeiture and repayment obligations as a result of the occurrence of any other event and the Firm reserves the right to (a) suspend payments under Dividend Equivalent Rights or delivery of RSU Shares, (b) deliver any RSU Shares, dividends or payments under Dividend Equivalent Rights into an escrow account in accordance with Paragraph 11(f)(v) or (c) apply Transfer Restrictions to any RSU Shares in connection with any investigation of whether any of the events that result in forfeiture under this Code Staff Appendix have occurred.

With respect to the events described in Paragraphs (a) and (b) of this Appendix, the Committee will consider certain factors to determine whether and what portion of your Award will terminate, including the reason for the “Risk Event” (as defined below) and the extent to which: (1) you participated in the Risk Event, (2) your compensation for the Firm’s \_\_\_\_ fiscal year may or may not have been adjusted to take into account the risk associated with the Risk Event or your “Serious Misconduct” (as defined below) and (3) your compensation may be adjusted for the year in which the Risk Event or your Serious Misconduct is discovered.

(a) A Risk Event Occurs Prior to \_\_\_\_\_. If a Risk Event occurs prior to \_\_\_\_\_, (i) your rights in respect of all or a portion of your Short-Term RSUs will terminate and no RSU Shares will be delivered in respect of such Short-Term RSUs and (ii) you will be obligated immediately upon demand therefor to pay the Firm an amount not in excess of the greater of the Fair Market Value of the RSU Shares (plus any dividend payments and payments under Dividend Equivalent Rights) delivered in respect of the Award (without reduction for any amount applied to satisfy tax withholding or other obligations) determined as of (A) the date the Risk Event occurred and (B) the date that the repayment request is made.

(i) A “**Risk Event**” means there occurs a loss of 5% or more of firmwide total capital from a reportable operational risk event determined in accordance with the firmwide Reporting Operational Risk Events Policy.

(b) You Engage in Serious Misconduct Prior to \_\_\_\_\_. If you engage in Serious Misconduct during the period beginning on the Delivery Date through \_\_\_\_\_, you will be obligated immediately upon demand therefor to pay the Firm an amount not in excess of the greater of the Fair Market Value of the RSU Shares (plus any dividend payments and payments under Dividend Equivalent Rights) delivered in respect of the Award (without reduction for any amount applied to satisfy tax withholding or other obligations) determined as of (i) the date the Serious Misconduct occurred and (ii) the date that the repayment request is made.

(i) “**Serious Misconduct**” means that you engage in conduct that the Firm reasonably considers, in its sole discretion, to be misconduct sufficient to justify summary termination of employment under English law.



Notwithstanding any provision in the Plan, this Award Agreement or any other agreement or arrangement you may have with the Firm, the parties agree that to the extent that there is any dispute arising out of or relating to the payment required by Paragraphs (a) and (b) of this Appendix (including your refusal to remit payment) the parties will submit to arbitration in accordance with Paragraph 14 of this Award Agreement and Section 3.17 of the Plan as the sole means of resolution of such dispute (including the recovery by the Firm of the payment amount).]

## DEFINITIONS APPENDIX

**The following capitalized terms are used in this Award Agreement with the following meanings:**

(a) “409A Deferred Compensation” means a “deferral of compensation” or “deferred compensation” as those terms are defined in the regulations under Section 409A.

(b) “Award Agreement” means the written document or documents by which each Award is evidenced, including any Award Statement or any related signature card.

(c) “Conflicted Employment” means your employment at any U.S. Federal, state or local government, any non-U.S. government, any supranational or international organization, any self-regulatory organization, or any agency or instrumentality of any such government or organization, or any other employer (other than an “Accounting Firm” within the meaning of SEC Rule 2-01(f)(2) of Regulation S-X or any successor thereto) determined by the Committee, if, as a result of such employment, your continued holding of any Outstanding Short-Term RSUs would result in an actual or perceived conflict of interest.

(d) “Failed to Consider Risk” means that you participated in the structuring or marketing of any product or service, or participated on behalf of the Firm or any of its clients in the purchase or sale of any security or other property, in any case without appropriate consideration of the risk to the Firm or the broader financial system as a whole (for example, where you have improperly analyzed such risk or where you have failed sufficiently to raise concerns about such risk) and, as a result of such action or omission, the Committee determines there has been, or reasonably could be expected to be, a material adverse impact on the Firm, your business unit or the broader financial system.

(e) “Qualifying Termination After a Change in Control” means that the Firm terminates your Employment other than for Cause or you terminate your Employment for Good Reason, in each case, within 18 months following a Change in Control.

(f) “SEC” means the U.S. Securities and Exchange Commission.

**The following capitalized terms are used in this Award Agreement with the meanings that are assigned to them in the Plan.**

(a) “Account” means any brokerage account, custody account or similar account, as approved or required by GS Inc. from time to time, into which shares of Common Stock, cash or other property in respect of an Award are delivered.

(b) “Award Statement” means a written statement that reflects certain Award terms.

(c) “Business Day” means any day other than a Saturday, a Sunday or a day on which banking institutions in New York City are authorized or obligated by Federal law or executive order to be closed.

(d) “Cause” means (i) the Grantee’s conviction, whether following trial or by plea of guilty or *nolo contendere* (or similar plea), in a criminal proceeding (A) on a misdemeanor charge involving fraud, false statements or misleading omissions, wrongful taking, embezzlement, bribery, forgery, counterfeiting or extortion, or (B) on a felony charge, or (C) on an equivalent charge to those in clauses (A) and (B) in jurisdictions which do not use those designations, (ii) the Grantee’s engaging in any conduct which constitutes an employment disqualification under applicable law (including statutory disqualification as defined under the Exchange Act), (iii) the Grantee’s willful failure to perform the Grantee’s duties to the Firm, (iv) the Grantee’s violation of any securities or commodities laws, any rules or regulations issued pursuant to such laws, or the rules and regulations of any securities or commodities exchange or association of which the Firm is a member, (v) the Grantee’s violation of any Firm policy concerning hedging or pledging or confidential or proprietary information, or the Grantee’s material violation of any other Firm policy as in effect from time to time, (vi) the Grantee’s engaging in any act or making any statement which impairs, impugns, denigrates, disparages or negatively reflects upon the name, reputation or business interests of the Firm or (vii) the Grantee’s engaging in any conduct detrimental to the Firm. The determination as to whether Cause has occurred shall be made by the Committee in its sole discretion and, in such case, the Committee also may, but shall not be required to, specify the date such Cause occurred (including by determining that a prior termination of Employment was for Cause). Any rights the Firm may have hereunder and in any Award Agreement in respect of the events giving rise to Cause shall be in addition to the rights the Firm may have under any other agreement with a Grantee or at law or in equity.

(e) “Change in Control” means the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving GS Inc. (a “Reorganization”) or sale or other disposition of all or substantially all of GS Inc.’s assets to an entity that is not an affiliate of GS Inc. (a “Sale”), that in each case requires the approval of GS Inc.’s shareholders under the law of GS Inc.’s jurisdiction of organization, whether for such Reorganization or Sale (or the issuance of securities of GS Inc. in such Reorganization or Sale), unless immediately following such Reorganization or Sale, either: (i) at least 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of (A) the entity resulting from such Reorganization, or the entity which has acquired all or substantially all of the assets of GS Inc. in a Sale (in either case, the “Surviving Entity”), or (B) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, as such Rule is in effect on the date of the adoption of the 1999 SIP) of 50% or more of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the Surviving Entity (the “Parent Entity”) is represented by GS Inc.’s securities (the “GS Inc. Securities”) that were outstanding immediately prior to such Reorganization or Sale (or, if applicable, is represented by shares into which such GS Inc. Securities were converted pursuant to such Reorganization or Sale) or (ii) at least 50% of the members of the board of directors (or similar officials in the case of an entity other than a

corporation) of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) following the consummation of the Reorganization or Sale were, at the time of the Board's approval of the execution of the initial agreement providing for such Reorganization or Sale, individuals (the "Incumbent Directors") who either (A) were members of the Board on the Effective Date or (B) became directors subsequent to the Effective Date and whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of GS Inc.'s proxy statement in which such persons are named as nominees for director).

(f) "Client" means any client or prospective client of the Firm to whom the Grantee provided services, or for whom the Grantee transacted business, or whose identity became known to the Grantee in connection with the Grantee's relationship with or employment by the Firm.

(g) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and the applicable rulings and regulations thereunder.

(h) "Committee" means the committee appointed by the Board to administer the Plan pursuant to Section 1.3, and, to the extent the Board determines it is appropriate for the compensation realized from Awards under the Plan to be considered "performance based" compensation under Section 162(m) of the Code, shall be a committee or subcommittee of the Board composed of two or more members, each of whom is an "outside director" within the meaning of Code Section 162(m), and which, to the extent the Board determines it is appropriate for Awards under the Plan to qualify for the exemption available under Rule 16b-3(d)(1) or Rule 16b-3(e) promulgated under the Exchange Act, shall be a committee or subcommittee of the Board composed of two or more members, each of whom is a "non-employee director" within the meaning of Rule 16b-3. Unless otherwise determined by the Board, the Committee shall be the Compensation Committee of the Board.

(i) "Common Stock" means common stock of GS Inc., par value \$0.01 per share.

(j) "Covered Person" means a member of the Board or the Committee or any employee of the Firm.

(k) "Date of Grant" means the date specified in the Grantee's Award Agreement as the date of grant of the Award.

(l) "Delivery Date" means each date specified in the Grantee's Award Agreement as a delivery date, *provided*, unless the Committee determines otherwise, such date is during a Window Period or, if such date is not during a Window Period, the first trading day of the first Window Period beginning after such date.

(m) "Dividend Equivalent Right" means a dividend equivalent right granted under the Plan, which represents an unfunded and unsecured promise to pay to the Grantee amounts equal to all or any portion of the regular cash dividends that would be paid on shares of Common Stock covered by an Award if such shares had been delivered pursuant to an Award.

(n) "Employment" means the Grantee's performance of services for the Firm, as determined by the Committee. The terms "employ" and "employed" shall have their correlative meanings. The Committee in its sole discretion may determine (i) whether and when a Grantee's leave of absence results in a termination of Employment (for this purpose, unless the Committee determines otherwise, a Grantee shall be treated as terminating Employment with the Firm upon the occurrence of an Extended Absence), (ii) whether and when a change in a Grantee's association with the Firm results in a termination of Employment and (iii) the impact, if any, of any such leave of absence or change in association on Awards theretofore made. Unless expressly provided otherwise, any references in the Plan or any Award Agreement to a Grantee's Employment being terminated shall include both voluntary and involuntary terminations.

(o) “Firm” means GS Inc. and its subsidiaries and affiliates.

(p) “Good Reason” means, in connection with a termination of employment by a Grantee following a Change in Control, (a) as determined by the Committee, a materially adverse alteration in the Grantee’s position or in the nature or status of the Grantee’s responsibilities from those in effect immediately prior to the Change in Control or (b) the Firm’s requiring the Grantee’s principal place of Employment to be located more than seventy-five (75) miles from the location where the Grantee is principally Employed at the time of the Change in Control (except for required travel on the Firm’s business to an extent substantially consistent with the Grantee’s customary business travel obligations in the ordinary course of business prior to the Change in Control).

(q) “Grantee” means a person who receives an Award.

(r) “GS Inc.” means The Goldman Sachs Group, Inc., and any successor thereto.

(s) “Outstanding” means any Award to the extent it has not been forfeited, cancelled, terminated, exercised or with respect to which the shares of Common Stock underlying the Award have not been previously delivered or other payments made.

(t) “RSU” means a restricted stock unit Award granted under the Plan, which represents an unfunded and unsecured promise to deliver shares of Common Stock in accordance with the terms of the RSU Award Agreement.

(u) “RSU Shares” means shares of Common Stock that underlie an RSU.

(v) “Section 409A” means Section 409A of the Code, including any amendments or successor provisions to that Section and any regulations and other administrative guidance thereunder, in each case as they, from time to time, may be amended or interpreted through further administrative guidance.

(w) “SIP Administrator” means each person designated by the Committee as a “SIP Administrator” with the authority to perform day-to-day administrative functions for the Plan.

(x) “SIP Committee” means the persons who have been delegated certain authority under the Plan by the Committee.

(y) “Solicit” means any direct or indirect communication of any kind whatsoever, regardless of by whom initiated, inviting, advising, encouraging or requesting any person or entity, in any manner, to take or refrain from taking any action.

(z) “Transfer Restrictions” means restrictions that prohibit the sale, exchange, transfer, assignment, pledge, hypothecation, fractionalization, hedge or other disposal (including through the use of any cash-settled instrument), whether voluntarily or involuntarily by the Grantee, of an Award or any shares of Common Stock, cash or other property delivered in respect of an Award.

(aa) “Vested” means, with respect to an Award, the portion of the Award that is not subject to a condition that the Grantee remain actively employed by the Firm in order for the Award to remain Outstanding. The fact that an Award becomes Vested shall not mean or otherwise indicate that the Grantee has an unconditional or nonforfeitable right to such Award, and such Award shall remain subject to such terms, conditions and forfeiture provisions as may be provided for in the Plan or in the Award Agreement.

(bb) “Window Period” means a period designated by the Firm during which all employees of the Firm are permitted to purchase or sell shares of Common Stock (*provided* that, if the Grantee is a member of a designated group of employees who are subject to different restrictions, the Window Period may be a period designated by the Firm during which an employee of the Firm in such designated group is permitted to purchase or sell shares of Common Stock).

THE GOLDMAN SACHS GROUP, INC.  
YEAR-END RESTRICTED STOCK AWARD

This Award Agreement, together with The Goldman Sachs Amended and Restated Stock Incentive Plan (2015) (the “Plan”), governs your award of \_\_\_\_ year-end Restricted Shares (your “Award”). You should read carefully this entire Award Agreement, which includes the Award Statement, any attached Appendix and the signature card.

#### ACCEPTANCE

1. **You Must Decide Whether to Accept this Award Agreement.** To be eligible to receive your Award, you must by the date specified (a) open and activate an Account and (b) agree to all the terms of your Award by executing the related signature card in accordance with its instructions. By executing the signature card, you confirm your agreement to all of the terms of this Award Agreement, including the arbitration and choice of forum provisions in Paragraph 15.

#### DOCUMENTS THAT GOVERN YOUR AWARD; DEFINITIONS

2. **The Plan.** Your Award is granted under the Plan, and the Plan’s terms apply to, and are a part of, this Award Agreement.
3. **Your Award Statement.** The Award Statement delivered to you contains some of your Award’s specific terms. For example, it contains the number of Restricted Shares awarded to you and any applicable Vesting Dates and Transferability Dates.
4. **Definitions.** Capitalized terms are defined in the Definitions Appendix, which also includes terms that are defined in the Plan.

#### VESTING OF YOUR RESTRICTED SHARES

5. **Vesting.** On each Vesting Date listed on your Award Statement, you will become Vested in the amount of Outstanding Restricted Shares listed next to that date. When a Restricted Share becomes Vested, it means **only** that your continued active Employment is not required for that portion of Restricted Shares to become fully transferrable without risk of forfeiture. **Vesting does not mean you have a non-forfeitable right to the Vested portion of your Award. The terms of this Award Agreement (including the Transfer Restrictions) continue to apply to Vested Restricted Shares, and you can still forfeit Vested Restricted Shares.**

#### TRANSFER RESTRICTIONS

6. **Transfer Restrictions.** Restricted Shares will be subject to Transfer Restrictions until the Transferability Date next to such number or percentage of Restricted Shares on your Award Statement. Any purported sale, exchange, transfer, assignment, pledge, hypothecation, fractionalization, hedge or other disposition in violation of the Transfer Restrictions will be void. Within 30 Business Days after the Transferability Date listed on your Award Statement (or any other date on which the Transfer Restrictions are to be removed), GS Inc. will remove the Transfer Restrictions. The Committee or the SIP Committee may select multiple dates within such 30 Business-Day-period on which to remove Transfer Restrictions for all or a portion of the Restricted Shares with the same Transferability Date listed on the Award Statement, and all such dates will be treated as a single Transferability Date for purposes of this Award.

## DIVIDENDS

7. **Dividends.** You will be entitled to receive on a current basis any regular cash dividend paid in respect of your Restricted Shares.

## FORFEITURE OF YOUR AWARD

8. **How You May Forfeit Your Award.** This Paragraph 8 sets forth the events that result in forfeiture of up to all of your Restricted Shares and may require repayment to the Firm of up to all other amounts previously delivered or paid to you under your Award in accordance with Paragraph 9. More than one event may apply, and in no case will the occurrence of one event limit the forfeiture and repayment obligations as a result of the occurrence of any other event. In addition, the Firm reserves the right to (a) suspend vesting of Restricted Shares or release of Transfer Restrictions, (b) deliver any Restricted Shares or dividends into an escrow account in accordance with Paragraph 12(f)(v) or (c) apply additional Transfer Restrictions to any Restricted Shares in connection with any investigation of whether any of the events that result in forfeiture under the Plan or this Paragraph 8 have occurred. Paragraph 10 (relating to certain circumstances under which you will not forfeit your unvested Restricted Shares upon Employment termination) and Paragraph 11 (relating to certain circumstances under which vesting and/or release of Transfer Restrictions may be accelerated) provide for exceptions to one or more provisions of this Paragraph 8.

(a) **Unvested Restricted Shares Forfeited if Your Employment Terminates.** If your Employment terminates for any reason or you are otherwise no longer actively employed with the Firm (which includes off-premises notice periods, "garden leaves," pay in lieu of notice or any other similar status), your rights to your Restricted Shares that are not Vested will terminate and those Restricted Shares will be cancelled.

(b) **Vested and Unvested Restricted Shares Forfeited if You Solicit Clients or Employees, Interfere with Client or Employee Relationships or Participate in the Hiring of Employees.** If either:

(i) you, in any manner, directly or indirectly, (A) Solicit any Client to transact business with a Covered Enterprise or to reduce or refrain from doing any business with the Firm, (B) interfere with or damage (or attempt to interfere with or damage) any relationship between the Firm and any Client, (C) Solicit any person who is an employee of the Firm to resign from the Firm, (D) Solicit any Selected Firm Personnel to apply for or accept employment (or other association) with any person or entity other than the Firm or (E) hire or participate in the hiring of any Selected Firm Personnel by any person or entity other than the Firm (including, without limitation, participating in the identification of individuals for potential hire, and participating in any hiring decision), whether as an employee or consultant or otherwise, or

(ii) Selected Firm Personnel are Solicited, hired or accepted into partnership, membership or similar status by (A) any entity that you form, that bears your name, or in which you possess or control greater than a *de minimis* equity ownership, voting or profit participation, or (B) any entity where you have, or will have, direct or indirect managerial responsibility for such Selected Firm Personnel,

then your rights to the following Restricted Shares (whether or not Vested) will terminate and those Restricted Shares will be cancelled:



(X) all of the Restricted Shares granted to you if any of the events in this Paragraph 8(b) occurs before the \_\_\_\_\_ Date,

(Y) the Restricted Shares with a Vesting Date of \_\_\_\_\_ or \_\_\_\_\_ if any of the events in this Paragraph 8(b) occurs on or after the \_\_\_\_\_ Date but before the \_\_\_\_\_ Date, and

(Z) the Restricted Shares with a Vesting Date of \_\_\_\_\_ if any of the events in this Paragraph 8(b) occurs on or after the \_\_\_\_\_ Date but before the \_\_\_\_\_ Date.

(c) Vested and Unvested Restricted Shares Forfeited upon Certain Events. If any of the following occurs, your rights to all of your Restricted Shares (whether or not Vested) will terminate and those Restricted Shares will be cancelled, in each case, as may be further described below:

(i) You Failed to Consider Risk. You Failed to Consider Risk during the Firm's \_\_\_\_ fiscal year.

(ii) Your Conduct Constitutes Cause. Any event that constitutes Cause has occurred before the Transferability Date.

(iii) You Do Not Meet Your Obligations to the Firm. The Committee determines that, before the Transferability Date, you failed to meet, in any respect, any obligation under any agreement with the Firm, or any agreement entered into in connection with your Employment or this Award, including the Firm's notice period requirement applicable to you, any offer letter, employment agreement or any shareholders' agreement relating to the Firm. Your failure to pay or reimburse the Firm, on demand, for any amount you owe to the Firm will constitute (A) failure to meet an obligation you have under an agreement, regardless of whether such obligation arises under a written agreement, and/or (B) a material violation of Firm policy constituting Cause.

(iv) You Do Not Provide Timely Certifications or Comply with Your Certifications. You fail to certify to GS Inc. that you have complied with all of the terms of the Plan and this Award Agreement, or the Committee determines that you have failed to comply with a term of the Plan or this Award Agreement to which you have certified compliance.

(v) You Do Not Follow Dispute Resolution/Arbitration Procedures. You attempt to have any dispute under the Plan or this Award Agreement resolved in any manner that is not provided for by Paragraph 15 or Section 3.17 of the Plan, or you attempt to arbitrate a dispute without first having exhausted your internal administrative remedies in accordance with Paragraph 12(f)(viii).

(vi) You Bring an Action that Results in a Determination that Any Award Agreement Term Is Invalid. As a result of any action brought by you, it is determined that any term of this Award Agreement is invalid.

(vii) You Receive Compensation in Respect of Your Award from Another Employer. Your Employment terminates for any reason or you otherwise are no longer actively employed with the Firm and another entity grants you cash, equity or other property (whether vested or unvested) to replace, substitute for or otherwise in respect of any Restricted Shares; *provided, however,* that your rights will only be terminated in respect of the Restricted Shares that are replaced, substituted for or otherwise considered by such other entity in making its grant.

## REPAYMENT OF YOUR AWARD

9. **When You May Be Required to Repay Your Award.** If the Committee determines that any term of this Award was not satisfied, you will be required, immediately upon demand therefor, to repay to the Firm, in accordance with Section 2.5.3 of the Plan, the following:

- (a) Any Restricted Shares for which the terms (including the terms for the release of Transfer Restrictions) were not satisfied.
- (b) Any dividends paid in respect of any Restricted Shares that are cancelled or required to be repaid.
- (c) Any amount applied to satisfy tax withholding or other obligations with respect to any Restricted Shares or dividend payments that are forfeited or required to be repaid.

## EXCEPTIONS TO THE VESTING AND/OR TRANSFERABILITY DATES

10. **Circumstances Under Which You Will Not Forfeit Your Unvested Restricted Shares on Employment Termination (but the Transferability Date Continues to Apply).** If your Employment terminates at a time when you meet the requirements for Extended Absence, Retirement or “downsizing,” each as described below, then Paragraph 8(a) will not apply, and your Restricted Shares will be treated as described in this Paragraph 10. All other terms of this Award Agreement, including the other forfeiture and repayment events in Paragraphs 8 and 9, continue to apply.

(a) **Extended Absence or Retirement and No Association With a Covered Enterprise.**

(i) **Generally.** If your Employment terminates by Extended Absence or Retirement, your Outstanding Restricted Shares that are not Vested will become Vested. **However, your rights to any Restricted Shares that becomes Vested by this Paragraph 10(a)(i) will terminate and those Restricted Shares will be cancelled if you Associate With a Covered Enterprise on or before the originally scheduled Vesting Date for those Restricted Shares.**

(ii) **Special Treatment for Involuntary or Mutual Agreement Termination.** The second sentence of Paragraph 10(a)(i) (relating to forfeiture if you Associate With a Covered Enterprise) will not apply if (A) the Firm characterizes your Employment termination as “involuntary” or by “mutual agreement” (and, in each case, you have not engaged in conduct constituting Cause) and (B) you execute a general waiver and release of claims and an agreement to pay any associated tax liability, in each case, in the form the Firm prescribes. No Employment termination that you initiate, including any purported “constructive termination,” a “termination for good reason” or similar concepts, can be “involuntary” or by “mutual agreement.”

(b) **Downsizing.** If (i) the Firm terminates your Employment solely by reason of a “downsizing” (and you have not engaged in conduct constituting Cause) and (ii) you execute a general waiver and release of claims and an agreement to pay any associated tax liability, in each case, in the form the Firm prescribes, your Outstanding Restricted Shares that are not yet Vested will become Vested. Whether or not your Employment is terminated solely by reason of a “downsizing” will be determined by the Firm in its sole discretion.

11. **Accelerated Vesting and/or Release of Transfer Restrictions in the Event of a Qualifying Termination After a Change in Control, Conflicted Employment or Death.** In the event of your Qualifying Termination After a Change in Control, Conflicted Employment or death, each as described below, then Paragraph 8(a) will not apply, your Restricted Shares will be treated as described in this Paragraph 11, and, except as set forth in Paragraph 11(a), all other terms of this Award Agreement, including the other forfeiture and repayment events in Paragraphs 8 and 9, continue to apply.

(a) **You Have a Qualifying Termination After a Change in Control.** If your Employment terminates when you meet the requirements of a Qualifying Termination After a Change in Control, your Outstanding Restricted Shares that are not yet Vested will become Vested and any Transfer Restrictions will cease to apply. In addition, the forfeiture events in Paragraph 8 will not apply to your Award.

(b) **You Are Determined to Have Accepted Conflicted Employment.**

(i) **Generally.** Notwithstanding anything to the contrary in the Plan or otherwise, for purposes of this Award Agreement, “Conflicted Employment” means your employment at any U.S. Federal, state or local government, any non-U.S. government, any supranational or international organization, any self-regulatory organization, or any agency or instrumentality of any such government or organization, or any other employer (other than an “Accounting Firm” within the meaning of SEC Rule 2-01(f)(2) of Regulation S-X or any successor thereto) determined by the Committee, if, as a result of such employment, your continued holding of any Restricted Shares would result in an actual or perceived conflict of interest. The following will apply as soon as practicable after the Committee has received satisfactory documentation relating to your Conflicted Employment.

(A) **Vesting.** If your Employment terminates solely because you resign to accept Conflicted Employment and you have completed at least three years of continuous service with the Firm, your Outstanding Restricted Shares that are not yet Vested will become Vested; otherwise, you will forfeit any Restricted Shares that are not Vested in accordance with Paragraph 8 (a).

(B) **Release of Transfer Restrictions.** If your Employment terminates solely because you resign to accept Conflicted Employment or if, following your termination of Employment, you notify the Firm that you are accepting Conflicted Employment, any Transfer Restrictions on any Outstanding Vested Restricted Shares will cease to apply.

(ii) **You May Have to Take Other Steps to Address Conflicts of Interest.** The Committee retains the authority to exercise its rights under the Award Agreement or the Plan (including Section 1.3.2 of the Plan) to take or require you to take other steps it determines in its sole discretion to be necessary or appropriate to cure an actual or perceived conflict of interest (which may include a determination that the accelerated vesting and/or release of Transfer Restrictions described in Paragraph 11(b)(i) will not apply because such actions are not necessary or appropriate to cure an actual or perceived conflict of interest).

(c) **Death.** If you die, any Transfer Restrictions will cease to apply as soon as practicable after the date of death and after such documentation as may be requested by the Committee is provided to the Committee.

## OTHER TERMS, CONDITIONS AND AGREEMENTS

### 12. Additional Terms, Conditions and Agreements.

(a) You Must Satisfy Applicable Tax Withholding Requirements. Vesting of Restricted Shares and removal of the Transfer Restrictions are conditioned on your satisfaction of any applicable withholding taxes in accordance with Section 3.2 of the Plan, which includes the Firm deducting or withholding amounts from any payment or distribution to you (which, notwithstanding Section 3.2.2 of the Plan, may exceed the statutory minimum rate if and to the extent determined by the Committee or the SIP Committee). In addition, to the extent permitted by applicable law, the Firm, in its sole discretion, may require you to provide amounts equal to all or a portion of any Federal, state, local, foreign or other tax obligations imposed on you or the Firm in connection with the grant or Vesting of this Award by requiring you to choose between remitting the amount (i) in cash (or through payroll deduction or otherwise), (ii) in the form of proceeds from the Firm's executing a sale of shares of Common Stock delivered to you under this Award or (iii) shares of Common Stock delivered to you pursuant to this Award. In addition, if you are an individual with separate employment contracts (at any time during and/or after the Firm's \_\_\_\_ fiscal year), the Firm, in its sole discretion, may require you to provide for a reserve in an amount the Firm determines is advisable or necessary in connection with any actual, anticipated or potential tax consequences related to your separate employment contracts by requiring you to choose between remitting such amount (i) in cash (or through payroll deduction or otherwise) or (ii) in the form of proceeds from the Firm's executing a sale of shares of Common Stock delivered to you pursuant to this Award (or any other Outstanding awards granted under the Plan or any predecessor or successor plan thereto).

(b) Firm May Deliver Cash or Other Property Instead of Shares. In accordance with Section 1.3.2(i) of the Plan, in the sole discretion of the Committee, in lieu of all or any portion of the shares of Common Stock, the Firm may deliver cash, other securities, other awards under the Plan or other property, and all references in this Award Agreement to deliveries of shares of Common Stock will include such deliveries of cash, other securities, other awards under the Plan or other property.

(c) Amounts May Be Rounded to Avoid Fractional Shares. Restricted Shares that become Vested on a Vesting Date and Restricted Shares subject to Transfer Restrictions may, in each case, be rounded to avoid fractional shares of Common Stock.

(d) You May Be Required to Become a Party to the Shareholders' Agreement. Your rights to your Restricted Shares are conditioned on your becoming a party to any shareholders' agreement to which other similarly situated employees (*e.g.*, employees with a similar title or position) of the Firm are required to be a party.

(e) Firm May Affix Legends and Place Stop Orders on Restricted Shares. GS Inc. may affix to Certificates representing shares of Common Stock any legend that the Committee determines to be necessary or advisable (including to reflect any restrictions to which you may be subject under a separate agreement). GS Inc. may advise the transfer agent to place a stop order against any legended shares of Common Stock.

(f) You Agree to Certain Consents, Terms and Conditions. By accepting this Award you understand and agree that:

(i) You Agree to Certain Consents as a Condition to the Award. You have expressly consented to all of the items listed in Section 3.3.3(d) of the Plan, including the Firm's supplying to any third-party recordkeeper of the Plan or other person such personal information of yours as the Committee deems advisable to administer the Plan, and you agree to provide any additional consents that the Committee determines to be necessary or advisable;

(ii) You Are Subject to the Firm's Policies, Rules and Procedures. You are subject to the Firm's policies in effect from time to time concerning trading in shares of Common Stock and hedging or pledging shares of Common Stock and equity-based compensation or other awards (including, without limitation, the Firm's "Policies with Respect to Personal Transactions Involving GS Securities and GS Equity Awards." or any successor policies), and confidential or proprietary information, and you will effect sales of shares of Common Stock in accordance with such rules and procedures as may be adopted from time to time (which may include, without limitation, restrictions relating to the timing of sale requests, the manner in which sales are executed, pricing method, consolidation or aggregation of orders and volume limits determined by the Firm);

(iii) You Are Responsible for Costs Associated with Your Award. You will be responsible for all brokerage costs and other fees or expenses associated with your Restricted Shares, including those related to the sale of shares of Common Stock;

(iv) You Will Be Deemed to Represent Your Compliance with All the Terms of Your Award if You Sell Shares. You will be deemed to have represented and certified that you have complied with all of the terms of the Plan and this Award Agreement when you request the sale of shares of Common Stock following the release of Transfer Restrictions;

(v) Firm May Deliver Your Award into an Escrow Account. The Firm may establish and maintain an escrow account on such terms (which may include your executing any documents related to, and your paying for any costs associated with, such account) as it may deem necessary or appropriate, and the delivery of shares of Common Stock (including Restricted Shares) or the payment of cash (including dividends) or other property may initially be made into and held in that escrow account until such time as the Committee has received such documentation as it may have requested or until the Committee has determined that any other conditions or restrictions on delivery of shares of Common Stock, cash or other property required by this Award Agreement have been satisfied;

(vi) You May Be Required to Certify Compliance with Award Terms: You Are Responsible for Providing the Firm with Updated Address and Contact Information After Your Departure from the Firm. If your Employment terminates while you continue to hold Restricted Shares, from time to time, you may be required to provide certifications of your compliance with all of the terms of the Plan and this Award Agreement as described in Paragraph 8(c)(iv). You understand and agree that (A) your address on file with the Firm at the time any certification is required will be deemed to be your current address, (B) it is your responsibility to inform the Firm of any changes to your address to ensure timely receipt of the certification materials, (C) you are responsible for contacting the Firm to obtain such certification materials if not received and (D) your failure to return properly completed certification materials by the specified deadline (which includes your failure to timely return the completed certification because you did not provide the Firm with updated contact information) will result in the forfeiture of all of your Restricted Shares and subject previously delivered amounts to repayment under Paragraph 8(c)(iv);

(vii) You Authorize the Firm to Register, in Its or Its Designee's Name, Any Restricted Shares and Sell, Assign or Transfer Any Forfeited Restricted Shares. You are granting to the Firm the full power and authority to register any Restricted Shares in its or its designee's name and authorizing the Firm or its designee to sell, assign or transfer any Restricted Shares if forfeited by you. This Award, if held in escrow, will not be delivered to you but will be held by an escrow agent for your benefit. If an escrow agent is used, such escrow agent will also hold the Restricted Shares for the benefit of the Firm for the purpose of perfecting its security interest;

(viii) You Must Comply with Applicable Deadlines and Procedures to Appeal Determinations Made by the Committee, the SIP Committee or SIP Administrators. If you disagree with a determination made by the Committee, the SIP Committee, the SIP Administrators, or any of their delegates or designees and you wish to appeal such determination, you must submit a written request to the SIP Committee for review within 180 days after the determination at issue. You must exhaust your internal administrative remedies (*i.e.*, submit your appeal and wait for resolution of that appeal) before seeking to resolve a dispute through arbitration pursuant to Paragraph 15 and Section 3.17 of the Plan; and

(ix) You Agree that Covered Persons Will Not Have Liability. In addition to and without limiting the generality of the provisions of Section 1.3.5 of the Plan, neither the Firm nor any Covered Person will have any liability to you or any other person for any action taken or omitted in respect of this or any other Award.

13. **Non-transferability.** Except as otherwise may be provided in this Paragraph 13 or as otherwise may be provided by the Committee, the limitations on transferability set forth in Section 3.5 of the Plan will apply to this Award. Any purported transfer or assignment in violation of the provisions of this Paragraph 13 or Section 3.5 of the Plan will be void. The Committee may adopt procedures pursuant to which some or all recipients of Restricted Shares may transfer some or all of their Restricted Shares (which will continue to be subject to Transfer Restrictions until the Transferability Date) through a gift for no consideration to any immediate family member, a trust or other estate planning vehicle approved by the Committee or SIP Committee in which the recipient and/or the recipient's immediate family members in the aggregate have 100% of the beneficial interest.

14. **Right of Offset.** The obligation to pay dividends or to remove the Transfer Restrictions under this Award Agreement is subject to Section 3.4 of the Plan, which provides for the Firm's right to offset against such obligation any outstanding amounts you owe to the Firm and any amounts the Committee deems appropriate pursuant to any tax equalization policy or agreement.

#### **ARBITRATION, CHOICE OF FORUM AND GOVERNING LAW**

##### **15. Arbitration; Choice of Forum.**

**(a) BY ACCEPTING THIS AWARD, YOU ARE INDICATING THAT YOU UNDERSTAND AND AGREE THAT THE ARBITRATION AND CHOICE OF FORUM PROVISIONS SET FORTH IN SECTION 3.17 OF THE PLAN WILL APPLY TO THIS AWARD. THESE PROVISIONS, WHICH ARE EXPRESSLY INCORPORATED HEREIN BY REFERENCE, PROVIDE AMONG OTHER THINGS THAT ANY DISPUTE, CONTROVERSY OR CLAIM BETWEEN THE FIRM AND YOU ARISING OUT OF OR RELATING TO OR CONCERNING THE PLAN OR THIS AWARD AGREEMENT WILL BE FINALLY SETTLED BY ARBITRATION IN NEW YORK CITY, PURSUANT TO THE TERMS MORE FULLY SET**

**FORTH IN SECTION 3.17 OF THE PLAN; PROVIDED THAT NOTHING HEREIN SHALL PRECLUDE YOU FROM FILING A CHARGE WITH OR PARTICIPATING IN ANY INVESTIGATION OR PROCEEDING CONDUCTED BY ANY GOVERNMENTAL AUTHORITY, INCLUDING BUT NOT LIMITED TO THE SEC AND THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION.**

(b) To the fullest extent permitted by applicable law, no arbitrator will have the authority to consider class, collective or representative claims, to order consolidation or to join different claimants or grant relief other than on an individual basis to the individual claimant involved.

(c) Notwithstanding any applicable forum rules to the contrary, to the extent there is a question of enforceability of this Award Agreement arising from a challenge to the arbitrator's jurisdiction or to the arbitrability of a claim, it will be decided by a court and not an arbitrator.

(d) All references to the New York Stock Exchange in Section 3.17 of the Plan will be read as references to the Financial Industry Regulatory Authority.

(e) The Federal Arbitration Act governs interpretation and enforcement of all arbitration provisions under the Plan and this Award Agreement, and all arbitration proceedings thereunder.

(f) Nothing in this Award Agreement creates a substantive right to bring a claim under U.S. Federal, state, or local employment laws.

(g) By accepting your Award, you irrevocably appoint each General Counsel of GS Inc., or any person whom the General Counsel of GS Inc. designates, as your agent for service of process in connection with any suit, action or proceeding arising out of or relating to or concerning the Plan or any Award which is not arbitrated pursuant to the provisions of Section 3.17.1 of the Plan, who shall promptly advise you of any such service of process.

(h) To the fullest extent permitted by applicable law, no arbitrator will have the authority to consider any claim as to which you have not first exhausted your internal administrative remedies in accordance with Paragraph 12(f)(viii).

**16. Governing Law. THIS AWARD WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.**

#### **COMMITTEE AUTHORITY, AMENDMENT AND CONSTRUCTION**

17. **Committee Authority.** The Committee has the authority to determine, in its sole discretion, that any event triggering forfeiture or repayment of your Award will not apply, to limit the forfeitures and repayments that result under Paragraphs 8 and 9 and to remove Transfer Restrictions before the Transferability Date. In addition, the Committee, in its sole discretion, may determine whether Paragraphs 10(a)(ii) and 10(b) will apply upon a termination of Employment.

18. **Amendment.** The Committee reserves the right at any time to amend the terms of this Award Agreement, and the Board may amend the Plan in any respect; *provided* that, notwithstanding the foregoing and Sections 1.3.2(f), 1.3.2(h) and 3.1 of the Plan, no such amendment will materially adversely affect your rights and obligations under this Award Agreement without your consent; and *provided further* that the Committee expressly reserves its rights to amend the Award Agreement and the

Plan as described in Sections 1.3.2(h)(1), (2) and (4) of the Plan. A modification that impacts the tax consequences of this Award will not be an amendment that materially adversely affects your rights and obligations under this Award Agreement. Any amendment of this Award Agreement will be in writing.

19. **Construction, Headings.** Unless the context requires otherwise, (a) words describing the singular number include the plural and vice versa, (b) words denoting any gender include all genders and (c) the words “include,” “includes” and “including” will be deemed to be followed by the words “without limitation.” The headings in this Award Agreement are for the purpose of convenience only and are not intended to define or limit the construction of the provisions hereof. References in this Award Agreement to any specific Plan provision will not be construed as limiting the applicability of any other Plan provision.

**IN WITNESS WHEREOF**, GS Inc. has caused this Award Agreement to be duly executed and delivered as of the Date of Grant.

**THE GOLDMAN SACHS GROUP, INC.**



## DEFINITIONS APPENDIX

### The following capitalized terms are used in this Award Agreement with the following meanings:

(a) “409A Deferred Compensation” means a “deferral of compensation” or “deferred compensation” as those terms are defined in the regulations under Section 409A.

(b) “Associate With a Covered Enterprise” means that you (i) form, or acquire a 5% or greater equity ownership, voting or profit participation interest in, any Covered Enterprise or (ii) associate in any capacity (including association as an officer, employee, partner, director, consultant, agent or advisor) with any Covered Enterprise. Associate With a Covered Enterprise may include, as determined in the discretion of either the Committee or the SIP Committee, (i) becoming the subject of any publicly available announcement or report of a pending or future association with a Covered Enterprise and (ii) unpaid associations, including an association in contemplation of future employment. “Association With a Covered Enterprise” will have its correlative meaning.

(c) “Award Agreement” means the written document or documents by which each Award is evidenced, including any Award Statement or any related signature card.

(d) “Conflicted Employment” means your employment at any U.S. Federal, state or local government, any non-U.S. government, any supranational or international organization, any self-regulatory organization, or any agency or instrumentality of any such government or organization, or any other employer (other than an “Accounting Firm” within the meaning of SEC Rule 2-01(f)(2) of Regulation S-X or any successor thereto) determined by the Committee, if, as a result of such employment, your continued holding of any Restricted Shares would result in an actual or perceived conflict of interest.

(e) “Covered Enterprise” means a Competitive Enterprise and any other existing or planned business enterprise that: (i) offers, holds itself out as offering or reasonably may be expected to offer products or services that are the same as or similar to those offered by the Firm or that the Firm reasonably expects to offer (“Firm Products or Services”) or (ii) engages in, holds itself out as engaging in or reasonably may be expected to engage in any other activity that is the same as or similar to any financial activity engaged in by the Firm or in which the Firm reasonably expects to engage (“Firm Activities”). For the avoidance of doubt, Firm Activities include any activity that requires the same or similar skills as any financial activity engaged in by the Firm or in which the Firm reasonably expects to engage, irrespective of whether any such financial activity is in furtherance of an advisory, agency, proprietary or fiduciary undertaking.

The enterprises covered by this definition include enterprises that offer, hold themselves out as offering or reasonably may be expected to offer Firm Products or Services, or engage in, hold themselves out as engaging in or reasonably may be expected to engage in Firm Activities directly, as well as those that do so indirectly by ownership or control (*e.g.*, by owning, being owned by or by being under common ownership with an enterprise that offers, holds itself out as offering or reasonably may be expected to offer Firm Products or Services or that engages in, holds itself out as engaging in or reasonably may be expected to engage in Firm Activities). The definition of Covered Enterprise includes, solely by way of example, any enterprise that offers, holds itself out as offering or reasonably may be expected to offer any product or service, or engages in, holds itself out as engaging in or reasonably may be expected to engage in any activity, in any case, associated with investment banking; public or private finance; lending; financial advisory services; private investing for anyone other than you or your family members (including, for the avoidance of doubt, any type of proprietary investing or trading); private wealth management; private banking; consumer, digital or commercial banking; merchant banking; asset,

portfolio or hedge fund management; insurance or reinsurance underwriting or brokerage; property management; or securities, futures, commodities, energy, derivatives, currency or digital asset brokerage, sales, lending, custody, clearance, settlement or trading. An enterprise that offers, holds itself out as offering or reasonably may be expected to offer Firm Products or Services, or engages in, holds itself out as engaging in or reasonably may be expected to engage in Firm Activities is a Covered Enterprise, **irrespective of whether the enterprise is a customer, client or counterparty of the Firm and, because the Firm is a global enterprise, irrespective of where the Covered Enterprise is physically located.**

(f) “Failed to Consider Risk” means that you participated in the structuring or marketing of any product or service, or participated on behalf of the Firm or any of its clients in the purchase or sale of any security or other property, in any case without appropriate consideration of the risk to the Firm or the broader financial system as a whole (for example, where you have improperly analyzed such risk or where you have failed sufficiently to raise concerns about such risk) and, as a result of such action or omission, the Committee determines there has been, or reasonably could be expected to be, a material adverse impact on the Firm, your business unit or the broader financial system.

(g) “                    Date” means the first trading day in a Window Period in                      (or if there is no trading day in a Window Period that occurs in                      on or before                     , another date in                      that is selected by the Committee or the SIP Committee) and includes the 30 Business Days after such date.

(h) “Qualifying Termination After a Change in Control” means that the Firm terminates your Employment other than for Cause or you terminate your Employment for Good Reason, in each case, within 18 months following a Change in Control.

(i) “SEC” means the U.S. Securities and Exchange Commission.

(j) “Selected Firm Personnel” means any individual who is or in the three months preceding the conduct prohibited by Paragraphs 8(b) was (i) a Firm employee or consultant with whom you personally worked while employed by the Firm, (ii) a Firm employee or consultant who, at any time during the year preceding the date of the termination of your Employment, worked in the same division in which you worked or (iii) an Advisory Director, a Managing Director or a Senior Advisor of the Firm.

**The following capitalized terms are used in this Award Agreement with the meanings that are assigned to them in the Plan.**

(a) “Account” means any brokerage account, custody account or similar account, as approved or required by GS Inc. from time to time, into which shares of Common Stock, cash or other property in respect of an Award are delivered.

(b) “Award Statement” means a written statement that reflects certain Award terms.

(c) “Business Day” means any day other than a Saturday, a Sunday or a day on which banking institutions in New York City are authorized or obligated by Federal law or executive order to be closed.

(d) “Cause” means (i) the Grantee’s conviction, whether following trial or by plea of guilty or *nolo contendere* (or similar plea), in a criminal proceeding (A) on a misdemeanor charge involving fraud, false statements or misleading omissions, wrongful taking, embezzlement, bribery, forgery, counterfeiting or extortion, or (B) on a felony charge, or (C) on an equivalent charge to those in clauses (A) and (B) in jurisdictions which do not use those designations, (ii) the Grantee’s engaging in any conduct which constitutes an employment disqualification under applicable law (including statutory disqualification as defined under the Exchange Act), (iii) the Grantee’s willful failure to perform the Grantee’s duties to the Firm, (iv) the Grantee’s violation of any securities or commodities laws, any rules or regulations issued pursuant to such laws, or the rules and regulations of any securities or commodities exchange or association of which the Firm is a member, (v) the Grantee’s violation of any Firm policy concerning hedging or pledging or confidential or proprietary information, or the Grantee’s material violation of any other Firm policy as in effect from time to time, (vi) the Grantee’s engaging in any act or making any statement which impairs, impugns, denigrates, disparages or negatively reflects upon the name, reputation or business interests of the Firm or (vii) the Grantee’s engaging in any conduct detrimental to the Firm. The determination as to whether Cause has occurred shall be made by the Committee in its sole discretion and, in such case, the Committee also may, but shall not be required to, specify the date such Cause occurred (including by determining that a prior termination of Employment was for Cause). Any rights the Firm may have hereunder and in any Award Agreement in respect of the events giving rise to Cause shall be in addition to the rights the Firm may have under any other agreement with a Grantee or at law or in equity.

(e) “Change in Control” means the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving GS Inc. (a “Reorganization”) or sale or other disposition of all or substantially all of GS Inc.’s assets to an entity that is not an affiliate of GS Inc. (a “Sale”), that in each case requires the approval of GS Inc.’s shareholders under the law of GS Inc.’s jurisdiction of organization, whether for such Reorganization or Sale (or the issuance of securities of GS Inc. in such Reorganization or Sale), unless immediately following such Reorganization or Sale, either: (i) at least 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of (A) the entity resulting from such Reorganization, or the entity which has acquired all or substantially all of the assets of GS Inc. in a Sale (in either case, the “Surviving Entity”), or (B) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, as such Rule is in effect on the date of the adoption of the 1999 SIP) of 50% or more of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the Surviving Entity (the “Parent Entity”) is represented by GS Inc.’s securities (the “GS Inc. Securities”) that were outstanding immediately prior to such Reorganization or Sale (or, if applicable, is represented by shares into which such GS Inc. Securities were converted pursuant to such Reorganization or Sale) or (ii) at least 50% of the members of the board of directors (or similar officials in the case of an entity other than a corporation) of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) following the

consummation of the Reorganization or Sale were, at the time of the Board's approval of the execution of the initial agreement providing for such Reorganization or Sale, individuals (the "Incumbent Directors") who either (A) were members of the Board on the Effective Date or (B) became directors subsequent to the Effective Date and whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of GS Inc.'s proxy statement in which such persons are named as nominees for director).

(f) "Client" means any client or prospective client of the Firm to whom the Grantee provided services, or for whom the Grantee transacted business, or whose identity became known to the Grantee in connection with the Grantee's relationship with or employment by the Firm.

(g) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and the applicable rulings and regulations thereunder.

(h) "Committee" means the committee appointed by the Board to administer the Plan pursuant to Section 1.3, and, to the extent the Board determines it is appropriate for the compensation realized from Awards under the Plan to be considered "performance based" compensation under Section 162(m) of the Code, shall be a committee or subcommittee of the Board composed of two or more members, each of whom is an "outside director" within the meaning of Code Section 162(m), and which, to the extent the Board determines it is appropriate for Awards under the Plan to qualify for the exemption available under Rule 16b-3(d)(1) or Rule 16b-3(e) promulgated under the Exchange Act, shall be a committee or subcommittee of the Board composed of two or more members, each of whom is a "non-employee director" within the meaning of Rule 16b-3. Unless otherwise determined by the Board, the Committee shall be the Compensation Committee of the Board.

(i) "Common Stock" means common stock of GS Inc., par value \$0.01 per share.

(j) "Competitive Enterprise" means an existing or planned business enterprise that (i) engages, or may reasonably be expected to engage, in any activity, (ii) owns or controls, or may reasonably be expected to own or control, a significant interest in or (iii) is, or may reasonably be expected to be, owned by, or a significant interest in which is, or may reasonably be expected to be, owned or controlled by, any entity that engages in any activity that, in any case, competes or will compete anywhere with any activity in which the Firm is engaged. The activities covered by this definition include, without limitation, financial services such as investment banking, public or private finance, lending, financial advisory services, private investing (for anyone other than the Grantee and members of the Grantee's family), merchant banking, asset or hedge fund management, insurance or reinsurance underwriting or brokerage, property management, or securities, futures, commodities, energy, derivatives or currency brokerage, sales, lending, custody, clearance, settlement or trading.

(k) "Covered Person" means a member of the Board or the Committee or any employee of the Firm.

(l) "Date of Grant" means the date specified in the Grantee's Award Agreement as the date of grant of the Award.

(m) "Dividend Equivalent Right" means a dividend equivalent right granted under the Plan, which represents an unfunded and unsecured promise to pay to the Grantee amounts equal to all or any portion of the regular cash dividends that would be paid on shares of Common Stock covered by an Award if such shares had been delivered pursuant to an Award.

(n) “Employment” means the Grantee’s performance of services for the Firm, as determined by the Committee. The terms “employ” and “employed” shall have their correlative meanings. The Committee in its sole discretion may determine (i) whether and when a Grantee’s leave of absence results in a termination of Employment (for this purpose, unless the Committee determines otherwise, a Grantee shall be treated as terminating Employment with the Firm upon the occurrence of an Extended Absence), (ii) whether and when a change in a Grantee’s association with the Firm results in a termination of Employment and (iii) the impact, if any, of any such leave of absence or change in association on Awards theretofore made. Unless expressly provided otherwise, any references in the Plan or any Award Agreement to a Grantee’s Employment being terminated shall include both voluntary and involuntary terminations.

(o) “Extended Absence” means the Grantee’s inability to perform for six (6) continuous months, due to illness, injury or pregnancy-related complications, substantially all the essential duties of the Grantee’s occupation, as determined by the Committee.

(p) “Fair Market Value” means, with respect to a share of Common Stock on any day, the fair market value as determined in accordance with a valuation methodology approved by the Committee.

(q) “Firm” means GS Inc. and its subsidiaries and affiliates.

(r) “Good Reason” means, in connection with a termination of employment by a Grantee following a Change in Control, (a) as determined by the Committee, a materially adverse alteration in the Grantee’s position or in the nature or status of the Grantee’s responsibilities from those in effect immediately prior to the Change in Control or (b) the Firm’s requiring the Grantee’s principal place of Employment to be located more than seventy-five (75) miles from the location where the Grantee is principally Employed at the time of the Change in Control (except for required travel on the Firm’s business to an extent substantially consistent with the Grantee’s customary business travel obligations in the ordinary course of business prior to the Change in Control).

(s) “Grantee” means a person who receives an Award.

(t) “GS Inc.” means The Goldman Sachs Group, Inc., and any successor thereto.

(u) “Outstanding” means any Award to the extent it has not been forfeited, cancelled, terminated, exercised or with respect to which the shares of Common Stock underlying the Award have not been previously delivered or other payments made.

(v) “Restricted Share” means a share of Common Stock delivered under the Plan that is subject to Transfer Restrictions, forfeiture provisions and/or other terms and conditions specified in the Plan and in the Award Agreement or other Applicable Award Agreement. All references to Restricted Shares include “Shares at Risk.”

(w) “Retirement” means termination of the Grantee’s Employment (other than for Cause) on or after the Date of Grant at a time when (i) (A) the sum of the Grantee’s age plus years of service with the Firm (as determined by the Committee in its sole discretion) equals or exceeds 60 and (B) the Grantee has completed at least 10 years of service with the Firm (as determined by the Committee in its sole discretion) or, if earlier, (ii) (A) the Grantee has attained age 50 and (B) the Grantee has completed at least five years of service with the Firm (as determined by the Committee in its sole discretion).

(x) “Section 409A” means Section 409A of the Code, including any amendments or successor provisions to that Section and any regulations and other administrative guidance thereunder, in each case as they, from time to time, may be amended or interpreted through further administrative guidance.

(y) “SIP Administrator” means each person designated by the Committee as a “SIP Administrator” with the authority to perform day-to-day administrative functions for the Plan.

(z) “SIP Committee” means the persons who have been delegated certain authority under the Plan by the Committee.

(aa) “Solicit” means any direct or indirect communication of any kind whatsoever, regardless of by whom initiated, inviting, advising, encouraging or requesting any person or entity, in any manner, to take or refrain from taking any action.

(bb) “Transfer Restrictions” means restrictions that prohibit the sale, exchange, transfer, assignment, pledge, hypothecation, fractionalization, hedge or other disposal (including through the use of any cash-settled instrument), whether voluntarily or involuntarily by the Grantee, of an Award or any shares of Common Stock, cash or other property delivered in respect of an Award.

(cc) “Transferability Date” means the date Transfer Restrictions on a Restricted Share will be released. Within 30 Business Days after the applicable Transferability Date, GS Inc. shall take, or shall cause to be taken, such steps as may be necessary to remove Transfer Restrictions.

(dd) “Vested” means, with respect to an Award, the portion of the Award that is not subject to a condition that the Grantee remain actively employed by the Firm in order for the Award to remain Outstanding. The fact that an Award becomes Vested shall not mean or otherwise indicate that the Grantee has an unconditional or nonforfeitable right to such Award, and such Award shall remain subject to such terms, conditions and forfeiture provisions as may be provided for in the Plan or in the Award Agreement.

(ee) “Vesting Date” means each date specified in the Grantee’s Award Agreement as a date on which part or all of an Award becomes Vested.

(ff) “Window Period” means a period designated by the Firm during which all employees of the Firm are permitted to purchase or sell shares of Common Stock (*provided* that, if the Grantee is a member of a designated group of employees who are subject to different restrictions, the Window Period may be a period designated by the Firm during which an employee of the Firm in such designated group is permitted to purchase or sell shares of Common Stock).

THE GOLDMAN SACHS GROUP, INC.  
YEAR-END RESTRICTED STOCK AWARD

This Award Agreement, together with The Goldman Sachs Amended and Restated Stock Incentive Plan (2015) (the “Plan”), governs your award of \_\_\_\_ year-end Restricted Shares (your “Award”). You should read carefully this entire Award Agreement, which includes the Award Statement, any attached Appendix and the signature card.

#### ACCEPTANCE

1. **You Must Decide Whether to Accept this Award Agreement.** To be eligible to receive your Award, you must by the date specified (a) open and activate an Account and (b) agree to all the terms of your Award by executing the related signature card in accordance with its instructions. By executing the signature card, you confirm your agreement to all of the terms of this Award Agreement, including the arbitration and choice of forum provisions in Paragraph 15.

#### DOCUMENTS THAT GOVERN YOUR AWARD; DEFINITIONS

2. **The Plan.** Your Award is granted under the Plan, and the Plan’s terms apply to, and are a part of, this Award Agreement.
3. **Your Award Statement.** The Award Statement delivered to you contains some of your Award’s specific terms. For example, it contains the number of Restricted Shares awarded to you and any applicable Transferability Dates.
4. **Definitions.** Capitalized terms are defined in the Definitions Appendix, which also includes terms that are defined in the Plan.

#### VESTING OF YOUR RESTRICTED SHARES

5. **Vesting.** All of your Restricted Shares are Vested. When a Restricted Share is Vested, it means **only** that your continued active Employment is not required for that portion of Restricted Shares to become fully transferrable without risk of forfeiture. **Vesting does not mean you have a non-forfeitable right to the Vested portion of your Award. The terms of this Award Agreement (including the Transfer Restrictions) continue to apply to Vested Restricted Shares, and you can still forfeit Vested Restricted Shares.**

#### TRANSFER RESTRICTIONS

6. **Transfer Restrictions.** Restricted Shares will be subject to Transfer Restrictions until the Transferability Date next to such number or percentage of Restricted Shares on your Award Statement. Any purported sale, exchange, transfer, assignment, pledge, hypothecation, fractionalization, hedge or other disposition in violation of the Transfer Restrictions will be void. Within 30 Business Days after the Transferability Date listed on your Award Statement (or any other date on which the Transfer Restrictions are to be removed), GS Inc. will remove the Transfer Restrictions. The Committee or the SIP Committee may select multiple dates within such 30 Business-Day-period on which to remove Transfer Restrictions for all or a portion of the Restricted Shares with the same Transferability Date listed on the Award Statement, and all such dates will be treated as a single Transferability Date for purposes of this Award.

## DIVIDENDS

7. **Dividends.** You will be entitled to receive on a current basis any regular cash dividend paid in respect of your Restricted Shares.

## FORFEITURE OF YOUR AWARD

8. **How You May Forfeit Your Award.** This Paragraph 8 sets forth the events that result in forfeiture of up to all of your Restricted Shares and may require repayment to the Firm of up to all other amounts previously delivered or paid to you under your Award in accordance with Paragraph 9. More than one event may apply, and in no case will the occurrence of one event limit the forfeiture and repayment obligations as a result of the occurrence of any other event. In addition, the Firm reserves the right to (a) suspend release of Transfer Restrictions, (b) deliver any Restricted Shares or dividends into an escrow account in accordance with Paragraph 12(f)(v) or (c) apply additional Transfer Restrictions to any Restricted Shares in connection with any investigation of whether any of the events that result in forfeiture under the Plan or this Paragraph 8 have occurred. Paragraph 10 (relating to certain circumstances under which restrictions on Association With a Covered Enterprise will not apply) and Paragraph 11 (relating to certain circumstances under which release of Transfer Restrictions may be accelerated) provide for exceptions to one or more provisions of this Paragraph 8.

(a) Restricted Shares Forfeited if You Associate With a Covered Enterprise.

(i) If you Associate With a Covered Enterprise before the earlier of \_\_\_\_\_ or a Qualifying Termination After a Change in Control, your rights to all the Restricted Shares granted to you will terminate and those Restricted Shares will be cancelled.

(ii) If you Associate With a Covered Enterprise on or after \_\_\_\_\_ but before the earlier of \_\_\_\_\_ or a Qualifying Termination After a Change in Control, your rights to two-thirds of the Restricted Shares granted to you will terminate and those Restricted Shares will be cancelled.

(iii) If you Associate With a Covered Enterprise on or after \_\_\_\_\_ but before the earlier of \_\_\_\_\_ or a Qualifying Termination After a Change in Control, your rights to one-third of the Restricted Shares granted to you will terminate and those Restricted Shares will be cancelled.

(b) Restricted Shares Forfeited if You Solicit Clients or Employees, Interfere with Client or Employee Relationships or Participate in the Hiring of Employees [or if GS Inc. Experiences Certain Severe Adverse Financial Events]. If:

(i) you, in any manner, directly or indirectly, (A) Solicit any Client to transact business with a Covered Enterprise or to reduce or refrain from doing any business with the Firm, (B) interfere with or damage (or attempt to interfere with or damage) any relationship between the Firm and any Client, (C) Solicit any person who is an employee of the Firm to resign from the Firm, (D) Solicit any Selected Firm Personnel to apply for or accept employment (or other association) with any person or entity other than the Firm or (E) hire or participate in the hiring of any Selected Firm Personnel by any person or entity other than the Firm (including, without limitation, participating in the identification of individuals for potential hire, and participating in any hiring decision), whether as an employee or consultant or otherwise, [or]



(ii) Selected Firm Personnel are Solicited, hired or accepted into partnership, membership or similar status by (A) any entity that you form, that bears your name, or in which you possess or control greater than a *de minimis* equity ownership, voting or profit participation, or (B) any entity where you have, or will have, direct or indirect managerial responsibility for such Selected Firm Personnel,

(iii) [GS Inc. fails to maintain the required “Minimum Tier 1 Capital Ratio” as defined under Federal Reserve Board Regulations applicable to GS Inc. for a period of 90 consecutive business days, or]

(iv) [the Board of Governors of the Federal Reserve or the Federal Deposit Insurance Corporation (the “FDIC”) makes a written recommendation under Title II (Orderly Liquidation Authority) of the Dodd-Frank Wall Street Reform and Consumer Protection Act for the appointment of the FDIC as a receiver of GS Inc. based on a determination that GS Inc. is “in default” or “in danger of default,”]

then your rights to the following Restricted Shares will terminate and those Restricted Shares will be cancelled:

(X) all of the Restricted Shares granted to you if any of the events in this Paragraph 8(b) occurs before the \_\_\_\_\_ Date,

(Y) two-thirds of the Restricted Shares granted to you if any of the events in this Paragraph 8(b) occurs on or after the \_\_\_\_\_ Date but before the \_\_\_\_\_ Date, and

(Z) one-third of the Restricted Shares granted to you if any of the events in this Paragraph 8(b) occurs on or after the \_\_\_\_\_ Date but before the \_\_\_\_\_ Date.

(c) Restricted Shares Forfeited upon Certain Events. If any of the following occurs, your rights to all of your Restricted Shares will terminate and those Restricted Shares will be cancelled, in each case, as may be further described below:

(i) You Failed to Consider Risk. You Failed to Consider Risk during the Firm’s \_\_\_\_ fiscal year.

(ii) Your Conduct Constitutes Cause. Any event that constitutes Cause has occurred before the Transferability Date.

(iii) You Do Not Meet Your Obligations to the Firm. The Committee determines that, before the Transferability Date, you failed to meet, in any respect, any obligation under any agreement with the Firm, or any agreement entered into in connection with your Employment or this Award, including the Firm’s notice period requirement applicable to you, any offer letter, employment agreement or any shareholders’ agreement relating to the Firm. Your failure to pay or reimburse the Firm, on demand, for any amount you owe to the Firm will constitute (A) failure to meet an obligation you have under an agreement, regardless of whether such obligation arises under a written agreement, and/or (B) a material violation of Firm policy constituting Cause.

(iv) You Do Not Provide Timely Certifications or Comply with Your Certifications. You fail to certify to GS Inc. that you have complied with all of the terms of the Plan and this Award Agreement, or the Committee determines that you have failed to comply with a term of the Plan or this Award Agreement to which you have certified compliance.

(v) You Do Not Follow Dispute Resolution/Arbitration Procedures. You attempt to have any dispute under the Plan or this Award Agreement resolved in any manner that is not provided for by Paragraph 15 or Section 3.17 of the Plan, or you attempt to arbitrate a dispute without first having exhausted your internal administrative remedies in accordance with Paragraph 12(f)(viii).

(vi) You Bring an Action that Results in a Determination that Any Award Agreement Term Is Invalid. As a result of any action brought by you, it is determined that any term of this Award Agreement is invalid.

(vii) You Receive Compensation in Respect of Your Award from Another Employer. Your Employment terminates for any reason or you otherwise are no longer actively employed with the Firm and another entity grants you cash, equity or other property (whether vested or unvested) to replace, substitute for or otherwise in respect of any Restricted Shares; *provided, however,* that your rights will only be terminated in respect of the Restricted Shares that are replaced, substituted for or otherwise considered by such other entity in making its grant.

(viii) [Accounting Restatement Required Under Sarbanes-Oxley. GS Inc. is required to prepare an accounting restatement due to GS Inc.'s material noncompliance, as a result of misconduct, with any financial reporting requirement under the securities laws as described in Section 304(a) of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"); *provided, however,* that your rights will only be terminated in respect of the Restricted Shares to the same extent that would be required under Section 304 (a) of Sarbanes-Oxley had you been a "chief executive officer" or "chief financial officer" of GS Inc. (regardless of whether you actually hold such position at the relevant time).]

## REPAYMENT OF YOUR AWARD

### 9. When You May Be Required to Repay Your Award.

(a) [Repayment, Generally.] If the Committee determines that any term of this Award was not satisfied, you will be required, immediately upon demand therefor, to repay to the Firm in accordance with Section 2.5.3 of the Plan, the following:

(i) Any Restricted Shares for which the terms (including the terms for the release of Transfer Restrictions) were not satisfied.

(ii) Any dividends paid in respect of any Restricted Shares that are cancelled or required to be repaid.

(iii) Any amount applied to satisfy tax withholding or other obligations with respect to any Restricted Shares or dividend payments that are forfeited or required to be repaid.

(b) [Repayment Upon Accounting Restatement Required Under Sarbanes-Oxley] If an event described in Paragraph 8(c)(viii) (relating to a requirement under Sarbanes-Oxley that GS Inc. prepare an accounting restatement) occurs, any Restricted Shares, cash or other property delivered, paid or withheld in respect of this Award will be subject to repayment as described in Paragraph 9(a) to the same extent that would be required under Section 304(a) of Sarbanes-Oxley had you been a “chief executive officer” or “chief financial officer” of GS Inc. (regardless of whether you actually hold such position at the relevant time).]

#### EXCEPTIONS TO ASSOCIATION WITH A COVERED ENTERPRISE; TRANSFERABILITY DATES

**10. Restrictions on Association With a Covered Enterprise Cease to Apply After an Involuntary or Mutual Agreement Termination (but the Transferability Date Continues to Apply).** Paragraph 8(a) (relating to forfeiture if you Associate With a Covered Enterprise) will not apply if (a) the Firm characterizes your Employment termination as “involuntary” or by “mutual agreement” (and, in each case, you have not engaged in conduct constituting Cause) and (b) you execute a general waiver and release of claims and an agreement to pay any associated tax liability, in each case, in the form the Firm prescribes. No Employment termination that you initiate, including any purported “constructive termination,” a “termination for good reason” or similar concepts, can be “involuntary” or by “mutual agreement.” All other terms of this Award Agreement, including the other forfeiture and repayment events in Paragraphs 8 and 9, continue to apply.

**11. Accelerated Release of Transfer Restrictions in the Event of a Qualifying Termination After a Change in Control, Conflicted Employment or Death.** In the event of your Qualifying Termination After a Change in Control, Conflicted Employment or death, each as described below, your Restricted Shares will be treated as described in this Paragraph 11, and, except as set forth in Paragraph 11(a), all other terms of this Award Agreement, including the other forfeiture and repayment events in Paragraphs 8 and 9, continue to apply.

(a) You Have a Qualifying Termination After a Change in Control. If your Employment terminates when you meet the requirements of a Qualifying Termination After a Change in Control, any Transfer Restrictions will cease to apply. In addition, the forfeiture events in Paragraph 8 will not apply to your Award.

(b) You Are Determined to Have Accepted Conflicted Employment.

(i) Generally. Notwithstanding anything to the contrary in the Plan or otherwise, for purposes of this Award Agreement, “Conflicted Employment” means your employment at any U.S. Federal, state or local government, any non-U.S. government, any supranational or international organization, any self-regulatory organization, or any agency or instrumentality of any such government or organization, or any other employer (other than an “Accounting Firm” within the meaning of SEC Rule 2-01(f)(2) of Regulation S-X or any successor thereto) determined by the Committee, if, as a result of such employment, your continued holding of any Restricted Shares would result in an actual or perceived conflict of interest. If your Employment terminates solely because you resign to accept Conflicted Employment or if, following your termination of Employment, you notify the Firm that you are accepting Conflicted Employment, any Transfer Restrictions will cease to apply as soon as practicable after the Committee has received satisfactory documentation relating to your Conflicted Employment.

(ii) You May Have to Take Other Steps to Address Conflicts of Interest. The Committee retains the authority to exercise its rights under the Award Agreement or the Plan (including Section 1.3.2 of the Plan) to take or require you to take other steps it determines in its sole discretion to be necessary or appropriate to cure an actual or perceived conflict of interest (which may include a determination that the accelerated release of Transfer Restrictions described in Paragraph 11(b)(i) will not apply because such actions are not necessary or appropriate to cure an actual or perceived conflict of interest).

(c) Death. If you die, any Transfer Restrictions will cease to apply as soon as practicable after the date of death and after such documentation as may be requested by the Committee is provided to the Committee.

## **OTHER TERMS, CONDITIONS AND AGREEMENTS**

### **12. Additional Terms, Conditions and Agreements.**

(a) You Must Satisfy Applicable Tax Withholding Requirements. Removal of the Transfer Restrictions is conditioned on your satisfaction of any applicable withholding taxes in accordance with Section 3.2 of the Plan, which includes the Firm deducting or withholding amounts from any payment or distribution to you (which, notwithstanding Section 3.2.2 of the Plan, may exceed the statutory minimum rate if and to the extent determined by the Committee or the SIP Committee). In addition, to the extent permitted by applicable law, the Firm, in its sole discretion, may require you to provide amounts equal to all or a portion of any Federal, state, local, foreign or other tax obligations imposed on you or the Firm in connection with the grant of this Award by requiring you to choose between remitting the amount (i) in cash (or through payroll deduction or otherwise), (ii) in the form of proceeds from the Firm's executing a sale of shares of Common Stock delivered to you under this Award or (iii) shares of Common Stock delivered to you pursuant to this Award. In addition, if you are an individual with separate employment contracts (at any time during and/or after the Firm's \_\_\_\_ fiscal year), the Firm, in its sole discretion, may require you to provide for a reserve in an amount the Firm determines is advisable or necessary in connection with any actual, anticipated or potential tax consequences related to your separate employment contracts by requiring you to choose between remitting such amount (i) in cash (or through payroll deduction or otherwise) or (ii) in the form of proceeds from the Firm's executing a sale of shares of Common Stock delivered to you pursuant to this Award (or any other Outstanding awards granted under the Plan or any predecessor or successor plan thereto).

(b) Firm May Deliver Cash or Other Property Instead of Shares. In accordance with Section 1.3.2(i) of the Plan, in the sole discretion of the Committee, in lieu of all or any portion of the shares of Common Stock, the Firm may deliver cash, other securities, other awards under the Plan or other property, and all references in this Award Agreement to deliveries of shares of Common Stock will include such deliveries of cash, other securities, other awards under the Plan or other property.

(c) Amounts May Be Rounded to Avoid Fractional Shares. Restricted Shares subject to Transfer Restrictions may, in each case, be rounded to avoid fractional shares of Common Stock.

(d) You May Be Required to Become a Party to the Shareholders' Agreement. Your rights to your Restricted Shares are conditioned on your becoming a party to any shareholders' agreement to which other similarly situated employees (*e.g.*, employees with a similar title or position) of the Firm are required to be a party.

(e) Firm May Affix Legends and Place Stop Orders on Restricted Shares. GS Inc. may affix to Certificates representing shares of Common Stock any legend that the Committee determines to be necessary or advisable (including to reflect any restrictions to which you may be subject under a separate agreement). GS Inc. may advise the transfer agent to place a stop order against any legended shares of Common Stock.

(f) You Agree to Certain Consents, Terms and Conditions. By accepting this Award you understand and agree that:

(i) You Agree to Certain Consents as a Condition to the Award. You have expressly consented to all of the items listed in Section 3.3.3(d) of the Plan, including the Firm's supplying to any third-party recordkeeper of the Plan or other person such personal information of yours as the Committee deems advisable to administer the Plan, and you agree to provide any additional consents that the Committee determines to be necessary or advisable;

(ii) You Are Subject to the Firm's Policies, Rules and Procedures. You are subject to the Firm's policies in effect from time to time concerning trading in shares of Common Stock and hedging or pledging shares of Common Stock and equity-based compensation or other awards (including, without limitation, the Firm's "Policies with Respect to Personal Transactions Involving GS Securities and GS Equity Awards." or any successor policies), and confidential or proprietary information, and you will effect sales of shares of Common Stock in accordance with such rules and procedures as may be adopted from time to time (which may include, without limitation, restrictions relating to the timing of sale requests, the manner in which sales are executed, pricing method, consolidation or aggregation of orders and volume limits determined by the Firm);

(iii) You Are Responsible for Costs Associated with Your Award. You will be responsible for all brokerage costs and other fees or expenses associated with your Restricted Shares, including those related to the sale of shares of Common Stock;

(iv) You Will Be Deemed to Represent Your Compliance with All the Terms of Your Award if You Sell Shares. You will be deemed to have represented and certified that you have complied with all of the terms of the Plan and this Award Agreement when you request the sale of shares of Common Stock following the release of Transfer Restrictions;

(v) Firm May Deliver Your Award into an Escrow Account. The Firm may establish and maintain an escrow account on such terms (which may include your executing any documents related to, and your paying for any costs associated with, such account) as it may deem necessary or appropriate, and the delivery of shares of Common Stock (including Restricted Shares) or the payment of cash (including dividends) or other property may initially be made into and held in that escrow account until such time as the Committee has received such documentation as it may have requested or until the Committee has determined that any other conditions or restrictions on delivery of shares of Common Stock, cash or other property required by this Award Agreement have been satisfied;

(vi) You May Be Required to Certify Compliance with Award Terms: You Are Responsible for Providing the Firm with Updated Address and Contact Information After Your Departure from the Firm. If your Employment terminates while you continue to hold Restricted Shares, from time to time, you may be required to provide certifications of your compliance with all of the terms of the Plan and this Award Agreement as described in Paragraph 8(c)(iv). You understand and agree that (A) your address on file with the Firm at the time any certification is required will be deemed to be your current address, (B) it is your responsibility to inform the Firm of any changes to your address to ensure timely receipt of the certification materials, (C) you are responsible for contacting the Firm to obtain such certification materials if

not received and (D) your failure to return properly completed certification materials by the specified deadline (which includes your failure to timely return the completed certification because you did not provide the Firm with updated contact information) will result in the forfeiture of all of your Restricted Shares and subject previously delivered amounts to repayment under Paragraph 8(c)(iv);

(vii) You Authorize the Firm to Register, in Its or Its Designee's Name, Any Restricted Shares and Sell, Assign or Transfer Any Forfeited Restricted Shares. You are granting to the Firm the full power and authority to register any Restricted Shares in its or its designee's name and authorizing the Firm or its designee to sell, assign or transfer any Restricted Shares if forfeited by you. This Award, if held in escrow, will not be delivered to you but will be held by an escrow agent for your benefit. If an escrow agent is used, such escrow agent will also hold the Restricted Shares for the benefit of the Firm for the purpose of perfecting its security interest;

(viii) You Must Comply with Applicable Deadlines and Procedures to Appeal Determinations Made by the Committee, the SIP Committee or SIP Administrators. If you disagree with a determination made by the Committee, the SIP Committee, the SIP Administrators, or any of their delegates or designees and you wish to appeal such determination, you must submit a written request to the SIP Committee for review within 180 days after the determination at issue. You must exhaust your internal administrative remedies (*i.e.*, submit your appeal and wait for resolution of that appeal) before seeking to resolve a dispute through arbitration pursuant to Paragraph 15 and Section 3.17 of the Plan; and

(ix) You Agree that Covered Persons Will Not Have Liability. In addition to and without limiting the generality of the provisions of Section 1.3.5 of the Plan, neither the Firm nor any Covered Person will have any liability to you or any other person for any action taken or omitted in respect of this or any other Award.

13. **Non-transferability.** Except as otherwise may be provided in this Paragraph 13 or as otherwise may be provided by the Committee, the limitations on transferability set forth in Section 3.5 of the Plan will apply to this Award. Any purported transfer or assignment in violation of the provisions of this Paragraph 13 or Section 3.5 of the Plan will be void. The Committee may adopt procedures pursuant to which some or all recipients of Restricted Shares may transfer some or all of their Restricted Shares (which will continue to be subject to Transfer Restrictions until the Transferability Date) through a gift for no consideration to any immediate family member, a trust or other estate planning vehicle approved by the Committee or SIP Committee in which the recipient and/or the recipient's immediate family members in the aggregate have 100% of the beneficial interest.

14. **Right of Offset.** The obligation to pay dividends or to remove the Transfer Restrictions under this Award Agreement is subject to Section 3.4 of the Plan, which provides for the Firm's right to offset against such obligation any outstanding amounts you owe to the Firm and any amounts the Committee deems appropriate pursuant to any tax equalization policy or agreement.

#### **ARBITRATION, CHOICE OF FORUM AND GOVERNING LAW**

##### **15. Arbitration; Choice of Forum.**

**(a) BY ACCEPTING THIS AWARD, YOU ARE INDICATING THAT YOU UNDERSTAND AND AGREE THAT THE ARBITRATION AND CHOICE OF FORUM PROVISIONS SET FORTH IN SECTION 3.17 OF THE PLAN WILL APPLY TO THIS AWARD. THESE PROVISIONS, WHICH ARE EXPRESSLY INCORPORATED HEREIN BY REFERENCE, PROVIDE AMONG OTHER THINGS THAT**

**ANY DISPUTE, CONTROVERSY OR CLAIM BETWEEN THE FIRM AND YOU ARISING OUT OF OR RELATING TO OR CONCERNING THE PLAN OR THIS AWARD AGREEMENT WILL BE FINALLY SETTLED BY ARBITRATION IN NEW YORK CITY, PURSUANT TO THE TERMS MORE FULLY SET FORTH IN SECTION 3.17 OF THE PLAN; PROVIDED THAT NOTHING HEREIN SHALL PRECLUDE YOU FROM FILING A CHARGE WITH OR PARTICIPATING IN ANY INVESTIGATION OR PROCEEDING CONDUCTED BY ANY GOVERNMENTAL AUTHORITY, INCLUDING BUT NOT LIMITED TO THE SEC AND THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION.**

(b) To the fullest extent permitted by applicable law, no arbitrator will have the authority to consider class, collective or representative claims, to order consolidation or to join different claimants or grant relief other than on an individual basis to the individual claimant involved.

(c) Notwithstanding any applicable forum rules to the contrary, to the extent there is a question of enforceability of this Award Agreement arising from a challenge to the arbitrator's jurisdiction or to the arbitrability of a claim, it will be decided by a court and not an arbitrator.

(d) All references to the New York Stock Exchange in Section 3.17 of the Plan will be read as references to the Financial Industry Regulatory Authority.

(e) The Federal Arbitration Act governs interpretation and enforcement of all arbitration provisions under the Plan and this Award Agreement, and all arbitration proceedings thereunder.

(f) Nothing in this Award Agreement creates a substantive right to bring a claim under U.S. Federal, state, or local employment laws.

(g) By accepting your Award, you irrevocably appoint each General Counsel of GS Inc., or any person whom the General Counsel of GS Inc. designates, as your agent for service of process in connection with any suit, action or proceeding arising out of or relating to or concerning the Plan or any Award which is not arbitrated pursuant to the provisions of Section 3.17.1 of the Plan, who shall promptly advise you of any such service of process.

(h) To the fullest extent permitted by applicable law, no arbitrator will have the authority to consider any claim as to which you have not first exhausted your internal administrative remedies in accordance with Paragraph 12(f)(viii).

**16. Governing Law. THIS AWARD WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.**

#### **COMMITTEE AUTHORITY, AMENDMENT AND CONSTRUCTION**

17. **Committee Authority.** The Committee has the authority to determine, in its sole discretion, that any event triggering forfeiture or repayment of your Award will not apply, to limit the forfeitures and repayments that result under Paragraphs 8 and 9 and to remove Transfer Restrictions before the Transferability Date. In addition, the Committee, in its sole discretion, may determine whether Paragraph 10 will apply upon a termination of Employment.

18. **Amendment.** The Committee reserves the right at any time to amend the terms of this Award Agreement, and the Board may amend the Plan in any respect; *provided* that, notwithstanding the foregoing and Sections 1.3.2(f), 1.3.2(h) and 3.1 of the Plan, no such amendment will materially adversely affect your rights and obligations under this Award Agreement without your consent; and *provided further* that the Committee expressly reserves its rights to amend the Award Agreement and the Plan as described in Sections 1.3.2(h)(1), (2) and (4) of the Plan. A modification that impacts the tax consequences of this Award will not be an amendment that materially adversely affects your rights and obligations under this Award Agreement. Any amendment of this Award Agreement will be in writing.

19. **Construction, Headings.** Unless the context requires otherwise, (a) words describing the singular number include the plural and vice versa, (b) words denoting any gender include all genders and (c) the words “include,” “includes” and “including” will be deemed to be followed by the words “without limitation.” The headings in this Award Agreement are for the purpose of convenience only and are not intended to define or limit the construction of the provisions hereof. References in this Award Agreement to any specific Plan provision will not be construed as limiting the applicability of any other Plan provision.

**IN WITNESS WHEREOF**, GS Inc. has caused this Award Agreement to be duly executed and delivered as of the Date of Grant.

**THE GOLDMAN SACHS GROUP, INC.**



## DEFINITIONS APPENDIX

### The following capitalized terms are used in this Award Agreement with the following meanings:

(a) “409A Deferred Compensation” means a “deferral of compensation” or “deferred compensation” as those terms are defined in the regulations under Section 409A.

(b) “Associate With a Covered Enterprise” means that you (i) form, or acquire a 5% or greater equity ownership, voting or profit participation interest in, any Covered Enterprise or (ii) associate in any capacity (including association as an officer, employee, partner, director, consultant, agent or advisor) with any Covered Enterprise. Associate With a Covered Enterprise may include, as determined in the discretion of either the Committee or the SIP Committee, (i) becoming the subject of any publicly available announcement or report of a pending or future association with a Covered Enterprise and (ii) unpaid associations, including an association in contemplation of future employment. “Association With a Covered Enterprise” will have its correlative meaning.

(c) “Award Agreement” means the written document or documents by which each Award is evidenced, including any Award Statement or any related signature card.

(d) “Conflicted Employment” means your employment at any U.S. Federal, state or local government, any non-U.S. government, any supranational or international organization, any self-regulatory organization, or any agency or instrumentality of any such government or organization, or any other employer (other than an “Accounting Firm” within the meaning of SEC Rule 2-01(f)(2) of Regulation S-X or any successor thereto) determined by the Committee, if, as a result of such employment, your continued holding of any Restricted Shares would result in an actual or perceived conflict of interest.

(e) “Covered Enterprise” means a Competitive Enterprise and any other existing or planned business enterprise that: (i) offers, holds itself out as offering or reasonably may be expected to offer products or services that are the same as or similar to those offered by the Firm or that the Firm reasonably expects to offer (“Firm Products or Services”) or (ii) engages in, holds itself out as engaging in or reasonably may be expected to engage in any other activity that is the same as or similar to any financial activity engaged in by the Firm or in which the Firm reasonably expects to engage (“Firm Activities”). For the avoidance of doubt, Firm Activities include any activity that requires the same or similar skills as any financial activity engaged in by the Firm or in which the Firm reasonably expects to engage, irrespective of whether any such financial activity is in furtherance of an advisory, agency, proprietary or fiduciary undertaking.

The enterprises covered by this definition include enterprises that offer, hold themselves out as offering or reasonably may be expected to offer Firm Products or Services, or engage in, hold themselves out as engaging in or reasonably may be expected to engage in Firm Activities directly, as well as those that do so indirectly by ownership or control (*e.g.*, by owning, being owned by or by being under common ownership with an enterprise that offers, holds itself out as offering or reasonably may be expected to offer Firm Products or Services or that engages in, holds itself out as engaging in or reasonably may be expected to engage in Firm Activities). The definition of Covered Enterprise includes, solely by way of example, any enterprise that offers, holds itself out as offering or reasonably may be expected to offer any product or service, or engages in, holds itself out as engaging in or reasonably may be expected to engage in any activity, in any case, associated with investment banking; public or private finance; lending; financial advisory services; private investing for anyone other than you or your family members (including, for the avoidance of doubt, any type of proprietary investing or trading); private

wealth management; private banking; consumer, digital or commercial banking; merchant banking; asset, portfolio or hedge fund management; insurance or reinsurance underwriting or brokerage; property management; or securities, futures, commodities, energy, derivatives, currency or digital asset brokerage, sales, lending, custody, clearance, settlement or trading. An enterprise that offers, holds itself out as offering or reasonably may be expected to offer Firm Products or Services, or engages in, holds itself out as engaging in or reasonably may be expected to engage in Firm Activities is a Covered Enterprise, **irrespective of whether the enterprise is a customer, client or counterparty of the Firm and, because the Firm is a global enterprise, irrespective of where the Covered Enterprise is physically located.**

(f) “Failed to Consider Risk” means that you participated in the structuring or marketing of any product or service, or participated on behalf of the Firm or any of its clients in the purchase or sale of any security or other property, in any case without appropriate consideration of the risk to the Firm or the broader financial system as a whole (for example, where you have improperly analyzed such risk or where you have failed sufficiently to raise concerns about such risk) and, as a result of such action or omission, the Committee determines there has been, or reasonably could be expected to be, a material adverse impact on the Firm, your business unit or the broader financial system.

(g) “\_\_\_\_\_ Date” means the first trading day in a Window Period in \_\_\_\_\_ (or if there is no trading day in a Window Period that occurs in \_\_\_\_\_ on or before \_\_\_\_\_, another date in \_\_\_\_\_ that is selected by the Committee or the SIP Committee) and includes the 30 Business Days after such date.

(h) “Qualifying Termination After a Change in Control” means that the Firm terminates your Employment other than for Cause or you terminate your Employment for Good Reason, in each case, within 18 months following a Change in Control.

(i) “SEC” means the U.S. Securities and Exchange Commission.

(j) “Selected Firm Personnel” means any individual who is or in the three months preceding the conduct prohibited by Paragraphs 8(b)(i) and (ii) was (i) a Firm employee or consultant with whom you personally worked while employed by the Firm, (ii) a Firm employee or consultant who, at any time during the year preceding the date of the termination of your Employment, worked in the same division in which you worked or (iii) an Advisory Director, a Managing Director or a Senior Advisor of the Firm.

**The following capitalized terms are used in this Award Agreement with the meanings that are assigned to them in the Plan.**

(a) “Account” means any brokerage account, custody account or similar account, as approved or required by GS Inc. from time to time, into which shares of Common Stock, cash or other property in respect of an Award are delivered.

(b) “Award Statement” means a written statement that reflects certain Award terms.

(c) “Business Day” means any day other than a Saturday, a Sunday or a day on which banking institutions in New York City are authorized or obligated by Federal law or executive order to be closed.

(d) “Cause” means (i) the Grantee’s conviction, whether following trial or by plea of guilty or *nolo contendere* (or similar plea), in a criminal proceeding (A) on a misdemeanor charge involving fraud, false statements or misleading omissions, wrongful taking, embezzlement, bribery, forgery, counterfeiting or extortion, or (B) on a felony charge, or (C) on an equivalent charge to those in clauses (A) and (B) in jurisdictions which do not use those designations, (ii) the Grantee’s engaging in any conduct which constitutes an employment disqualification under applicable law (including statutory disqualification as defined under the Exchange Act), (iii) the Grantee’s willful failure to perform the Grantee’s duties to the Firm, (iv) the Grantee’s violation of any securities or commodities laws, any rules or regulations issued pursuant to such laws, or the rules and regulations of any securities or commodities exchange or association of which the Firm is a member, (v) the Grantee’s violation of any Firm policy concerning hedging or pledging or confidential or proprietary information, or the Grantee’s material violation of any other Firm policy as in effect from time to time, (vi) the Grantee’s engaging in any act or making any statement which impairs, impugns, denigrates, disparages or negatively reflects upon the name, reputation or business interests of the Firm or (vii) the Grantee’s engaging in any conduct detrimental to the Firm. The determination as to whether Cause has occurred shall be made by the Committee in its sole discretion and, in such case, the Committee also may, but shall not be required to, specify the date such Cause occurred (including by determining that a prior termination of Employment was for Cause). Any rights the Firm may have hereunder and in any Award Agreement in respect of the events giving rise to Cause shall be in addition to the rights the Firm may have under any other agreement with a Grantee or at law or in equity.

(e) “Change in Control” means the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving GS Inc. (a “Reorganization”) or sale or other disposition of all or substantially all of GS Inc.’s assets to an entity that is not an affiliate of GS Inc. (a “Sale”), that in each case requires the approval of GS Inc.’s shareholders under the law of GS Inc.’s jurisdiction of organization, whether for such Reorganization or Sale (or the issuance of securities of GS Inc. in such Reorganization or Sale), unless immediately following such Reorganization or Sale, either: (i) at least 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of (A) the entity resulting from such Reorganization, or the entity which has acquired all or substantially all of the assets of GS Inc. in a Sale (in either case, the “Surviving Entity”), or (B) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, as such Rule is in effect on the date of the adoption of the 1999 SIP) of 50% or more of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the Surviving Entity (the “Parent Entity”) is represented by GS Inc.’s securities (the “GS Inc. Securities”) that were outstanding immediately prior to such Reorganization or Sale (or, if applicable, is represented by shares into which such GS Inc. Securities were converted pursuant to such Reorganization or Sale) or (ii) at least 50% of the members of the board of directors (or similar officials in the case of an entity other than a corporation) of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) following the

consummation of the Reorganization or Sale were, at the time of the Board's approval of the execution of the initial agreement providing for such Reorganization or Sale, individuals (the "Incumbent Directors") who either (A) were members of the Board on the Effective Date or (B) became directors subsequent to the Effective Date and whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of GS Inc.'s proxy statement in which such persons are named as nominees for director).

(f) "Client" means any client or prospective client of the Firm to whom the Grantee provided services, or for whom the Grantee transacted business, or whose identity became known to the Grantee in connection with the Grantee's relationship with or employment by the Firm.

(g) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and the applicable rulings and regulations thereunder.

(h) "Committee" means the committee appointed by the Board to administer the Plan pursuant to Section 1.3, and, to the extent the Board determines it is appropriate for the compensation realized from Awards under the Plan to be considered "performance based" compensation under Section 162(m) of the Code, shall be a committee or subcommittee of the Board composed of two or more members, each of whom is an "outside director" within the meaning of Code Section 162(m), and which, to the extent the Board determines it is appropriate for Awards under the Plan to qualify for the exemption available under Rule 16b-3(d)(1) or Rule 16b-3(e) promulgated under the Exchange Act, shall be a committee or subcommittee of the Board composed of two or more members, each of whom is a "non-employee director" within the meaning of Rule 16b-3. Unless otherwise determined by the Board, the Committee shall be the Compensation Committee of the Board.

(i) "Common Stock" means common stock of GS Inc., par value \$0.01 per share.

(j) "Competitive Enterprise" means an existing or planned business enterprise that (i) engages, or may reasonably be expected to engage, in any activity, (ii) owns or controls, or may reasonably be expected to own or control, a significant interest in or (iii) is, or may reasonably be expected to be, owned by, or a significant interest in which is, or may reasonably be expected to be, owned or controlled by, any entity that engages in any activity that, in any case, competes or will compete anywhere with any activity in which the Firm is engaged. The activities covered by this definition include, without limitation, financial services such as investment banking, public or private finance, lending, financial advisory services, private investing (for anyone other than the Grantee and members of the Grantee's family), merchant banking, asset or hedge fund management, insurance or reinsurance underwriting or brokerage, property management, or securities, futures, commodities, energy, derivatives or currency brokerage, sales, lending, custody, clearance, settlement or trading.

(k) "Covered Person" means a member of the Board or the Committee or any employee of the Firm.

(l) "Date of Grant" means the date specified in the Grantee's Award Agreement as the date of grant of the Award.

(m) "Dividend Equivalent Right" means a dividend equivalent right granted under the Plan, which represents an unfunded and unsecured promise to pay to the Grantee amounts equal to all or any portion of the regular cash dividends that would be paid on shares of Common Stock covered by an Award if such shares had been delivered pursuant to an Award.

(n) “Employment” means the Grantee’s performance of services for the Firm, as determined by the Committee. The terms “employ” and “employed” shall have their correlative meanings. The Committee in its sole discretion may determine (i) whether and when a Grantee’s leave of absence results in a termination of Employment (for this purpose, unless the Committee determines otherwise, a Grantee shall be treated as terminating Employment with the Firm upon the occurrence of an Extended Absence), (ii) whether and when a change in a Grantee’s association with the Firm results in a termination of Employment and (iii) the impact, if any, of any such leave of absence or change in association on Awards theretofore made. Unless expressly provided otherwise, any references in the Plan or any Award Agreement to a Grantee’s Employment being terminated shall include both voluntary and involuntary terminations.

(o) “Extended Absence” means the Grantee’s inability to perform for six (6) continuous months, due to illness, injury or pregnancy-related complications, substantially all the essential duties of the Grantee’s occupation, as determined by the Committee.

(p) “Fair Market Value” means, with respect to a share of Common Stock on any day, the fair market value as determined in accordance with a valuation methodology approved by the Committee.

(q) “Firm” means GS Inc. and its subsidiaries and affiliates.

(r) “Good Reason” means, in connection with a termination of employment by a Grantee following a Change in Control, (a) as determined by the Committee, a materially adverse alteration in the Grantee’s position or in the nature or status of the Grantee’s responsibilities from those in effect immediately prior to the Change in Control or (b) the Firm’s requiring the Grantee’s principal place of Employment to be located more than seventy-five (75) miles from the location where the Grantee is principally Employed at the time of the Change in Control (except for required travel on the Firm’s business to an extent substantially consistent with the Grantee’s customary business travel obligations in the ordinary course of business prior to the Change in Control).

(s) “Grantee” means a person who receives an Award.

(t) “GS Inc.” means The Goldman Sachs Group, Inc., and any successor thereto.

(u) “Outstanding” means any Award to the extent it has not been forfeited, cancelled, terminated, exercised or with respect to which the shares of Common Stock underlying the Award have not been previously delivered or other payments made.

(v) “Restricted Share” means a share of Common Stock delivered under the Plan that is subject to Transfer Restrictions, forfeiture provisions and/or other terms and conditions specified in the Plan and in the Award Agreement or other Applicable Award Agreement. All references to Restricted Shares include “Shares at Risk.”

(w) “Retirement” means termination of the Grantee’s Employment (other than for Cause) on or after the Date of Grant at a time when (i) (A) the sum of the Grantee’s age plus years of service with the Firm (as determined by the Committee in its sole discretion) equals or exceeds 60 and (B) the Grantee has completed at least 10 years of service with the Firm (as determined by the Committee in its sole discretion) or, if earlier, (ii) (A) the Grantee has attained age 50 and (B) the Grantee has completed at least five years of service with the Firm (as determined by the Committee in its sole discretion).

(x) “Section 409A” means Section 409A of the Code, including any amendments or successor provisions to that Section and any regulations and other administrative guidance thereunder, in each case as they, from time to time, may be amended or interpreted through further administrative guidance.

(y) “SIP Administrator” means each person designated by the Committee as a “SIP Administrator” with the authority to perform day-to-day administrative functions for the Plan.

(z) “SIP Committee” means the persons who have been delegated certain authority under the Plan by the Committee.

(aa) “Solicit” means any direct or indirect communication of any kind whatsoever, regardless of by whom initiated, inviting, advising, encouraging or requesting any person or entity, in any manner, to take or refrain from taking any action.

(bb) “Transfer Restrictions” means restrictions that prohibit the sale, exchange, transfer, assignment, pledge, hypothecation, fractionalization, hedge or other disposal (including through the use of any cash-settled instrument), whether voluntarily or involuntarily by the Grantee, of an Award or any shares of Common Stock, cash or other property delivered in respect of an Award.

(cc) “Transferability Date” means the date Transfer Restrictions on a Restricted Share will be released. Within 30 Business Days after the applicable Transferability Date, GS Inc. shall take, or shall cause to be taken, such steps as may be necessary to remove Transfer Restrictions.

(dd) “Vested” means, with respect to an Award, the portion of the Award that is not subject to a condition that the Grantee remain actively employed by the Firm in order for the Award to remain Outstanding. The fact that an Award becomes Vested shall not mean or otherwise indicate that the Grantee has an unconditional or nonforfeitable right to such Award, and such Award shall remain subject to such terms, conditions and forfeiture provisions as may be provided for in the Plan or in the Award Agreement.

(ee) “Vesting Date” means each date specified in the Grantee’s Award Agreement as a date on which part or all of an Award becomes Vested.

(ff) “Window Period” means a period designated by the Firm during which all employees of the Firm are permitted to purchase or sell shares of Common Stock (*provided* that, if the Grantee is a member of a designated group of employees who are subject to different restrictions, the Window Period may be a period designated by the Firm during which an employee of the Firm in such designated group is permitted to purchase or sell shares of Common Stock).

THE GOLDMAN SACHS GROUP, INC.  
FIXED ALLOWANCE RSU AWARD

This Award Agreement, together with The Goldman Sachs Amended and Restated Stock Incentive Plan (2015) (the “Plan”), governs your \_\_\_\_ Fixed Allowance award of RSUs (your “Award”). You should read carefully this entire Award Agreement, which includes the Award Statement, any attached Appendix and the signature card.

#### ACCEPTANCE

1. **You Must Decide Whether to Accept this Award Agreement.** To be eligible to receive your Award, you must by the date specified (a) open and activate an Account and (b) agree to all the terms of your Award by executing the related signature card in accordance with its instructions. By executing the signature card, you confirm your agreement to all of the terms of this Award Agreement, including the arbitration and choice of forum provisions in Paragraph 13.

#### DOCUMENTS THAT GOVERN YOUR AWARD; DEFINITIONS

2. **The Plan.** Your Award is granted under the Plan, and the Plan’s terms apply to, and are a part of, this Award Agreement.
3. **Your Award Statement.** The Award Statement delivered to you contains some of your Award’s specific terms. For example, it contains the number of Fixed Allowance RSUs awarded to you and any applicable Delivery Dates and Transferability Dates.
4. **Definitions.** Capitalized terms are defined in the Definitions Appendix, which also includes terms that are defined in the Plan.

#### VESTING OF YOUR FIXED ALLOWANCE RSUS

5. **Vesting.** All of your Fixed Allowance RSUs are Vested. When a Fixed Allowance RSU is Vested, it means that your continued active Employment is not required for delivery of that portion of RSU Shares. **The terms of this Award Agreement (including conditions to delivery and any applicable Transfer Restrictions) continue to apply to Vested Fixed Allowance RSUs.**

#### DELIVERY OF YOUR RSU SHARES

6. **Delivery.** Reasonably promptly (but no more than 30 Business Days) after each Delivery Date listed on your Award Statement, RSU Shares (less applicable withholding as described in Paragraph 10(a)) will be delivered (by book entry credit to your Account) in respect of the amount of Outstanding Fixed Allowance RSUs listed next to that date. The Committee or the SIP Committee may select multiple dates within the 30-Business-Day period following the Delivery Date to deliver RSU Shares in respect of all or a portion of the Fixed Allowance RSUs with the same Delivery Date listed on the Award Statement, and all such dates will be treated as a single Delivery Date for purposes of this Award. Until such delivery, you have only the rights of a general unsecured creditor, and no rights as a shareholder of GS Inc. Without limiting the Committee’s authority under Section 1.3.2(h) of the Plan, the Firm may accelerate any Delivery Date by up to 30 days.

## TRANSFER RESTRICTIONS FOLLOWING DELIVERY

7. **Transfer Restrictions and Shares at Risk.** Fifty percent of the RSU Shares that are delivered on any date, **before** tax withholding (or, if the applicable tax withholding rate is greater than 50%, all RSU Shares delivered after tax withholding), will be Shares at Risk. This means that if, for example, on a Delivery Date, you are scheduled to receive delivery of 1,000 RSU Shares, and you are subject to a 40% withholding rate, then (a) 400 RSU Shares will be withheld for taxes, (b) 500 RSU Shares delivered to you will be Shares at Risk and (c) 100 RSU Shares delivered to you will not be subject to Transfer Restrictions. Any purported sale, exchange, transfer, assignment, pledge, hypothecation, fractionalization, hedge or other disposition in violation of the Transfer Restrictions on Shares at Risk will be void. Within 30 Business Days after the Transferability Date listed on your Award Statement (or any other date on which the Transfer Restrictions are to be removed), GS Inc. will remove the Transfer Restrictions. The Committee or the SIP Committee may select multiple dates within such 30-Business-Day period on which to remove Transfer Restrictions for all or a portion of the Shares at Risk with the same Transferability Date listed on the Award Statement, and all such dates will be treated as a single Transferability Date for purposes of this Award.

## DIVIDENDS

8. **Dividend Equivalent Rights and Dividends.** Each Fixed Allowance RSU includes a Dividend Equivalent Right, which entitles you to receive an amount (less applicable withholding), at or after the time of distribution of any regular cash dividend paid by GS Inc. in respect of a share of Common Stock, equal to any regular cash dividend payment that would have been made in respect of an RSU Share underlying your Outstanding Fixed Allowance RSUs for any record date that occurs on or after the Date of Grant. In addition, you will be entitled to receive on a current basis any regular cash dividend paid in respect of your Shares at Risk.

## EXCEPTIONS TO DELIVERY AND/OR TRANSFERABILITY DATES

9. **Accelerated Delivery and/or Release of Transfer Restrictions in the Event of a Qualifying Termination After a Change in Control, Conflicted Employment or Death.** In the event of your Qualifying Termination After a Change in Control, Conflicted Employment or death, each as described below, your Outstanding RSUs and Shares at Risk will be treated as described in this Paragraph 9.

(a) **You Have a Qualifying Termination After a Change in Control.** If your Employment terminates when you meet the requirements of a Qualifying Termination After a Change in Control, the RSU Shares underlying your Outstanding Fixed Allowance RSUs will be delivered, and any Transfer Restrictions will cease to apply.

(b) **You Are Determined to Have Accepted Conflicted Employment.**

(i) **Generally.** Notwithstanding anything to the contrary in the Plan or otherwise, for purposes of this Award Agreement, “Conflicted Employment” means your employment at any U.S. Federal, state or local government, any non-U.S. government, any supranational or international organization, any self-regulatory organization, or any agency or instrumentality of any such government or organization, or any other employer (other than an “Accounting Firm” within the meaning of SEC Rule 2-01(f)(2) of Regulation S-X or any successor thereto) determined by the Committee, if, as a result of such employment, your continued holding of any Outstanding RSUs and Shares at Risk would result in an actual or perceived conflict of interest. If your Employment terminates solely because you resign to accept



Conflicted Employment or if, following your termination of Employment, you notify the Firm that you are accepting Conflicted Employment, RSU Shares will be delivered in respect of your Outstanding Fixed Allowance RSUs (including in the form of cash as described in Paragraph 10(b)) and any Transfer Restrictions will cease to apply as soon as practicable after the Committee has received satisfactory documentation relating to your Conflicted Employment.

(ii) You May Have to Take Other Steps to Address Conflicts of Interest. The Committee retains the authority to exercise its rights under the Award Agreement or the Plan (including Section 1.3.2 of the Plan) to take or require you to take other steps it determines in its sole discretion to be necessary or appropriate to cure an actual or perceived conflict of interest (which may include a determination that the accelerated delivery and/or release of Transfer Restrictions described in Paragraph 9(b)(i) will not apply because such actions are not necessary or appropriate to cure an actual or perceived conflict of interest).

(c) Death. If you die, the RSU Shares underlying your Outstanding Fixed Allowance RSUs will be delivered to the representative of your estate and any Transfer Restrictions will cease to apply as soon as practicable after the date of death and after such documentation as may be requested by the Committee is provided to the Committee.

## **OTHER TERMS, CONDITIONS AND AGREEMENTS**

### **10. Additional Terms, Conditions and Agreements.**

(a) You Must Satisfy Applicable Tax Withholding Requirements. Delivery of RSU Shares is conditioned on your satisfaction of any applicable withholding taxes in accordance with Section 3.2 of the Plan, which includes the Firm deducting or withholding amounts from any payment or distribution to you (which, notwithstanding anything in Section 3.2.2 of the Plan, may exceed the statutory minimum rate if and to the extent determined by the Committee or the SIP Committee). In addition, to the extent permitted by applicable law, the Firm, in its sole discretion, may require you to provide amounts equal to all or a portion of any Federal, state, local, foreign or other tax obligations imposed on you or the Firm in connection with the grant or delivery of this Award by requiring you to choose between remitting the amount (i) in cash (or through payroll deduction or otherwise) or (ii) in the form of proceeds from the Firm's executing a sale of RSU Shares delivered to you under this Award. In addition, if you are an individual with separate employment contracts (at any time during and/or after the Firm's \_\_\_\_ fiscal year), the Firm, in its sole discretion, may require you to provide for a reserve in an amount the Firm determines is advisable or necessary in connection with any actual, anticipated or potential tax consequences related to your separate employment contracts by requiring you to choose between remitting such amount (i) in cash (or through payroll deduction or otherwise) or (ii) in the form of proceeds from the Firm's executing a sale of shares of Common Stock delivered to you pursuant to this Award (or any other Outstanding awards granted under the Plan or any predecessor or successor plan thereto). In no event, however, does this Paragraph 10(a) give you any discretion to determine or affect the timing of the delivery of RSU Shares or the timing of payment of tax obligations.

(b) Firm May Deliver Cash or Other Property Instead of RSU Shares. In accordance with Section 1.3.2(i) of the Plan, in the sole discretion of the Committee, in lieu of all or any portion of the RSU Shares, the Firm may deliver cash, other securities, other awards under the Plan or other property, and all references in this Award Agreement to deliveries of RSU Shares will include such deliveries of cash, other securities, other awards under the Plan or other property.

(c) Amounts May Be Rounded to Avoid Fractional Shares. RSU Shares that become deliverable on a Delivery Date and RSU Shares subject to Transfer Restrictions may, in each case, be rounded to avoid fractional Shares.

(d) You May Be Required to Become a Party to the Shareholders' Agreement. Your rights to your Fixed Allowance RSUs are conditioned on your becoming a party to any shareholders' agreement to which other similarly situated employees (*e.g.*, employees with a similar title or position) of the Firm are required to be a party.

(e) Firm May Affix Legends and Place Stop Orders on Restricted RSU Shares. GS Inc. may affix to Certificates representing RSU Shares any legend that the Committee determines to be necessary or advisable (including to reflect any restrictions to which you may be subject under a separate agreement). GS Inc. may advise the transfer agent to place a stop order against any legended RSU Shares.

(f) You Agree to Certain Consents, Terms and Conditions. By accepting this Award you understand and agree that:

(i) You Agree to Certain Consents as a Condition to the Award. You have expressly consented to all of the items listed in Section 3.3.3(d) of the Plan, including the Firm's supplying to any third-party recordkeeper of the Plan or other person such personal information of yours as the Committee deems advisable to administer the Plan, and you agree to provide any additional consents that the Committee determines to be necessary or advisable;

(ii) You Are Subject to the Firm's Policies, Rules and Procedures. You are subject to the Firm's policies in effect from time to time concerning trading in RSU Shares and hedging or pledging RSU Shares and equity-based compensation or other awards (including, without limitation, the Firm's "Policies with Respect to Personal Transactions Involving GS Securities and GS Equity Awards" or any successor policies), and confidential or proprietary information, and you will effect sales of RSU Shares in accordance with such rules and procedures as may be adopted from time to time (which may include, without limitation, restrictions relating to the timing of sale requests, the manner in which sales are executed, pricing method, consolidation or aggregation of orders and volume limits determined by the Firm);

(iii) You Are Responsible for Costs Associated with Your Award. You will be responsible for all brokerage costs and other fees or expenses associated with your Fixed Allowance RSUs, including those related to the sale of RSU Shares;

(iv) You Will Be Deemed to Represent Your Compliance with All the Terms of Your Award if You Accept Delivery of, or Sell, RSU Shares. You will be deemed to have represented and certified that you have complied with all of the terms of the Plan and this Award Agreement when RSU Shares are delivered to you, you receive payment in respect of Dividend Equivalent Rights and you request the sale of RSU Shares following the release of Transfer Restrictions;

(v) Firm May Deliver Your Award into an Escrow Account. The Firm may establish and maintain an escrow account on such terms (which may include your executing any documents related to, and your paying for any costs associated with, such account) as it may deem necessary or appropriate, and the delivery of RSU Shares (including Shares at Risk) or the payment of cash (including dividends and payments under Dividend Equivalent Rights) or other property may initially be made into and held in that escrow account until such time as the Committee has received such documentation as it may have requested or until the Committee has determined that any other conditions or restrictions on delivery of RSU Shares, cash or other property required by this Award Agreement have been satisfied;

(vi) You Must Comply with Applicable Deadlines and Procedures to Appeal Determinations Made by the Committee, the SIP Committee or SIP Administrators. If you disagree with a determination made by the Committee, the SIP Committee, the SIP Administrators, or any of their delegates or designees and you wish to appeal such determination, you must submit a written request to the SIP Committee for review within 180 days after the determination at issue. You must exhaust your internal administrative remedies (*i.e.*, submit your appeal and wait for resolution of that appeal) before seeking to resolve a dispute through arbitration pursuant to Paragraph 13 and Section 3.17 of the Plan; and

(vii) You Agree that Covered Persons Will Not Have Liability. In addition to and without limiting the generality of the provisions of Section 1.3.5 of the Plan, neither the Firm nor any Covered Person will have any liability to you or any other person for any action taken or omitted in respect of this or any other Award.

11. **Non-transferability.** Except as otherwise may be provided in this Paragraph 11 or as otherwise may be provided by the Committee, the limitations on transferability set forth in Section 3.5 of the Plan will apply to this Award. Any purported transfer or assignment in violation of the provisions of this Paragraph 11 or Section 3.5 of the Plan will be void. The Committee may adopt procedures pursuant to which some or all recipients of Fixed Allowance RSUs may transfer some or all of their Fixed Allowance RSUs and/or Shares at Risk (which will continue to be subject to Transfer Restrictions until the Transferability Date) through a gift for no consideration to any immediate family member, a trust or other estate planning vehicle approved by the Committee or SIP Committee in which the recipient and/or the recipient's immediate family members in the aggregate have 100% of the beneficial interest.

12. **Right of Offset.** Except as provided in Paragraph 15(h), the obligation to deliver RSU Shares, to pay dividends or payments under Dividend Equivalent Rights or to remove the Transfer Restrictions under this Award Agreement is subject to Section 3.4 of the Plan, which provides for the Firm's right to offset against such obligation any outstanding amounts you owe to the Firm and any amounts the Committee deems appropriate pursuant to any tax equalization policy or agreement.

#### ARBITRATION, CHOICE OF FORUM AND GOVERNING LAW

##### 13. **Arbitration; Choice of Forum.**

**(a) BY ACCEPTING THIS AWARD, YOU ARE INDICATING THAT YOU UNDERSTAND AND AGREE THAT THE ARBITRATION AND CHOICE OF FORUM PROVISIONS SET FORTH IN SECTION 3.17 OF THE PLAN WILL APPLY TO THIS AWARD. THESE PROVISIONS, WHICH ARE EXPRESSLY INCORPORATED HEREIN BY REFERENCE, PROVIDE AMONG OTHER THINGS THAT ANY DISPUTE, CONTROVERSY OR CLAIM BETWEEN THE FIRM AND YOU ARISING OUT OF OR RELATING TO OR CONCERNING THE PLAN OR THIS AWARD AGREEMENT WILL BE FINALLY SETTLED BY ARBITRATION IN NEW YORK CITY, PURSUANT TO THE TERMS MORE FULLY SET FORTH IN SECTION 3.17 OF THE PLAN; PROVIDED THAT NOTHING HEREIN SHALL PRECLUDE YOU FROM FILING A CHARGE WITH OR PARTICIPATING IN ANY INVESTIGATION OR PROCEEDING CONDUCTED BY ANY GOVERNMENTAL AUTHORITY, INCLUDING BUT NOT LIMITED TO THE SEC AND THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION.**

(b) To the fullest extent permitted by applicable law, no arbitrator will have the authority to consider class, collective or representative claims, to order consolidation or to join different claimants or grant relief other than on an individual basis to the individual claimant involved.

(c) Notwithstanding any applicable forum rules to the contrary, to the extent there is a question of enforceability of this Award Agreement arising from a challenge to the arbitrator's jurisdiction or to the arbitrability of a claim, it will be decided by a court and not an arbitrator.

(d) All references to the New York Stock Exchange in Section 3.17 of the Plan will be read as references to the Financial Industry Regulatory Authority.

(e) The Federal Arbitration Act governs interpretation and enforcement of all arbitration provisions under the Plan and this Award Agreement, and all arbitration proceedings thereunder.

(f) Nothing in this Award Agreement creates a substantive right to bring a claim under U.S. Federal, state, or local employment laws.

(g) By accepting your Award, you irrevocably appoint each General Counsel of GS Inc., or any person whom the General Counsel of GS Inc. designates, as your agent for service of process in connection with any suit, action or proceeding arising out of or relating to or concerning the Plan or any Award which is not arbitrated pursuant to the provisions of Section 3.17.1 of the Plan, who shall promptly advise you of any such service of process.

(h) To the fullest extent permitted by applicable law, no arbitrator will have the authority to consider any claim as to which you have not first exhausted your internal administrative remedies in accordance with Paragraph 10(f)(vi).

**14. Governing Law. THIS AWARD WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.**

#### **CERTAIN TAX PROVISIONS**

**15. Compliance of Award Agreement and Plan with Section 409A.** The provisions of this Paragraph 15 apply to you only if you are a U.S. taxpayer.

(a) This Award Agreement and the Plan provisions that apply to this Award are intended and will be construed to comply with Section 409A (including the requirements applicable to, or the conditions for exemption from treatment as, 409A Deferred Compensation), whether by reason of short-term deferral treatment or other exceptions or provisions. The Committee will have full authority to give effect to this intent. To the extent necessary to give effect to this intent, in the case of any conflict or potential inconsistency between the provisions of the Plan (including Sections 1.3.2 and 2.1 thereof) and this Award Agreement, the provisions of this Award Agreement will govern, and in the case of any conflict or potential inconsistency between this Paragraph 15 and the other provisions of this Award Agreement, this Paragraph 15 will govern.

(b) Delivery of RSU Shares will not be delayed beyond the date on which all applicable conditions or restrictions on delivery of RSU Shares required by this Agreement (including those specified in Paragraphs 6, 7, 9(c) and 10 and the consents and other items specified in Section 3.3 of the Plan) are satisfied. To the extent that any portion of this Award is intended to satisfy the requirements for short-term deferral treatment under Section 409A, delivery for such portion will occur by the March 15 coinciding with the last day of the applicable “short-term deferral” period described in Reg. 1.409A-1(b)(4) in order for the delivery of RSU Shares to be within the short-term deferral exception unless, in order to permit all applicable conditions or restrictions on delivery to be satisfied, the Committee elects, pursuant to Reg. 1.409A-1(b)(4)(i)(D) or otherwise as may be permitted in accordance with Section 409A, to delay delivery of RSU Shares to a later date within the same calendar year or to such later date as may be permitted under Section 409A, including Reg. 1.409A-2(b)(7) (in conjunction with Section 3.21.3 of the Plan pertaining to Code Section 162(m)) and Reg. 1.409A-3(d). For the avoidance of doubt, if the Award includes a “series of installment payments” as described in Reg. 1.409A-2(b)(2)(iii), your right to the series of installment payments will be treated as a right to a series of separate payments and not as a right to a single payment.

(c) Notwithstanding the provisions of Paragraph 10(b) and Section 1.3.2(i) of the Plan, to the extent necessary to comply with Section 409A, any securities, other Awards or other property that the Firm may deliver in respect of your Fixed Allowance RSUs will not have the effect of deferring delivery or payment, income inclusion, or a substantial risk of forfeiture, beyond the date on which such delivery, payment or inclusion would occur or such risk of forfeiture would lapse, with respect to the RSU Shares that would otherwise have been deliverable (unless the Committee elects a later date for this purpose pursuant to Reg. 1.409A-1(b)(4)(i)(D) or otherwise as may be permitted under Section 409A, including and to the extent applicable, the subsequent election provisions of Section 409A(a)(4)(C) of the Code and Reg. 1.409A-2(b)).

(d) Notwithstanding the timing provisions of Paragraph 9(c), the delivery of RSU Shares referred to therein will be made after the date of death and during the calendar year that includes the date of death (or on such later date as may be permitted under Section 409A).

(e) The timing of delivery or payment pursuant to Paragraph 9(a) will occur on the earlier of (i) the Delivery Date or (ii) a date that is within the calendar year in which the termination of Employment occurs; *provided, however*, that, if you are a “specified employee” (as defined by the Firm in accordance with Section 409A(a)(2)(i)(B) of the Code), delivery will occur on the earlier of the Delivery Date or (to the extent required to avoid the imposition of additional tax under Section 409A) the date that is six months after your termination of Employment (or, if the latter date is not during a Window Period, the first trading day of the next Window Period). For purposes of Paragraph 9(a), references in this Award Agreement to termination of Employment mean a termination of Employment from the Firm (as defined by the Firm) which is also a separation from service (as defined by the Firm in accordance with Section 409A).

(f) Notwithstanding any provision of Paragraph 8 or Section 2.8.2 of the Plan to the contrary, the Dividend Equivalent Rights with respect to each of your Outstanding Fixed Allowance RSUs will be paid to you within the calendar year that includes the date of distribution of any corresponding regular cash dividends paid by GS Inc. in respect of a share of Common Stock the record date for which occurs on or after the Date of Grant. The payment will be in an amount (less applicable withholding) equal to such regular dividend payment as would have been made in respect of the RSU Shares underlying such Outstanding Fixed Allowance RSUs.

(g) The timing of delivery or payment referred to in Paragraph 9(b)(i) will be the earlier of (i) the Delivery Date or (ii) a date that is within the calendar year in which the Committee receives satisfactory documentation relating to your Conflicted Employment, *provided* that such delivery or payment will be made, and any Committee action referred to in Paragraph 9(b)(ii) will be taken, only at such time as, and if and to the extent that it, as reasonably determined by the Firm, would not result in the imposition of any additional tax to you under Section 409A.

(h) Paragraph 12 and Section 3.4 of the Plan will not apply to Awards that are 409A Deferred Compensation except to the extent permitted under Section 409A.

(i) Delivery of RSU Shares in respect of any Award may be made, if and to the extent elected by the Committee, later than the Delivery Date or other date or period specified hereinabove (but, in the case of any Award that constitutes 409A Deferred Compensation, only to the extent that the later delivery is permitted under Section 409A).

(j) You understand and agree that you are solely responsible for the payment of any taxes and penalties due pursuant to Section 409A, but in no event will you be permitted to designate, directly or indirectly, the taxable year of the delivery.

#### **AMENDMENT AND CONSTRUCTION**

16. **Amendment.** The Committee reserves the right at any time to amend the terms of this Award Agreement, and the Board may amend the Plan in any respect; *provided* that, notwithstanding the foregoing and Sections 1.3.2(f), 1.3.2(h) and 3.1 of the Plan, no such amendment will materially adversely affect your rights and obligations under this Award Agreement without your consent; and *provided further* that the Committee expressly reserves its rights to amend the Award Agreement and the Plan as described in Sections 1.3.2(h)(1), (2) and (4) of the Plan. A modification that impacts the tax consequences of this Award or the timing of delivery of RSU Shares will not be an amendment that materially adversely affects your rights and obligations under this Award Agreement. Any amendment of this Award Agreement will be in writing.

17. **Construction, Headings.** Unless the context requires otherwise, (a) words describing the singular number include the plural and vice versa, (b) words denoting any gender include all genders and (c) the words “include,” “includes” and “including” will be deemed to be followed by the words “without limitation.” The headings in this Award Agreement are for the purpose of convenience only and are not intended to define or limit the construction of the provisions hereof. References in this Award Agreement to any specific Plan provision will not be construed as limiting the applicability of any other Plan provision.

**IN WITNESS WHEREOF**, GS Inc. has caused this Award Agreement to be duly executed and delivered as of the Date of Grant.

**THE GOLDMAN SACHS GROUP, INC.**

## DEFINITIONS APPENDIX

### The following capitalized terms are used in this Award Agreement with the following meanings:

(a) “409A Deferred Compensation” means a “deferral of compensation” or “deferred compensation” as those terms are defined in the regulations under Section 409A.

(b) “Award Agreement” means the written document or documents by which each Award is evidenced, including any Award Statement or any related signature card.

(c) “Conflicted Employment” means your employment at any U.S. Federal, state or local government, any non-U.S. government, any supranational or international organization, any self-regulatory organization, or any agency or instrumentality of any such government or organization, or any other employer (other than an “Accounting Firm” within the meaning of SEC Rule 2-01(f)(2) of Regulation S-X or any successor thereto) determined by the Committee, if, as a result of such employment, your continued holding of any Outstanding RSUs and Shares at Risk would result in an actual or perceived conflict of interest.

(d) “Qualifying Termination After a Change in Control” means that the Firm terminates your Employment other than for Cause or you terminate your Employment for Good Reason, in each case, within 18 months following a Change in Control.

(e) “SEC” means the U.S. Securities and Exchange Commission.

(f) “Shares at Risk” means RSU Shares subject to Transfer Restrictions.

### The following capitalized terms are used in this Award Agreement with the meanings that are assigned to them in the Plan.

(a) “Account” means any brokerage account, custody account or similar account, as approved or required by GS Inc. from time to time, into which shares of Common Stock, cash or other property in respect of an Award are delivered.

(b) “Award Statement” means a written statement that reflects certain Award terms.

(c) “Business Day” means any day other than a Saturday, a Sunday or a day on which banking institutions in New York City are authorized or obligated by Federal law or executive order to be closed.

(d) “Cause” means (i) the Grantee’s conviction, whether following trial or by plea of guilty or *nolo contendere* (or similar plea), in a criminal proceeding (A) on a misdemeanor charge involving fraud, false statements or misleading omissions, wrongful taking, embezzlement, bribery, forgery, counterfeiting or extortion, or (B) on a felony charge, or (C) on an equivalent charge to those in clauses (A) and (B) in jurisdictions which do not use those designations, (ii) the Grantee’s engaging in any conduct which constitutes an employment disqualification under applicable law (including statutory disqualification as defined under the Exchange Act), (iii) the Grantee’s willful failure to perform the Grantee’s duties to the Firm, (iv) the Grantee’s violation of any securities or commodities laws, any rules or regulations issued pursuant to such laws, or the rules and regulations of any securities or commodities exchange or association of which the Firm is a member, (v) the Grantee’s violation of any Firm policy concerning hedging or pledging or confidential or proprietary information, or the Grantee’s material violation of any other Firm policy as in effect from time to time, (vi) the Grantee’s engaging in any act or making any statement which impairs, impugns, denigrates, disparages or negatively reflects upon the name, reputation



or business interests of the Firm or (vii) the Grantee's engaging in any conduct detrimental to the Firm. The determination as to whether Cause has occurred shall be made by the Committee in its sole discretion and, in such case, the Committee also may, but shall not be required to, specify the date such Cause occurred (including by determining that a prior termination of Employment was for Cause). Any rights the Firm may have hereunder and in any Award Agreement in respect of the events giving rise to Cause shall be in addition to the rights the Firm may have under any other agreement with a Grantee or at law or in equity.

(e) "Change in Control" means the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving GS Inc. (a "Reorganization") or sale or other disposition of all or substantially all of GS Inc.'s assets to an entity that is not an affiliate of GS Inc. (a "Sale"), that in each case requires the approval of GS Inc.'s shareholders under the law of GS Inc.'s jurisdiction of organization, whether for such Reorganization or Sale (or the issuance of securities of GS Inc. in such Reorganization or Sale), unless immediately following such Reorganization or Sale, either: (i) at least 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of (A) the entity resulting from such Reorganization, or the entity which has acquired all or substantially all of the assets of GS Inc. in a Sale (in either case, the "Surviving Entity"), or (B) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, as such Rule is in effect on the date of the adoption of the 1999 SIP) of 50% or more of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the Surviving Entity (the "Parent Entity") is represented by GS Inc.'s securities (the "GS Inc. Securities") that were outstanding immediately prior to such Reorganization or Sale (or, if applicable, is represented by shares into which such GS Inc. Securities were converted pursuant to such Reorganization or Sale) or (ii) at least 50% of the members of the board of directors (or similar officials in the case of an entity other than a corporation) of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) following the consummation of the Reorganization or Sale were, at the time of the Board's approval of the execution of the initial agreement providing for such Reorganization or Sale, individuals (the "Incumbent Directors") who either (A) were members of the Board on the Effective Date or (B) became directors subsequent to the Effective Date and whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of GS Inc.'s proxy statement in which such persons are named as nominees for director).

(f) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and the applicable rulings and regulations thereunder.

(g) "Committee" means the committee appointed by the Board to administer the Plan pursuant to Section 1.3, and, to the extent the Board determines it is appropriate for the compensation realized from Awards under the Plan to be considered "performance based" compensation under Section 162(m) of the Code, shall be a committee or subcommittee of the Board composed of two or more members, each of whom is an "outside director" within the meaning of Code Section 162(m), and which, to the extent the Board determines it is appropriate for Awards under the Plan to qualify for the exemption available under Rule 16b-3(d)(1) or Rule 16b-3(e) promulgated under the Exchange Act, shall be a committee or subcommittee of the Board composed of two or more members, each of whom is a "non-employee director" within the meaning of Rule 16b-3. Unless otherwise determined by the Board, the Committee shall be the Compensation Committee of the Board.

(h) "Common Stock" means common stock of GS Inc., par value \$0.01 per share.

(i) "Covered Person" means a member of the Board or the Committee or any employee of the Firm.

(j) “Date of Grant” means the date specified in the Grantee’s Award Agreement as the date of grant of the Award.

(k) “Delivery Date” means each date specified in the Grantee’s Award Agreement as a delivery date, provided, unless the Committee determines otherwise, such date is during a Window Period or, if such date is not during a Window Period, the first trading day of the first Window Period beginning after such date.

(l) “Dividend Equivalent Right” means a dividend equivalent right granted under the Plan, which represents an unfunded and unsecured promise to pay to the Grantee amounts equal to all or any portion of the regular cash dividends that would be paid on shares of Common Stock covered by an Award if such shares had been delivered pursuant to an Award.

(m) “Employment” means the Grantee’s performance of services for the Firm, as determined by the Committee. The terms “employ” and “employed” shall have their correlative meanings. The Committee in its sole discretion may determine (i) whether and when a Grantee’s leave of absence results in a termination of Employment (for this purpose, unless the Committee determines otherwise, a Grantee shall be treated as terminating Employment with the Firm upon the occurrence of an Extended Absence), (ii) whether and when a change in a Grantee’s association with the Firm results in a termination of Employment and (iii) the impact, if any, of any such leave of absence or change in association on Awards theretofore made. Unless expressly provided otherwise, any references in the Plan or any Award Agreement to a Grantee’s Employment being terminated shall include both voluntary and involuntary terminations.

(n) “Firm” means GS Inc. and its subsidiaries and affiliates.

(o) “Good Reason” means, in connection with a termination of employment by a Grantee following a Change in Control, (a) as determined by the Committee, a materially adverse alteration in the Grantee’s position or in the nature or status of the Grantee’s responsibilities from those in effect immediately prior to the Change in Control or (b) the Firm’s requiring the Grantee’s principal place of Employment to be located more than seventy-five (75) miles from the location where the Grantee is principally Employed at the time of the Change in Control (except for required travel on the Firm’s business to an extent substantially consistent with the Grantee’s customary business travel obligations in the ordinary course of business prior to the Change in Control).

(p) “Grantee” means a person who receives an Award.

(q) “GS Inc.” means The Goldman Sachs Group, Inc., and any successor thereto.

(r) “Outstanding” means any Award to the extent it has not been forfeited, cancelled, terminated, exercised or with respect to which the shares of Common Stock underlying the Award have not been previously delivered or other payments made.

(s) “RSU” means a restricted stock unit Award granted under the Plan, which represents an unfunded and unsecured promise to deliver shares of Common Stock in accordance with the terms of the RSU Award Agreement.

(t) “RSU Shares” means shares of Common Stock that underlie an RSU.

(u) “Section 409A” means Section 409A of the Code, including any amendments or successor provisions to that Section and any regulations and other administrative guidance thereunder, in each case as they, from time to time, may be amended or interpreted through further administrative guidance.

(v) “SIP Administrator” means each person designated by the Committee as a “SIP Administrator” with the authority to perform day-to-day administrative functions for the Plan.

(w) “SIP Committee” means the persons who have been delegated certain authority under the Plan by the Committee.

(x) “Transfer Restrictions” means restrictions that prohibit the sale, exchange, transfer, assignment, pledge, hypothecation, fractionalization, hedge or other disposal (including through the use of any cash-settled instrument), whether voluntarily or involuntarily by the Grantee, of an Award or any shares of Common Stock, cash or other property delivered in respect of an Award.

(y) “Transferability Date” means the date Transfer Restrictions on a Restricted Share will be released. Within 30 Business Days after the applicable Transferability Date, GS Inc. shall take, or shall cause to be taken, such steps as may be necessary to remove Transfer Restrictions.

(z) “Vested” means, with respect to an Award, the portion of the Award that is not subject to a condition that the Grantee remain actively employed by the Firm in order for the Award to remain Outstanding. The fact that an Award becomes Vested shall not mean or otherwise indicate that the Grantee has an unconditional or nonforfeitable right to such Award, and such Award shall remain subject to such terms, conditions and forfeiture provisions as may be provided for in the Plan or in the Award Agreement.

(aa) “Window Period” means a period designated by the Firm during which all employees of the Firm are permitted to purchase or sell shares of Common Stock (provided that, if the Grantee is a member of a designated group of employees who are subject to different restrictions, the Window Period may be a period designated by the Firm during which an employee of the Firm in such designated group is permitted to purchase or sell shares of Common Stock).

THE GOLDMAN SACHS GROUP, INC.  
FIXED ALLOWANCE RESTRICTED STOCK AWARD

This Award Agreement, together with The Goldman Sachs Amended and Restated Stock Incentive Plan (2015) (the “Plan”), governs your award of \_\_\_\_ Fixed Allowance Restricted Shares (your “Award”). You should read carefully this entire Award Agreement, which includes the Award Statement, any attached Appendix and the signature card.

#### ACCEPTANCE

1. **You Must Decide Whether to Accept this Award Agreement.** To be eligible to receive your Award, you must by the date specified (a) open and activate an Account and (b) agree to all the terms of your Award by executing the related signature card in accordance with its instructions. By executing the signature card, you confirm your agreement to all of the terms of this Award Agreement, including the arbitration and choice of forum provisions in Paragraph 12.

#### DOCUMENTS THAT GOVERN YOUR AWARD; DEFINITIONS

2. **The Plan.** Your Award is granted under the Plan, and the Plan’s terms apply to, and are a part of, this Award Agreement.
3. **Your Award Statement.** The Award Statement delivered to you contains some of your Award’s specific terms. For example, it contains the number of Fixed Allowance Restricted Shares awarded to you and any applicable Transferability Dates.
4. **Definitions.** Capitalized terms are defined in the Definitions Appendix, which also includes terms that are defined in the Plan.

#### VESTING OF YOUR FIXED ALLOWANCE RESTRICTED SHARES

5. **Vesting.** All of your Fixed Allowance Restricted Shares are Vested. When a Fixed Allowance Restricted Share is Vested, it means that your continued active Employment is not required for that portion of Restricted Shares to become fully transferable without risk of forfeiture. **The terms of this Award Agreement (including any applicable Transfer Restrictions) continue to apply to Vested Fixed Allowance Restricted Shares.**

#### TRANSFER RESTRICTIONS

6. **Transfer Restrictions.** Fixed Allowance Restricted Shares will be subject to Transfer Restrictions until the Transferability Date next to such number or percentage of Restricted Shares on your Award Statement. Any purported sale, exchange, transfer, assignment, pledge, hypothecation, fractionalization, hedge or other disposition in violation of the Transfer Restrictions will be void. Within 30 Business Days after the Transferability Date listed on your Award Statement (or any other date on which the Transfer Restrictions are to be removed), GS Inc. will remove the Transfer Restrictions. The Committee or the SIP Committee may select multiple dates within such 30-Business-Day period on which to remove Transfer Restrictions for all or a portion of the Restricted Shares with the same Transferability Date listed on the Award Statement, and all such dates will be treated as a single Transferability Date for purposes of this Award.

## DIVIDENDS

7. **Dividends.** You will be entitled to receive on a current basis any regular cash dividend paid in respect of your Fixed Allowance Restricted Shares.

## EXCEPTIONS TO TRANSFERABILITY DATES

8. **Accelerated Release of Transfer Restrictions in the Event of a Qualifying Termination After a Change in Control, Conflicted Employment or Death.** In the event of your Qualifying Termination After a Change in Control, Conflicted Employment or death, each as described below, your Outstanding Restricted Shares will be treated as described in this Paragraph 8.

(a) **You Have a Qualifying Termination After a Change in Control.** If your Employment terminates when you meet the requirements of a Qualifying Termination After a Change in Control, any Transfer Restrictions will cease to apply.

(b) **You Are Determined to Have Accepted Conflicted Employment.**

(i) **Generally.** Notwithstanding anything to the contrary in the Plan or otherwise, for purposes of this Award Agreement, “Conflicted Employment” means your employment at any U.S. Federal, state or local government, any non-U.S. government, any supranational or international organization, any self-regulatory organization, or any agency or instrumentality of any such government or organization, or any other employer (other than an “Accounting Firm” within the meaning of SEC Rule 2-01(f)(2) of Regulation S-X or any successor thereto) determined by the Committee, if, as a result of such employment, your continued holding of any Outstanding Restricted Shares would result in an actual or perceived conflict of interest. If your Employment terminates solely because you resign to accept Conflicted Employment or if, following your termination of Employment, you notify the Firm that you are accepting Conflicted Employment, any Transfer Restrictions will cease to apply as soon as practicable after the Committee has received satisfactory documentation relating to your Conflicted Employment.

(ii) **You May Have to Take Other Steps to Address Conflicts of Interest.** The Committee retains the authority to exercise its rights under the Award Agreement or the Plan (including Section 1.3.2 of the Plan) to take or require you to take other steps it determines in its sole discretion to be necessary or appropriate to cure an actual or perceived conflict of interest (which may include a determination that the accelerated release of Transfer Restrictions described in Paragraph 8(b)(i) will not apply because such actions are not necessary or appropriate to cure an actual or perceived conflict of interest).

(c) **Death.** If you die, any Transfer Restrictions will cease to apply as soon as practicable after the date of death and after such documentation as may be requested by the Committee is provided to the Committee.

## OTHER TERMS, CONDITIONS AND AGREEMENTS

9. **Additional Terms, Conditions and Agreements.**

(a) **You Must Satisfy Applicable Tax Withholding Requirements.** Removal of the Transfer Restrictions is conditioned on your satisfaction of any applicable withholding taxes in accordance with Section 3.2 of the Plan, which includes the Firm deducting or withholding

amounts from any payment or distribution to you (which, notwithstanding Section 3.2.2 of the Plan, may exceed the statutory minimum rate if and to the extent determined by the Committee or the SIP Committee). In addition, to the extent permitted by applicable law, the Firm, in its sole discretion, may require you to provide amounts equal to all or a portion of any Federal, state, local, foreign or other tax obligations imposed on you or the Firm in connection with the grant of this Award by requiring you to choose between remitting the amount (i) in cash (or through payroll deduction or otherwise), (ii) in the form of proceeds from the Firm's executing a sale of shares of Common Stock delivered to you under this Award or (iii) shares of Common Stock delivered to you pursuant to this Award. In addition, if you are an individual with separate employment contracts (at any time during and/or after the Firm's \_\_\_\_ fiscal year), the Firm, in its sole discretion, may require you to provide for a reserve in an amount the Firm determines is advisable or necessary in connection with any actual, anticipated or potential tax consequences related to your separate employment contracts by requiring you to choose between remitting such amount (i) in cash (or through payroll deduction or otherwise) or (ii) in the form of proceeds from the Firm's executing a sale of shares of Common Stock delivered to you pursuant to this Award (or any other Outstanding awards granted under the Plan or any predecessor or successor plan thereto).

(b) Firm May Deliver Cash or Other Property Instead of Shares. In accordance with Section 1.3.2(i) of the Plan, in the sole discretion of the Committee, in lieu of all or any portion of the shares of Common Stock, the Firm may deliver cash, other securities, other awards under the Plan or other property, and all references in this Award Agreement to deliveries of shares of Common Stock will include such deliveries of cash, other securities, other awards under the Plan or other property.

(c) Amounts May Be Rounded to Avoid Fractional Shares. Restricted Shares subject to Transfer Restrictions may, in each case, be rounded to avoid fractional shares of Common Stock.

(d) You May Be Required to Become a Party to the Shareholders' Agreement. Your rights to your Fixed Allowance Restricted Shares are conditioned on your becoming a party to any shareholders' agreement to which other similarly situated employees (*e.g.*, employees with a similar title or position) of the Firm are required to be a party.

(e) Firm May Affix Legends and Place Stop Orders on Restricted Shares. GS Inc. may affix to Certificates representing shares of Common Stock any legend that the Committee determines to be necessary or advisable (including to reflect any restrictions to which you may be subject under a separate agreement). GS Inc. may advise the transfer agent to place a stop order against any legended shares of Common Stock.

(f) You Agree to Certain Consents, Terms and Conditions. By accepting this Award you understand and agree that:

(i) You Agree to Certain Consents as a Condition to the Award. You have expressly consented to all of the items listed in Section 3.3.3(d) of the Plan, including the Firm's supplying to any third-party recordkeeper of the Plan or other person such personal information of yours as the Committee deems advisable to administer the Plan, and you agree to provide any additional consents that the Committee determines to be necessary or advisable;

(ii) You Are Subject to the Firm's Policies, Rules and Procedures. You are subject to the Firm's policies in effect from time to time concerning trading in shares of Common Stock and hedging or pledging shares of Common Stock and equity-based compensation or other awards (including, without limitation, the Firm's "Policies with Respect to Personal Transactions Involving GS Securities and GS Equity Awards" or any successor policies), and confidential or proprietary information, and you will effect sales of shares of Common Stock in accordance with such rules and procedures as may be adopted from time to time (which may include, without limitation, restrictions relating to the timing of sale requests, the manner in which sales are executed, pricing method, consolidation or aggregation of orders and volume limits determined by the Firm);

(iii) You Are Responsible for Costs Associated with Your Award. You will be responsible for all brokerage costs and other fees or expenses associated with your Fixed Allowance Restricted Shares, including those related to the sale of shares of Common Stock;

(iv) You Will Be Deemed to Represent Your Compliance with All the Terms of Your Award if You Sell Shares. You will be deemed to have represented and certified that you have complied with all of the terms of the Plan and this Award Agreement when you request the sale of shares of Common Stock following the release of Transfer Restrictions;

(v) Firm May Deliver Your Award into an Escrow Account. The Firm may establish and maintain an escrow account on such terms (which may include your executing any documents related to, and your paying for any costs associated with, such account) as it may deem necessary or appropriate, and the delivery of shares of Common Stock (including Restricted Shares) or the payment of cash (including dividends) or other property may initially be made into and held in that escrow account until such time as the Committee has received such documentation as it may have requested or until the Committee has determined that any other conditions or restrictions on delivery of shares of Common Stock, cash or other property required by this Award Agreement have been satisfied;

(vi) You Must Comply with Applicable Deadlines and Procedures to Appeal Determinations Made by the Committee, the SIP Committee or SIP Administrators. If you disagree with a determination made by the Committee, the SIP Committee, the SIP Administrators, or any of their delegates or designees and you wish to appeal such determination, you must submit a written request to the SIP Committee for review within 180 days after the determination at issue. You must exhaust your internal administrative remedies (*i.e.*, submit your appeal and wait for resolution of that appeal) before seeking to resolve a dispute through arbitration pursuant to Paragraph 12 and Section 3.17 of the Plan; and

(vii) You Agree that Covered Persons Will Not Have Liability. In addition to and without limiting the generality of the provisions of Section 1.3.5 of the Plan, neither the Firm nor any Covered Person will have any liability to you or any other person for any action taken or omitted in respect of this or any other Award.

10. **Non-transferability.** Except as otherwise may be provided in this Paragraph 10 or as otherwise may be provided by the Committee, the limitations on transferability set forth in Section 3.5 of the Plan will apply to this Award. Any purported transfer or assignment in violation of the provisions of this Paragraph 10 or Section 3.5 of the Plan will be void. The Committee may adopt procedures pursuant to which some or all recipients of Fixed Allowance Restricted Shares may transfer some or all of their Fixed Allowance Restricted Shares (which will continue to be subject to Transfer Restrictions until the Transferability Date) through a gift for no consideration to any immediate family member, a trust or other estate planning vehicle approved by the Committee or SIP Committee in which the recipient and/or the recipient's immediate family members in the aggregate have 100% of the beneficial interest.

11. **Right of Offset.** The obligation to pay dividends or to remove the Transfer Restrictions under this Award Agreement is subject to Section 3.4 of the Plan, which provides for the Firm's right to offset against such obligation any outstanding amounts you owe to the Firm and any amounts the Committee deems appropriate pursuant to any tax equalization policy or agreement.

#### **ARBITRATION, CHOICE OF FORUM AND GOVERNING LAW**

##### **12. Arbitration; Choice of Forum.**

**(a) BY ACCEPTING THIS AWARD, YOU ARE INDICATING THAT YOU UNDERSTAND AND AGREE THAT THE ARBITRATION AND CHOICE OF FORUM PROVISIONS SET FORTH IN SECTION 3.17 OF THE PLAN WILL APPLY TO THIS AWARD. THESE PROVISIONS, WHICH ARE EXPRESSLY INCORPORATED HEREIN BY REFERENCE, PROVIDE AMONG OTHER THINGS THAT ANY DISPUTE, CONTROVERSY OR CLAIM BETWEEN THE FIRM AND YOU ARISING OUT OF OR RELATING TO OR CONCERNING THE PLAN OR THIS AWARD AGREEMENT WILL BE FINALLY SETTLED BY ARBITRATION IN NEW YORK CITY, PURSUANT TO THE TERMS MORE FULLY SET FORTH IN SECTION 3.17 OF THE PLAN; PROVIDED THAT NOTHING HEREIN SHALL PRECLUDE YOU FROM FILING A CHARGE WITH OR PARTICIPATING IN ANY INVESTIGATION OR PROCEEDING CONDUCTED BY ANY GOVERNMENTAL AUTHORITY, INCLUDING BUT NOT LIMITED TO THE SEC AND THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION.**

(b) To the fullest extent permitted by applicable law, no arbitrator will have the authority to consider class, collective or representative claims, to order consolidation or to join different claimants or grant relief other than on an individual basis to the individual claimant involved.

(c) Notwithstanding any applicable forum rules to the contrary, to the extent there is a question of enforceability of this Award Agreement arising from a challenge to the arbitrator's jurisdiction or to the arbitrability of a claim, it will be decided by a court and not an arbitrator.

(d) All references to the New York Stock Exchange in Section 3.17 of the Plan will be read as references to the Financial Industry Regulatory Authority.

(e) The Federal Arbitration Act governs interpretation and enforcement of all arbitration provisions under the Plan and this Award Agreement, and all arbitration proceedings thereunder.

(f) Nothing in this Award Agreement creates a substantive right to bring a claim under U.S. Federal, state, or local employment laws.

(g) By accepting your Award, you irrevocably appoint each General Counsel of GS Inc., or any person whom the General Counsel of GS Inc. designates, as your agent for service of process in connection with any suit, action or proceeding arising out of or relating to or concerning the Plan or any Award which is not arbitrated pursuant to the provisions of Section 3.17.1 of the Plan, who shall promptly advise you of any such service of process.

(h) To the fullest extent permitted by applicable law, no arbitrator will have the authority to consider any claim as to which you have not first exhausted your internal administrative remedies in accordance with Paragraph 9(f)(vi).



13. **Governing Law.** THIS AWARD WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.

**AMENDMENT AND CONSTRUCTION**

14. **Amendment.** The Committee reserves the right at any time to amend the terms of this Award Agreement, and the Board may amend the Plan in any respect; *provided* that, notwithstanding the foregoing and Sections 1.3.2(f), 1.3.2(h) and 3.1 of the Plan, no such amendment will materially adversely affect your rights and obligations under this Award Agreement without your consent; and *provided further* that the Committee expressly reserves its rights to amend the Award Agreement and the Plan as described in Sections 1.3.2(h)(1), (2) and (4) of the Plan. A modification that impacts the tax consequences of this Award will not be an amendment that materially adversely affects your rights and obligations under this Award Agreement. Any amendment of this Award Agreement will be in writing.

15. **Construction, Headings.** Unless the context requires otherwise, (a) words describing the singular number include the plural and vice versa, (b) words denoting any gender include all genders and (c) the words “include,” “includes” and “including” will be deemed to be followed by the words “without limitation.” The headings in this Award Agreement are for the purpose of convenience only and are not intended to define or limit the construction of the provisions hereof. References in this Award Agreement to any specific Plan provision will not be construed as limiting the applicability of any other Plan provision.

**IN WITNESS WHEREOF**, GS Inc. has caused this Award Agreement to be duly executed and delivered as of the Date of Grant.

**THE GOLDMAN SACHS GROUP, INC.**

## DEFINITIONS APPENDIX

### The following capitalized terms are used in this Award Agreement with the following meanings:

(a) “409A Deferred Compensation” means a “deferral of compensation” or “deferred compensation” as those terms are defined in the regulations under Section 409A.

(b) “Award Agreement” means the written document or documents by which each Award is evidenced, including any Award Statement or any related signature card.

(c) “Conflicted Employment” means your employment at any U.S. Federal, state or local government, any non-U.S. government, any supranational or international organization, any self-regulatory organization, or any agency or instrumentality of any such government or organization, or any other employer (other than an “Accounting Firm” within the meaning of SEC Rule 2-01(f)(2) of Regulation S-X or any successor thereto) determined by the Committee, if, as a result of such employment, your continued holding of any Outstanding Restricted Shares would result in an actual or perceived conflict of interest.

(d) “Qualifying Termination After a Change in Control” means that the Firm terminates your Employment other than for Cause or you terminate your Employment for Good Reason, in each case, within 18 months following a Change in Control.

(e) “SEC” means the U.S. Securities and Exchange Commission.

### The following capitalized terms are used in this Award Agreement with the meanings that are assigned to them in the Plan.

(a) “Account” means any brokerage account, custody account or similar account, as approved or required by GS Inc. from time to time, into which shares of Common Stock, cash or other property in respect of an Award are delivered.

(b) “Award Statement” means a written statement that reflects certain Award terms.

(c) “Business Day” means any day other than a Saturday, a Sunday or a day on which banking institutions in New York City are authorized or obligated by Federal law or executive order to be closed.

(d) “Cause” means (i) the Grantee’s conviction, whether following trial or by plea of guilty or *nolo contendere* (or similar plea), in a criminal proceeding (A) on a misdemeanor charge involving fraud, false statements or misleading omissions, wrongful taking, embezzlement, bribery, forgery, counterfeiting or extortion, or (B) on a felony charge, or (C) on an equivalent charge to those in clauses (A) and (B) in jurisdictions which do not use those designations, (ii) the Grantee’s engaging in any conduct which constitutes an employment disqualification under applicable law (including statutory disqualification as defined under the Exchange Act), (iii) the Grantee’s willful failure to perform the Grantee’s duties to the Firm, (iv) the Grantee’s violation of any securities or commodities laws, any rules or regulations issued pursuant to such laws, or the rules and regulations of any securities or commodities exchange or association of which the Firm is a member, (v) the Grantee’s violation of any Firm policy concerning hedging or pledging or confidential or proprietary information, or the Grantee’s material violation of any other Firm policy as in effect from time to time, (vi) the Grantee’s engaging in any act or making any statement which impairs, impugns, denigrates, disparages or negatively reflects upon the name, reputation or business interests of the Firm or (vii) the Grantee’s engaging in any conduct detrimental to the Firm. The determination as to whether Cause has occurred shall be made by the Committee in its sole discretion

and, in such case, the Committee also may, but shall not be required to, specify the date such Cause occurred (including by determining that a prior termination of Employment was for Cause). Any rights the Firm may have hereunder and in any Award Agreement in respect of the events giving rise to Cause shall be in addition to the rights the Firm may have under any other agreement with a Grantee or at law or in equity.

(e) "Change in Control" means the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving GS Inc. (a "Reorganization") or sale or other disposition of all or substantially all of GS Inc.'s assets to an entity that is not an affiliate of GS Inc. (a "Sale"), that in each case requires the approval of GS Inc.'s shareholders under the law of GS Inc.'s jurisdiction of organization, whether for such Reorganization or Sale (or the issuance of securities of GS Inc. in such Reorganization or Sale), unless immediately following such Reorganization or Sale, either: (i) at least 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of (A) the entity resulting from such Reorganization, or the entity which has acquired all or substantially all of the assets of GS Inc. in a Sale (in either case, the "Surviving Entity"), or (B) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, as such Rule is in effect on the date of the adoption of the 1999 SIP) of 50% or more of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the Surviving Entity (the "Parent Entity") is represented by GS Inc.'s securities (the "GS Inc. Securities") that were outstanding immediately prior to such Reorganization or Sale (or, if applicable, is represented by shares into which such GS Inc. Securities were converted pursuant to such Reorganization or Sale) or (ii) at least 50% of the members of the board of directors (or similar officials in the case of an entity other than a corporation) of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) following the consummation of the Reorganization or Sale were, at the time of the Board's approval of the execution of the initial agreement providing for such Reorganization or Sale, individuals (the "Incumbent Directors") who either (A) were members of the Board on the Effective Date or (B) became directors subsequent to the Effective Date and whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of GS Inc.'s proxy statement in which such persons are named as nominees for director).

(f) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and the applicable rulings and regulations thereunder.

(g) "Committee" means the committee appointed by the Board to administer the Plan pursuant to Section 1.3, and, to the extent the Board determines it is appropriate for the compensation realized from Awards under the Plan to be considered "performance based" compensation under Section 162(m) of the Code, shall be a committee or subcommittee of the Board composed of two or more members, each of whom is an "outside director" within the meaning of Code Section 162(m), and which, to the extent the Board determines it is appropriate for Awards under the Plan to qualify for the exemption available under Rule 16b-3(d)(1) or Rule 16b-3(e) promulgated under the Exchange Act, shall be a committee or subcommittee of the Board composed of two or more members, each of whom is a "non-employee director" within the meaning of Rule 16b-3. Unless otherwise determined by the Board, the Committee shall be the Compensation Committee of the Board.

(h) "Common Stock" means common stock of GS Inc., par value \$0.01 per share.

(i) "Covered Person" means a member of the Board or the Committee or any employee of the Firm.

(j) “Date of Grant” means the date specified in the Grantee’s Award Agreement as the date of grant of the Award.

(k) “Employment” means the Grantee’s performance of services for the Firm, as determined by the Committee. The terms “employ” and “employed” shall have their correlative meanings. The Committee in its sole discretion may determine (i) whether and when a Grantee’s leave of absence results in a termination of Employment (for this purpose, unless the Committee determines otherwise, a Grantee shall be treated as terminating Employment with the Firm upon the occurrence of an Extended Absence), (ii) whether and when a change in a Grantee’s association with the Firm results in a termination of Employment and (iii) the impact, if any, of any such leave of absence or change in association on Awards theretofore made. Unless expressly provided otherwise, any references in the Plan or any Award Agreement to a Grantee’s Employment being terminated shall include both voluntary and involuntary terminations.

(l) “Fair Market Value” means, with respect to a share of Common Stock on any day, the fair market value as determined in accordance with a valuation methodology approved by the Committee.

(m) “Firm” means GS Inc. and its subsidiaries and affiliates.

(n) “Good Reason” means, in connection with a termination of employment by a Grantee following a Change in Control, (a) as determined by the Committee, a materially adverse alteration in the Grantee’s position or in the nature or status of the Grantee’s responsibilities from those in effect immediately prior to the Change in Control or (b) the Firm’s requiring the Grantee’s principal place of Employment to be located more than seventy-five (75) miles from the location where the Grantee is principally Employed at the time of the Change in Control (except for required travel on the Firm’s business to an extent substantially consistent with the Grantee’s customary business travel obligations in the ordinary course of business prior to the Change in Control).

(o) “Grantee” means a person who receives an Award.

(p) “GS Inc.” means The Goldman Sachs Group, Inc., and any successor thereto.

(q) “Outstanding” means any Award to the extent it has not been forfeited, cancelled, terminated, exercised or with respect to which the shares of Common Stock underlying the Award have not been previously delivered or other payments made.

(r) “Restricted Share” means a share of Common Stock delivered under the Plan that is subject to Transfer Restrictions, forfeiture provisions and/or other terms and conditions specified in the Plan and in the Award Agreement or other Applicable Award Agreement. All references to Restricted Shares include “Shares at Risk.”

(s) “SIP Administrator” means each person designated by the Committee as a “SIP Administrator” with the authority to perform day-to-day administrative functions for the Plan.

(t) “SIP Committee” means the persons who have been delegated certain authority under the Plan by the Committee.

(u) “Transfer Restrictions” means restrictions that prohibit the sale, exchange, transfer, assignment, pledge, hypothecation, fractionalization, hedge or other disposal (including through the use of any cash-settled instrument), whether voluntarily or involuntarily by the Grantee, of an Award or any shares of Common Stock, cash or other property delivered in respect of an Award.

(v) "Transferability Date" means the date Transfer Restrictions on a Restricted Share will be released. Within 30 Business Days after the applicable Transferability Date, GS Inc. shall take, or shall cause to be taken, such steps as may be necessary to remove Transfer Restrictions.

(w) "Vested" means, with respect to an Award, the portion of the Award that is not subject to a condition that the Grantee remain actively employed by the Firm in order for the Award to remain Outstanding. The fact that an Award becomes Vested shall not mean or otherwise indicate that the Grantee has an unconditional or nonforfeitable right to such Award, and such Award shall remain subject to such terms, conditions and forfeiture provisions as may be provided for in the Plan or in the Award Agreement.

(x) "Window Period" means a period designated by the Firm during which all employees of the Firm are permitted to purchase or sell shares of Common Stock (provided that, if the Grantee is a member of a designated group of employees who are subject to different restrictions, the Window Period may be a period designated by the Firm during which an employee of the Firm in such designated group is permitted to purchase or sell shares of Common Stock).

THE GOLDMAN SACHS GROUP, INC.  
YEAR-END PERFORMANCE-BASED RSU AWARD

This Award Agreement governs your award of performance-based RSUs (your “Award” or “PSUs”) granted under The Goldman Sachs Amended and Restated Stock Incentive Plan (2015) (the “Plan”) in accordance with The Goldman Sachs Long-Term Performance Incentive Plan (the “LTIP”). You should read carefully this entire Award Agreement, which includes the Award Statement, any attached Appendix and the signature card.

#### ACCEPTANCE

1. **You Must Decide Whether to Accept this Award Agreement.** To be eligible to receive your Award, you must by the date specified (a) open and activate an Account and (b) agree to all the terms of your Award by executing the related signature card in accordance with its instructions. By executing the signature card, you confirm your agreement to all of the terms of this Award Agreement, including the arbitration and choice of forum provisions in Paragraph 16.

#### DOCUMENTS THAT GOVERN YOUR AWARD; DEFINITIONS

2. **The Plan and LTIP.** Your Award is granted under the Plan in accordance with the LTIP, and the terms of both apply to, and are a part of, this Award Agreement. In the event of a conflict between the terms of the LTIP and the Plan, the terms of the Plan will control.

3. **Your Award Statement.** The Award Statement delivered to you contains some of your Award’s specific terms. For example, it contains the number of PSUs subject to this Award, the Performance Period and the Performance Goal applicable to your Award. [It also contains the Determination Date and the Settlement Date for your Award and the Transferability Date for any Shares at Risk that may be delivered to you in respect of any Settlement Amount that you may earn.] The number of PSUs on your Award Statement is not necessarily the number of PSUs in respect of which the Settlement Amount will be earned, but is merely the basis for determining the amount (if any) that will be delivered to you.

4. **Definitions.** Capitalized terms are defined in the Award Statement or the Definitions Appendix, which also includes terms that are defined in the LTIP and the Plan.

#### VESTING OF YOUR PSUS

5. **Vesting.** Your PSUs are Vested. When a PSU is Vested, it means **only** that your continued active Employment is not required to earn delivery in respect of that PSU. **Vesting does not mean you have a non-forfeitable right to the Vested portion of your Award. The terms of this Award Agreement (including conditions to delivery and satisfaction of the Performance Goal) continue to apply to your Award, and failure to meet such terms may result in the termination of this Award (as a result of which no delivery in respect of such Vested PSUs would be made).**

#### PERFORMANCE GOAL

6. **Performance.** The Settlement Amount is dependent, and may vary based, on achievement of the Performance Goal over the Performance Period. On the Determination Date, the Firm will determine whether or not, and to what extent, the Performance Goal for that Performance Period has been satisfied. All your rights with respect to the Settlement Amount (and any Dividend Equivalent Payments) are dependent on the extent to which the Performance Goal is achieved, and any rights to

delivery in respect of your Outstanding PSUs immediately will terminate and no Settlement Amount will be delivered in respect of such PSUs upon the Committee's determination, in its sole discretion, that the Performance Goal has not been satisfied to the extent necessary to result in delivery in respect of the PSUs.

## SETTLEMENT AMOUNT

### 7. Settlement.

(a) In General. Subject to satisfaction of the terms of this Award, including satisfaction of the Performance Goal, on the Settlement Date, you will receive delivery (less applicable withholding as described in Paragraph 13(a)) of the Settlement Amount and payment of any Dividend Equivalent Payments as further described in this Award Agreement and in your Award Statement. Until such delivery and payment, you have only the rights of a general unsecured creditor and you do not have any rights as a shareholder of GS Inc. with respect to either the PSUs or the Settlement Amount. Without limiting the Committee's authority under Section 2(b) of the LTIP, the Firm may accelerate any Settlement Date by up to 30 days.

(b) Form of Delivery. The Settlement Amount will be delivered as follows:

(i) [\_\_% in the form of cash that will be paid on the Settlement Date.]

(ii) [\_\_% in the form of Shares at Risk.]

(c) Shares at Risk. All of the Shares delivered (after application of tax withholding) to you in respect of the Settlement Amount will be Shares at Risk subject to Transfer Restrictions until the Transferability Date. Any purported sale, exchange, transfer, assignment, pledge, hypothecation, fractionalization, hedge or other disposition in violation of the Transfer Restrictions on Shares at Risk will be void. Within 30 Business Days after the Transferability Date listed on your Award Statement (or any other date on which the Transfer Restrictions are to be removed), GS Inc. will remove the Transfer Restrictions. The Committee or the SIP Committee may select multiple dates within such 30-Business-Day period on which to remove Transfer Restrictions for all or a portion of the Shares at Risk with the same Transferability Date listed on the Award Statement, and all such dates will be treated as a single Transferability Date for purposes of this Award.]

## DIVIDEND EQUIVALENT RIGHTS

8. Dividend Equivalent Rights. To the extent described in your Award Statement, each PSU will include a Dividend Equivalent Right, which will be subject to the provisions of Section 2.8 of the Plan. Accordingly, for each of your Outstanding PSUs with respect to which delivery is made under the Settlement Amount, you will be entitled to payments under Dividend Equivalent Rights equal to any regular cash dividend paid by GS Inc. in respect of a Share the record date for which occurs on or after the Date of Grant. The payment to you of amounts under Dividend Equivalent Rights (less applicable withholding as described in Paragraph 13(a)) is conditioned upon the delivery under the Settlement Amount in respect of the PSUs to which such Dividend Equivalent Rights relate, and you will have no right to receive any Dividend Equivalent Payments relating to PSUs for which you do not receive delivery under the Settlement Amount (including, without limitation, due to a failure to satisfy the Performance Goal). Dividend Equivalent Payments will be paid on the Settlement Date.



## FORFEITURE OF YOUR AWARD

9. **How You May Forfeit Your Award.** This Paragraph 9 sets forth the events that result in forfeiture of up to all of your PSUs [and Shares at Risk] and may require repayment to the Firm of up to all amounts previously paid or delivered to you under your PSUs in accordance with Paragraph 10. More than one event may apply, and in no case will the occurrence of one event limit the forfeiture and repayment obligations as a result of the occurrence of any other event. In addition, the Firm reserves the right to (a) suspend delivery of the Settlement Amount and payment of any Dividend Equivalent Payments [or release Transfer Restrictions on Shares at Risk] or (b) make payment of cash (including Dividend Equivalent Payments or dividends) [or deliver Shares at Risk into an escrow account in accordance with Paragraph 13(f)(v)]. [Paragraph 12 (relating to certain circumstances under which release of Transfer Restrictions may be accelerated) provides for exceptions to one or more provisions of this Paragraph 9.]

(a) **PSUs Forfeited Upon Certain Events.** If any of the following occurs, your rights to all of your Outstanding PSUs will terminate, and no Settlement Amount will be delivered in respect thereof, as may be further described below:

(i) **You Associate With a Covered Enterprise.** You Associate With a Covered Enterprise during the Performance Period.

(ii) **You Solicit Clients or Employees, Interfere with Client or Employee Relationships or Participate in the Hiring of Employees.** Before the Settlement Date, either:

(A) you, in any manner, directly or indirectly, (1) Solicit any Client to transact business with a Covered Enterprise or to reduce or refrain from doing any business with the Firm, (2) interfere with or damage (or attempt to interfere with or damage) any relationship between the Firm and any Client, (3) Solicit any person who is an employee of the Firm to resign from the Firm, (4) Solicit any Selected Firm Personnel to apply for or accept employment (or other association) with any person or entity other than the Firm, or (5) hire or participate in the hiring of any Selected Firm Personnel by any person or entity other than the Firm (including, without limitation, participating in the identification of individuals for potential hire, and participating in any hiring decision), whether as an employee or consultant or otherwise, or

(B) Selected Firm Personnel are Solicited, hired or accepted into partnership, membership or similar status by (1) any entity that you form, that bears your name, or in which you possess or control greater than a *de minimis* equity ownership, voting or profit participation, or (2) any entity where you have, or will have, direct or indirect managerial responsibility for such Selected Firm Personnel.

(iii) **You Failed to Consider Risk.** You Failed to Consider Risk during the Firm's \_\_\_\_ fiscal year.

(iv) **Your Conduct Constitutes Cause.** Any event that constitutes Cause has occurred before the Settlement Date.

(v) **You Do Not Meet Your Obligations to the Firm.** The Committee determines that, before the Settlement Date, you failed to meet, in any respect, any obligation under any agreement with the Firm, or any agreement entered into in connection with your Employment or this Award, including the Firm's notice period requirement applicable to you, any offer letter, employment agreement or any shareholders' agreement relating to the Firm. Your failure to pay or reimburse the Firm, on demand, for any amount you owe to the Firm will constitute (A) failure to meet an obligation you have under an agreement, regardless of whether such obligation arises under a written agreement, and/or (B) a material violation of Firm policy constituting Cause.

(vi) You Do Not Provide Timely Certifications or Comply with Your Certifications. You fail to certify to GS Inc. that you have complied with all of the terms of the LTIP, the Plan and this Award Agreement, or the Committee determines that you have failed to comply with a term of the LTIP, the Plan or this Award Agreement to which you have certified compliance.

(vii) You Do Not Follow Dispute Resolution/Arbitration Procedures. You attempt to have any dispute under the LTIP, the Plan or this Award Agreement resolved in any manner that is not provided for by Paragraph 16, Section 3.17 of the Plan or Section 6(h) of the LTIP, or you attempt to arbitrate a dispute without first having exhausted your internal administrative remedies in accordance with Paragraph 13[(f)(viii)].

(viii) You Bring an Action that Results in a Determination that Any Award Agreement Term Is Invalid. As a result of any action brought by you, it is determined that any term of this Award Agreement is invalid.

(ix) You Receive Compensation in Respect of Your Award from Another Employer. Your Employment terminates for any reason or you otherwise are no longer actively employed with the Firm and another entity grants you cash, equity or other property (whether vested or unvested) to replace, substitute for or otherwise in respect of your Outstanding PSUs.

(x) GS Inc. Fails to Maintain the Minimum Tier 1 Capital Ratio. Before the Settlement Date, GS Inc. fails to maintain the required "Minimum Tier 1 Capital Ratio" as defined under Federal Reserve Board Regulations applicable to GS Inc. for a period of 90 consecutive business days.

(xi) GS Inc. Is Determined to Be in Default. Before the Settlement Date, the Board of Governors of the Federal Reserve or the FDIC makes a written recommendation under Title II (Orderly Liquidation Authority) of the Dodd-Frank Wall Street Reform and Consumer Protection Act for the appointment of the FDIC as a receiver of GS Inc. based on a determination that GS Inc. is "in default" or "in danger of default."

(xii) Accounting Restatement Required Under Sarbanes-Oxley. GS Inc. is required to prepare an accounting restatement due to GS Inc.'s material noncompliance, as a result of misconduct, with any financial reporting requirement under the securities laws described in Section 304(a) of Sarbanes-Oxley; *provided, however*, that your rights with respect to the PSUs will only be terminated to the same extent that would be required under Section 304 of Sarbanes-Oxley had you been a "chief executive officer" or "chief financial officer" of GS Inc. (regardless of whether you actually hold such position at the relevant time).

(b) [Shares at Risk Forfeited upon Certain Events. To the extent you receive delivery of Shares at Risk in connection with any Settlement Amount, if any of the following occurs your rights to all of your Shares at Risk will terminate and your Shares at Risk will be cancelled, in each case, as may be further described below:

(i) You Failed to Consider Risk. You Failed to Consider Risk during the Firm's \_\_\_\_\_ fiscal year.

(ii) Your Conduct Constitutes Cause. Any event that constitutes Cause has occurred before the Transferability Date.

(iii) You Do Not Meet Your Obligations to the Firm. The Committee determines that, before the Transferability Date, you failed to meet, in any respect, any obligation under any agreement with the Firm, or any agreement entered into in connection with your Employment or this Award, including the Firm's notice period requirement applicable to you, any offer letter, employment agreement or any shareholders' agreement relating to the Firm. Your failure to pay or reimburse the Firm, on demand, for any amount you owe to the Firm will constitute (A) failure to meet an obligation you have under an agreement, regardless of whether such obligation arises under a written agreement, and/or (B) a material violation of Firm policy constituting Cause.

(iv) You Do Not Provide Timely Certifications or Comply with Your Certifications. You fail to certify to GS Inc. that you have complied with all of the terms of the LTIP, the Plan and this Award Agreement, or the Committee determines that you have failed to comply with a term of the LTIP, the Plan or this Award Agreement to which you have certified compliance.

(v) You Do Not Follow Dispute Resolution/Arbitration Procedures. You attempt to have any dispute under the LTIP, the Plan or this Award Agreement resolved in any manner that is not provided for by Paragraph 16, Section 3.17 of the Plan or Section 6(h) of the LTIP, or you attempt to arbitrate a dispute without first having exhausted your internal administrative remedies in accordance with Paragraph 13[(f)(viii)].

(vi) You Bring an Action that Results in a Determination that Any Award Agreement Term Is Invalid. As a result of any action brought by you, it is determined that any term of this Award Agreement is invalid.

(vii) You Receive Compensation in Respect of Your Award from Another Employer. Your Employment terminates for any reason or you otherwise are no longer actively employed with the Firm and another entity grants you cash, equity or other property (whether vested or unvested) to replace, substitute for or otherwise in respect of any Shares at Risk; *provided, however*, that your rights will only be terminated in respect of the Shares at Risk that are replaced, substituted for or otherwise considered by such other entity in making its grant.

(viii) Accounting Restatement Required Under Sarbanes-Oxley. GS Inc. is required to prepare an accounting restatement due to GS Inc.'s material noncompliance, as a result of misconduct, with any financial reporting requirement under the securities laws as described in Section 304(a) of Sarbanes-Oxley; *provided, however*, that your rights will only be terminated in respect of Shares at Risk to the same extent that would be required under Section 304(a) of Sarbanes-Oxley had you been a "chief executive officer" or "chief financial officer" of GS Inc. (regardless of whether you actually hold such position at the relevant time.)

## **REPAYMENT OF YOUR AWARD**

### **10. When You May Be Required to Repay Your Award.**

(a) Repayment Generally. If the Committee determines that any term of this Award was not satisfied, you will be required, immediately upon demand therefor, to repay to the Firm the following:

(i) Any Settlement Amount [(including any Shares at Risk)] for which the terms (including the terms for payment) of the related PSUs were not satisfied, in accordance with Section 2.6.3 of the Plan.

(ii) [Any Shares at Risk for which the terms (including the terms for the release of Transfer Restrictions) were not satisfied, in accordance with Section 2.5.3 of the Plan.]

(iii) Any Dividend Equivalent Payments for which the terms were not satisfied (including any such payments made in respect of PSUs that are forfeited or any Settlement Amount that is required to be repaid), in accordance with Section 2.8.4 of the Plan.

(iv) [Any dividends paid in respect of any Shares at Risk that are cancelled or required to be repaid.]

(v) Any amount applied to satisfy tax withholding or other obligations with respect to any PSU, Settlement Amount [(including Shares at Risk)], dividend payments or Dividend Equivalent Payments that are forfeited or required to be repaid.

(b) Repayment Upon Materially Inaccurate Financial Statements. If any delivery is made under this Award Agreement based on materially inaccurate financial statements (which includes, but is not limited to, statements of earnings, revenues or gains) or other materially inaccurate performance criteria, you will be obligated to repay to the Firm, immediately upon demand therefor, any excess amount delivered, as determined by the Committee in its sole discretion.

(c) Repayment Upon Accounting Restatement Required Under Sarbanes-Oxley. If an event described in Paragraphs 9(a)(xii) and 9(b)(viii) (relating to a requirement under Sarbanes-Oxley that GS Inc. prepare an accounting restatement) occurs, any Settlement Amount [(including Shares at Risk)], dividend payments, Dividend Equivalent Payments, cash or other property delivered, paid or withheld in respect of this Award will be subject to repayment as described in Paragraph 10(a) to the same extent that would be required under Section 304 of Sarbanes-Oxley had you been a “chief executive officer” or “chief financial officer” of GS Inc. (regardless of whether you actually hold such position at the relevant time).

## **TERMINATIONS OF EMPLOYMENT**

### **11. PSUs and Termination of Employment.**

(a) Employment Termination Generally. Unless the Committee determines otherwise, if your Employment terminates for any reason or you are otherwise no longer actively Employed with the Firm (which includes off-premises notice periods, “garden leaves,” pay in lieu of notice or any other similar status), the Performance Goal applicable to your Outstanding PSUs will continue to apply and the determination of the Settlement Amount will continue to be subject to whether or not, and to what extent, the Performance Goal has been achieved, in each case, as provided in Paragraph 6. All other terms of this Award Agreement, including the forfeiture and repayment events in Paragraphs 9 and 10, continue to apply.

(b) Death. If you die before the Settlement Date, the representative of your estate will, on the Settlement Date, receive delivery of the Settlement Amount and payment of the Dividend Equivalent Payments that, in each case, would have otherwise been made pursuant to Paragraph 6 [and any Transfer Restrictions on Shares at Risk will cease to apply in accordance with Paragraph 12(b)], after such documentation as may be requested by the Committee is provided to the Committee. All other terms of this Award Agreement, including the forfeiture and repayment events in Paragraphs 9 and 10, continue to apply.

(c) Restrictions on Association with a Covered Enterprise Cease to Apply After an Involuntary or Mutual Agreement Termination. Paragraph 9(a)(i) (relating to forfeiture if you Associate With a Covered Enterprise) will not apply if (i) your Employment terminates and the Firm characterizes your Employment termination as “involuntary” or by “mutual agreement” (and, in each case, you have not engaged in conduct constituting Cause) and (ii) you execute a general waiver and release of claims and an agreement to pay any associated tax liability, in each case, in the form the Firm prescribes. No Employment termination that you initiate, including any purported “constructive termination,” a “termination for good reason” or similar concepts, can be “involuntary” or by “mutual agreement.” All other terms of this Award Agreement, including the other forfeiture and repayment events in Paragraphs 9 and 10, continue to apply.

**12. [Accelerated Release of Transfer Restrictions on Shares at Risk in the Event of a Qualifying Termination After a Change in Control or Death.** To the extent you receive delivery of Shares at Risk in connection with any Settlement Amount, in the event of your Qualifying Termination After a Change in Control or death, each as described below, your Shares at Risk will be treated as described in this Paragraph 12, and, except as set forth in Paragraph 12(a), all other terms of this Award Agreement, including the other forfeiture and repayment events in Paragraphs 9 and 10, continue to apply.

(a) You Have a Qualifying Termination After a Change in Control. If your Employment terminates when you meet the requirements of a Qualifying Termination After a Change in Control, any Transfer Restrictions will cease to apply to your Shares at Risk. In addition, the forfeiture events in Paragraph 9 will not apply to your Shares at Risk.

(b) Death. If you die, any Transfer Restrictions will cease to apply as soon as practicable after the date of death and after such documentation as may be requested by the Committee is provided to the Committee.]

## **OTHER TERMS, CONDITIONS AND AGREEMENTS**

### **13. Additional Terms, Conditions and Agreements.**

(a) You Must Satisfy Applicable Tax Withholding Requirements. Delivery of the Settlement Amount is conditioned on your satisfaction of any applicable withholding taxes in accordance with Section 6(k) of the LTIP and Section 3.2 of the Plan, which includes the Firm deducting or withholding amounts from any payment or distribution to you (which, notwithstanding Section 3.2.2 of the Plan, may exceed the statutory minimum rate if and to the extent determined by the Committee or the SIP Committee). To the extent permitted by applicable law, the Firm, in its sole discretion, may require you to provide amounts equal to all or a portion of any Federal, state, local, foreign or other tax obligations imposed on you or the Firm in connection with the grant or payment of this Award by requiring you to choose between remitting the amount (i) in cash (or through payroll deduction or otherwise) or (ii) in the form of proceeds from the Firm’s executing a sale of Shares delivered to you pursuant to this Award. In addition, if you are an individual with separate employment contracts (at any time on or after the Date of Grant), the Firm, in its sole discretion, may require you to provide for a reserve in an amount the Firm determines is advisable or necessary in connection with any actual, anticipated or potential tax consequences related to your separate employment contracts by requiring you to choose between remitting such amount (i) in cash (or through payroll deduction or otherwise) or (ii) in the form of proceeds from the Firm’s executing a sale of Shares delivered to you pursuant to this Award (or any other Outstanding awards granted under the Plan or any predecessor or successor plan thereto). In no event, however, does this Paragraph 13(a) give you any discretion to determine or affect the timing of delivery of the Settlement Amount or the timing of payment of tax obligations.

(b) Firm May Deliver Cash or Other Property in Respect of the Settlement Amount. In accordance with Section 1.3.2(i) of the Plan, in the sole discretion of the Committee, in lieu of all or any portion of the Settlement Amount, the Firm may deliver cash, other securities, other awards under the Plan or other property, and all references in this Award Agreement to delivery of the Settlement Amount will include such deliveries of cash, other securities, other awards under the Plan or other property.

(c) Amounts May Be Rounded to Avoid Fractional Shares. Shares at Risk subject to Transfer Restrictions may be rounded to avoid fractional Shares.]

(d) You May Be Required to Become a Party to the Shareholders' Agreement. Your rights to your PSUs are conditioned on your becoming a party to any shareholders' agreement to which other similarly situated employees (e.g., employees with a similar title or position) of the Firm are required to be a party.

(e) Firm May Affix Legends and Place Stop Orders on Shares. GS Inc. may affix to Certificates representing Shares any legend that the Committee determines to be necessary or advisable (including to reflect any restrictions to which you may be subject under a separate agreement). GS Inc. may advise the transfer agent to place a stop order against any legended Shares.]

(f) You Agree to Certain Consents, Terms and Conditions. By accepting this Award you understand and agree that:

(i) You Agree to Certain Consents as a Condition to the Award. You have expressly consented to all of the items listed in Section 6(c)(ii) of the LTIP and Section 3.3.3(d) of the Plan, including the Firm's supplying to any third-party recordkeeper of the LTIP or the Plan or other person such personal information of yours as the Committee deems advisable to administer the LTIP or the Plan, and you agree to provide any additional consents that the Committee determines to be necessary or advisable;

(ii) You Are Subject to the Firm's Policies, Rules and Procedures. You are subject to the Firm's policies in effect from time to time concerning trading in Shares and hedging or pledging Shares and equity-based compensation or other awards (including, without limitation, the Firm's "Policies with Respect to Personal Transactions Involving GS Securities and GS Equity Awards" or any successor policies), and confidential or proprietary information[, and you will effect sales of Shares in accordance with such rules and procedures as may be adopted from time to time (which may include, without limitation, restrictions relating to the timing of sale requests, the manner in which sales are executed, pricing method, consolidation or aggregation of orders and volume limits determined by the Firm)];

(iii) You Are Responsible for Costs Associated with Your Award. You will be responsible for all brokerage costs and other fees or expenses associated with your Shares at Risk, including those related to the sale of Shares;]

(iv) You Will Be Deemed to Represent Your Compliance with All the Terms of Your Award if You Accept Delivery. You will be deemed to have represented and certified that you have complied with all of the terms of the LTIP, the Plan and this Award Agreement when you accept payment in respect of your Award[, and you request the sale of Shares following the release of Transfer Restrictions on Shares at Risk];

(v) Firm May Make Deliveries into an Escrow Account. The Firm may establish and maintain an escrow account on such terms (which may include your executing any documents related to, and your paying for any costs associated with, such account) as it may deem necessary or appropriate, and the Settlement Amount may initially be delivered, and any Dividend Equivalent Payments may initially be paid, into and held in that escrow account until such time as the Committee has received such documentation as it may have requested or until the Committee has determined that any other conditions or restrictions on deliveries required by this Award Agreement have been satisfied;

(vi) You May Be Required to Certify Compliance with Award Terms; You Are Responsible for Providing the Firm with Updated Address and Contact Information After Your Departure from the Firm. If your Employment terminates while you continue to hold PSUs [or Shares at Risk], from time to time, you may be required to provide certifications of your compliance with all of the terms of the LTIP, the Plan and this Award Agreement as described in Paragraphs 9(a)(vi) and 9(b)(iv). You understand and agree that (A) your address on file with the Firm at the time any certification is required will be deemed to be your current address, (B) it is your responsibility to inform the Firm of any changes to your address to ensure timely receipt of the certification materials, (C) you are responsible for contacting the Firm to obtain such certification materials if not received and (D) your failure to return properly completed certification materials by the specified deadline (which includes your failure to timely return the completed certification because you did not provide the Firm with updated contact information) will result in the forfeiture of all of your PSUs [or Shares at Risk] and subject previously delivered amounts to repayment under Paragraphs 9(a)(vi) and 9(b)(iv);

(vii) [You Authorize the Firm to Register, in Its or Its Designee's Name, Any Shares at Risk and Sell, Assign or Transfer Any Forfeited Shares at Risk. You are granting to the Firm the full power and authority to register any Shares at Risk in its or its designee's name and authorizing the Firm or its designee to sell, assign or transfer any Shares at Risk if you forfeit your Shares at Risk;]

(viii) You Must Comply with Applicable Deadlines and Procedures to Appeal Determinations Made by the Committee. If you disagree with a determination made by the Committee, the SIP Committee, the SIP Administrators, or any of their delegates or designees and you wish to appeal such determination, you must submit a written request to the SIP Committee for review within 180 days after the determination at issue. You must exhaust your internal administrative remedies (*i.e.*, submit your appeal and wait for resolution of that appeal) before seeking to resolve a dispute through arbitration pursuant to Paragraph 16, Section 6(h) of the LTIP and Section 3.17 of the Plan; and

(ix) You Agree that Covered Persons Will Not Have Liability. In addition to and without limiting the generality of the provisions of Section 2(e) of the LTIP and Section 1.3.5 of the Plan, neither the Firm nor any Covered Person will have any liability to you or any other person for any action taken or omitted in respect of this or any other Award.

14. **Non-transferability**. Except as otherwise may be provided in this Paragraph 14 or as otherwise may be provided by the Committee, the limitations on transferability set forth in Section 6(b) of the LTIP and Section 3.5 of the Plan will apply to this Award. Any purported transfer or assignment in violation of the provisions of this Paragraph 14, Section 6(b) of the LTIP or Section 3.5 of the Plan will be void. The Committee may adopt procedures pursuant to which some or all recipients of PSUs [and Shares at Risk] may transfer some or all of their PSUs [or Shares at Risk (which will continue to be subject to Transfer Restrictions until the Transferability Date)] through a gift for no consideration to any immediate family member, a trust or other estate planning vehicle approved by the Committee or SIP Committee in which the recipient and/or the recipient's immediate family members in the aggregate have 100% of the beneficial interest.

15. **Right of Offset.** Except as provided in Paragraph 18(d), the obligation to deliver the Settlement Amount, pay dividends or Dividend Equivalent Payments [or release Transfer Restrictions] under this Award Agreement is subject to Section 6(l) of the LTIP and Section 3.4 of the Plan, which provide for the Firm's right to offset against such obligation any outstanding amounts you owe to the Firm and any amounts the Committee deems appropriate pursuant to any tax equalization policy or agreement.

#### **ARBITRATION, CHOICE OF FORUM AND GOVERNING LAW**

16. **Arbitration; Choice of Forum.**

**(a) BY ACCEPTING THIS AWARD, YOU ARE INDICATING THAT YOU UNDERSTAND AND AGREE THAT THE ARBITRATION AND CHOICE OF FORUM PROVISIONS SET FORTH IN SECTION 6(h) OF THE LTIP AND SECTION 3.17 OF THE PLAN WILL APPLY TO THIS AWARD. THESE PROVISIONS, WHICH ARE EXPRESSLY INCORPORATED HEREIN BY REFERENCE, PROVIDE AMONG OTHER THINGS THAT ANY DISPUTE, CONTROVERSY OR CLAIM BETWEEN THE FIRM AND YOU ARISING OUT OF OR RELATING TO OR CONCERNING THE LTIP, THE PLAN OR THIS AWARD AGREEMENT WILL BE FINALLY SETTLED BY ARBITRATION IN NEW YORK CITY, PURSUANT TO THE TERMS MORE FULLY SET FORTH IN SECTION 6(h) OF THE LTIP AND SECTION 3.17 OF THE PLAN; PROVIDED THAT NOTHING HEREIN SHALL PRECLUDE YOU FROM FILING A CHARGE WITH OR PARTICIPATING IN ANY INVESTIGATION OR PROCEEDING CONDUCTED BY ANY GOVERNMENTAL AUTHORITY, INCLUDING BUT NOT LIMITED TO THE SEC AND THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION.**

(b) To the fullest extent permitted by applicable law, no arbitrator will have the authority to consider class, collective or representative claims, to order consolidation or to join different claimants or grant relief other than on an individual basis to the individual claimant involved.

(c) Notwithstanding any applicable forum rules to the contrary, to the extent there is a question of enforceability of this Award Agreement arising from a challenge to the arbitrator's jurisdiction or to the arbitrability of a claim, it will be decided by a court and not an arbitrator.

(d) All references to the New York Stock Exchange in Section 6(h) of the LTIP and Section 3.17 of the Plan will be read as references to the Financial Industry Regulatory Authority.

(e) The Federal Arbitration Act governs interpretation and enforcement of all arbitration provisions under the LTIP, the Plan and this Award Agreement, and all arbitration proceedings thereunder.

(f) Nothing in this Award Agreement creates a substantive right to bring a claim under U.S. Federal, state, or local employment laws.

(g) By accepting your Award, you irrevocably appoint each General Counsel of GS Inc., or any person whom the General Counsel of GS Inc. designates, as your agent for service of process in connection with any suit, action or proceeding arising out of or relating to or concerning the Plan or any Award which is not arbitrated pursuant to the provisions of Section 3.17.1 of the Plan, who shall promptly advise you of any such service of process.

(h) To the fullest extent permitted by applicable law, no arbitrator will have the authority to consider any claim as to which you have not first exhausted your internal administrative remedies in accordance with Paragraph 13[(f)(viii)].



17. **Governing Law.** THIS AWARD WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.

#### CERTAIN TAX PROVISIONS

18. **Compliance of Award Agreement, the Plan and LTIP with Section 409A.** The provisions of this Paragraph 18 apply to you only if you are a U.S. taxpayer.

(a) This Award Agreement, the Plan and the LTIP provisions that apply to this Award are intended and will be construed to comply with Section 409A (including the requirements applicable to, or the conditions for exemption from treatment as, 409A Deferred Compensation), whether by reason of short-term deferral treatment or other exceptions or provisions. The Committee will have full authority to give effect to this intent. To the extent necessary to give effect to this intent, in the case of any conflict or potential inconsistency between the provisions of the LTIP (including Section 2(b) thereof), the Plan (including Sections 1.3.2 and 2.1 thereof) and this Award Agreement, the provisions of this Award Agreement will govern, and in the case of any conflict or potential inconsistency between this Paragraph 18 and the other provisions of this Award Agreement, this Paragraph 18 will govern.

(b) Settlement will not be delayed beyond the date on which all applicable conditions or restrictions on settlement in respect of your PSUs required by this Award Agreement (including those specified in Paragraph 11(c) (execution of waiver and release of claims agreement to pay associated tax liability) and the consents and other items specified in Section 3.3 of the Plan and Section 6(c) of the LTIP) are satisfied. To the extent that any portion of this Award is intended to satisfy the requirements for short-term deferral treatment under Section 409A, settlement in respect of such portion will occur by the March 15 coinciding with the last day of the applicable “short-term deferral” period described in Reg. § 1.409A-1(b)(4) in order for settlement to be within the short-term deferral exception unless, in order to permit all applicable conditions or restrictions on settlement to be satisfied, the Committee elects, pursuant to Reg. § 1.409A-1(b)(4)(i)(D) or otherwise as may be permitted in accordance with Section 409A, to delay settlement to a later date within the same calendar year or to such later date as may be permitted under Section 409A, including Reg. § 1.409A-2(b)(7) (in conjunction with Section 6(d) of the LTIP and Section 3.21.3 of the Plan pertaining to Code Section 162(m)) and Reg. § 1.409A-3(d). For the avoidance of doubt, if the Award includes a “series of installment payments” as described in Reg. § 1.409A-2(b)(2)(iii), your right to the series of installment payments will be treated as a right to a series of separate payments and not as a right to a single payment.

(c) Notwithstanding the provisions of Section 1.3.2(i) of the Plan, to the extent necessary to comply with Section 409A, any delivery or payment [(including in the form of Shares at Risk or other property)] that the Firm may make in respect of your PSUs will not have the effect of deferring payment, delivery, income inclusion, or a substantial risk of forfeiture, beyond the date on which such payment, delivery or inclusion would occur or such risk of forfeiture would lapse, with respect to the payment or delivery that would otherwise have been made (unless the Committee elects a later date for this purpose pursuant to Reg. 1.409A-1(b)(4)(i)(D) or otherwise as may be permitted under Section 409A, including and to the extent applicable, the subsequent election provisions of Section 409A(a)(4)(C) of the Code and Reg. 1.409A-2(b)).

(d) Paragraph 15, Section 6(l) of the LTIP and Section 3.4 of the Plan will not apply to Awards that are 409A Deferred Compensation except to the extent permitted under Section 409A.

(e) Settlement in respect of any portion of the Award may be made, if and to the extent elected by the Committee, later than the relevant Settlement Date or other date or period specified hereinabove (but, in the case of any Award that constitutes 409A Deferred Compensation, only to the extent that the later payment or delivery, as applicable, is permitted under Section 409A).

(f) You understand and agree that you are solely responsible for the payment of any taxes and penalties due pursuant to Section 409A, but in no event will you be permitted to designate, directly or indirectly, the taxable year of the payment.

19. **Compliance of Award Agreement and LTIP with Section 162(m).** The provisions of Paragraph 18(b) and this Paragraph 19 and the provisions of Sections 1.2.13, 1.3.3, 2.8.3, 3.1.2 and 3.21 of the Plan addressing the qualification of compensation realized from Awards as “performance-based” compensation under Section 162(m) of the Code shall apply only to the extent that Section 162(m) of the Code provides a “performance-based” compensation exception to the deduction limitations applicable thereunder. If you are or become considered by GS Inc. to be one of its “covered employees” within the meaning of Section 162(m) of the Code, then you will be subject to Section 6(d) of the LTIP and Section 3.21.3 of the Plan, as a result of which delivery of the Settlement Amount and payment of the Dividend Equivalent Payments may be delayed. In addition, to the extent provided in your Award Statement and, to the extent that Section 409A is applicable to you, consistent with Reg § 1.409A-2(b), the Firm may delay any Settlement Date.

#### COMMITTEE AUTHORITY, AMENDMENT AND CONSTRUCTION

20. **Committee Authority.** The Committee has the authority to determine, in its sole discretion, that any event triggering forfeiture or repayment of your Award will not apply and to limit the forfeitures and repayments that result under Paragraphs 9 and 10 [and to remove Transfer Restrictions before the Transferability Date]. In addition, the Committee, in its sole discretion, may determine whether Paragraph 11(c) will apply upon a termination of Employment.

21. **Amendment.** The Committee reserves the right at any time to amend the terms of this Award Agreement, and the Board may amend the LTIP and the Plan in any respect; *provided that*, notwithstanding the foregoing and Sections 2(b)(vi), 2(b)(viii) and 6(a) of the LTIP and Sections 1.3.2(f), 1.3.2(h) and 3.1 of the Plan, no such amendment will materially adversely affect your rights and obligations under this Award Agreement without your consent; and *provided further* that the Committee expressly reserves its rights to amend the Award Agreement, the LTIP and the Plan as described in Section 2(b)(viii)(1) of the LTIP and Sections 1.3.2(h)(1), (2) and (4) of the Plan. A modification that impacts the tax consequences of this Award or the timing of delivery will not be an amendment that materially adversely affects your rights and obligations under this Award Agreement. Any amendment of this Award Agreement will be in writing.

22. **Construction, Headings.** Unless the context requires otherwise, (i) words describing the singular number include the plural and vice versa, (ii) words denoting any gender include all genders and (iii) the words “include,” “includes” and “including” will be deemed to be followed by the words “without limitation.” The headings in this Award Agreement are for the purpose of convenience only and are not intended to define or limit the construction of the provisions hereof. References in this Award Agreement to any specific Plan or LTIP provision will not be construed as limiting the applicability of any other Plan or LTIP provision.

**IN WITNESS WHEREOF**, GS Inc. has caused this Award Agreement to be duly executed and delivered as of the Date of Grant.

**THE GOLDMAN SACHS GROUP, INC.**

## DEFINITIONS APPENDIX

**The following capitalized terms are used in this Award Agreement with the following meanings:**

(a) “409A Deferred Compensation” means a “deferral of compensation” or “deferred compensation” as those terms are defined in the regulations under Section 409A.

(b) “Associate With a Covered Enterprise” means that you (i) form, or acquire a 5% or greater equity ownership, voting or profit participation interest in, any Covered Enterprise or (ii) associate in any capacity (including association as an officer, employee, partner, director, consultant, agent or advisor) with any Covered Enterprise. Associate With a Covered Enterprise may include, as determined in the discretion of the Committee, (i) becoming the subject of any publicly available announcement or report of a pending or future association with a Covered Enterprise and (ii) unpaid associations, including an association in contemplation of future employment. “Association With a Covered Enterprise” will have its correlative meaning.

(c) “Award Agreement” means the written document or documents by which each Award is evidenced, including any Award Statement or any related signature card.

(d) “Covered Enterprise” means a Competitive Enterprise and any other existing or planned business enterprise that: (i) offers, holds itself out as offering or reasonably may be expected to offer products or services that are the same as or similar to those offered by the Firm or that the Firm reasonably expects to offer (“Firm Products or Services”) or (ii) engages in, holds itself out as engaging in or reasonably may be expected to engage in any other activity that is the same as or similar to any financial activity engaged in by the Firm or in which the Firm reasonably expects to engage (“Firm Activities”). For the avoidance of doubt, Firm Activities include any activity that requires the same or similar skills as any financial activity engaged in by the Firm or in which the Firm reasonably expects to engage, irrespective of whether any such financial activity is in furtherance of an advisory, agency, proprietary or fiduciary undertaking.

The enterprises covered by this definition include enterprises that offer, hold themselves out as offering or reasonably may be expected to offer Firm Products or Services, or engage in, hold themselves out as engaging in or reasonably may be expected to engage in Firm Activities directly, as well as those that do so indirectly by ownership or control (*e.g.*, by owning, being owned by or by being under common ownership with an enterprise that offers, holds itself out as offering or reasonably may be expected to offer Firm Products or Services or that engages in, holds itself out as engaging in or reasonably may be expected to engage in Firm Activities). The definition of Covered Enterprise includes, solely by way of example, any enterprise that offers, holds itself out as offering or reasonably may be expected to offer any product or service, or engages in, holds itself out as engaging in or reasonably may be expected to engage in any activity, in any case, associated with investment banking; public or private finance; lending; financial advisory services; private investing for anyone other than you or your family members (including, for the avoidance of doubt, any type of proprietary investing or trading); private wealth management; private banking; consumer, digital or commercial banking; merchant banking; asset, portfolio or hedge fund management; insurance or reinsurance underwriting or brokerage; property management; or securities, futures, commodities, energy, derivatives, currency or digital asset brokerage, sales, lending, custody, clearance, settlement or trading. An enterprise that offers, holds itself out as offering or reasonably may be expected to offer Firm Products or Services, or engages in, holds itself out as engaging in or reasonably may be expected to engage in Firm Activities is a Covered Enterprise, **irrespective of whether the enterprise is a customer, client or counterparty of the Firm and, because the Firm is a global enterprise, irrespective of where the Covered Enterprise is physically located.**

(e) “Determination Date” means the date specified on your Award Statement as the date on which the Committee will determine whether or not, and to what extent, the Performance Goal was achieved for the Performance Period.

(f) “Dividend Equivalent Payments” means any payments made in respect of Dividend Equivalent Rights.

(g) “FDIC” means the Federal Deposit Insurance Corporation or any successor thereto.

(h) “Failed to Consider Risk” means that you participated in the structuring or marketing of any product or service, or participated on behalf of the Firm or any of its clients in the purchase or sale of any security or other property, in any case without appropriate consideration of the risk to the Firm or the broader financial system as a whole (for example, where you have improperly analyzed such risk or where you have failed sufficiently to raise concerns about such risk) and, as a result of such action or omission, the Committee determines there has been, or reasonably could be expected to be, a material adverse impact on the Firm, your business unit or the broader financial system.

(i) “Performance Goal” means the performance goal determined by the Committee that is specified on your Award Statement.

(j) “Performance Period” means the performance period determined by the Committee that is specified on your Award Statement.

(k) “Sarbanes-Oxley” means the Sarbanes-Oxley Act of 2002, as amended.

(l) “SEC” means the U.S. Securities and Exchange Commission.

(m) “Section 409A” means Section 409A of the Internal Revenue Code of 1986, including any amendments or successor provisions to that Section and any regulations and other administrative guidance thereunder, in each case as they, from time to time, may be amended or interpreted through further administrative guidance.

(n) “Selected Firm Personnel” means any individual who is or in the three months preceding the conduct prohibited by Paragraph 9(a)(ii) was (i) a Firm employee or consultant with whom you personally worked while employed by the Firm, (ii) a Firm employee or consultant who, at any time during the year preceding the date of the termination of your Employment, worked in the same division in which you worked or (iii) an Advisory Director, a Managing Director or a Senior Advisor of the Firm.

(o) [“Settlement Amount” means an amount deliverable to you in respect of your PSUs (determined as described in the Award Statement).]

(p) [“Settlement Date” means the date that is specified on your Award Statement on which the Settlement Amount will be delivered.]

(q) “Share” means a share of Common Stock.

(r) [“Shares at Risk” means Shares that are subject to Transfer Restrictions.]

**The following capitalized terms are used in this Award Agreement with the meanings that are assigned to them in the LTIP:**

- (a) “Board” means the Board of Directors of GS Inc.
- (b) “Committee” means the committee appointed by the Board to administer the LTIP pursuant to Section 2(a) of the LTIP.
- (c) “Covered Person” means a member of the Board or the Committee or any employee of the Firm.
- (d) “Firm” means GS Inc. and its subsidiaries and affiliates.
- (e) “GS Inc.” means The Goldman Sachs Group, Inc., and any successor thereto.

**The following capitalized terms are used in this Award Agreement with the meanings that are assigned to them in The Goldman Sachs Amended and Restated Stock Incentive Plan (2015):**

- (a) “Account” means any brokerage account, custody account or similar account, as approved or required by GS Inc. from time to time, into which shares of Common Stock, cash or other property in respect of an Award are delivered.
- (b) “Award Statement” means a written statement that reflects certain Award terms.
- (c) “Business Day” means any day other than a Saturday, a Sunday or a day on which banking institutions in New York City are authorized or obligated by Federal law or executive order to be closed.
- (d) “Cause” means (i) the Grantee’s conviction, whether following trial or by plea of guilty or *nolo contendere* (or similar plea), in a criminal proceeding (A) on a misdemeanor charge involving fraud, false statements or misleading omissions, wrongful taking, embezzlement, bribery, forgery, counterfeiting or extortion, or (B) on a felony charge, or (C) on an equivalent charge to those in clauses (A) and (B) in jurisdictions which do not use those designations, (ii) the Grantee’s engaging in any conduct which constitutes an employment disqualification under applicable law (including statutory disqualification as defined under the Exchange Act), (iii) the Grantee’s willful failure to perform the Grantee’s duties to the Firm, (iv) the Grantee’s violation of any securities or commodities laws, any rules or regulations issued pursuant to such laws, or the rules and regulations of any securities or commodities exchange or association of which the Firm is a member, (v) the Grantee’s violation of any Firm policy concerning hedging or pledging or confidential or proprietary information, or the Grantee’s material violation of any other Firm policy as in effect from time to time, (vi) the Grantee’s engaging in any act or making any statement which impairs, impugns, denigrates, disparages or negatively reflects upon the name, reputation or business interests of the Firm or (vii) the Grantee’s engaging in any conduct detrimental to the Firm. The determination as to whether Cause has occurred shall be made by the Committee in its sole discretion and, in such case, the Committee also may, but shall not be required to, specify the date such Cause occurred (including by determining that a prior termination of Employment was for Cause). Any rights the Firm may have hereunder and in any Award Agreement in respect of the events giving rise to Cause shall be in addition to the rights the Firm may have under any other agreement with a Grantee or at law or in equity.
- (e) “Client” means any client or prospective client of the Firm to whom the Grantee provided services, or for whom the Grantee transacted business, or whose identity became known to the Grantee in connection with the Grantee’s relationship with or employment by the Firm.

(f) “Code” means the Internal Revenue Code of 1986, as amended from time to time, and the applicable rulings and regulations thereunder.

(g) “Common Stock” means common stock of GS Inc., par value \$0.01 per share.

(h) “Competitive Enterprise” means an existing or planned business enterprise that (i) engages, or may reasonably be expected to engage, in any activity, (ii) owns or controls, or may reasonably be expected to own or control, a significant interest in or (iii) is, or may reasonably be expected to be, owned by, or a significant interest in which is, or may reasonably be expected to be, owned or controlled by, any entity that engages in any activity that, in any case, competes or will compete anywhere with any activity in which the Firm is engaged. The activities covered by this definition include, without limitation, financial services such as investment banking, public or private finance, lending, financial advisory services, private investing (for anyone other than the Grantee and members of the Grantee’s family), merchant banking, asset or hedge fund management, insurance or reinsurance underwriting or brokerage, property management, or securities, futures, commodities, energy, derivatives or currency brokerage, sales, lending, custody, clearance, settlement or trading.

(i) “Date of Grant” means the date specified in the Grantee’s Award Agreement as the date of grant of the Award.

(j) “Dividend Equivalent Right” means a dividend equivalent right granted under the Plan, which represents an unfunded and unsecured promise to pay to the Grantee amounts equal to all or any portion of the regular cash dividends that would be paid on shares of Common Stock covered by an Award if such shares had been delivered pursuant to an Award.

(k) “Employment” means the Grantee’s performance of services for the Firm, as determined by the Committee. The terms “employ” and “employed” shall have their correlative meanings. The Committee in its sole discretion may determine (i) whether and when a Grantee’s leave of absence results in a termination of Employment (for this purpose, unless the Committee determines otherwise, a Grantee shall be treated as terminating Employment with the Firm upon the occurrence of an Extended Absence), (ii) whether and when a change in a Grantee’s association with the Firm results in a termination of Employment and (iii) the impact, if any, of any such leave of absence or change in association on Awards theretofore made. Unless expressly provided otherwise, any references in the Plan or any Award Agreement to a Grantee’s Employment being terminated shall include both voluntary and involuntary terminations.

(l) “Grantee” means a person who receives an Award.

(m) “Outstanding” means any Award to the extent it has not been forfeited, cancelled, terminated, exercised or with respect to which the shares of Common Stock underlying the Award have not been previously delivered or other payments made.

(n) “RSU” means a restricted stock unit Award granted under the Plan, which represents an unfunded and unsecured promise to deliver shares of Common Stock in accordance with the terms of the RSU Award Agreement.

(o) “Section 409A” means Section 409A of the Code, including any amendments or successor provisions to that Section and any regulations and other administrative guidance thereunder, in each case as they, from time to time, may be amended or interpreted through further administrative guidance.

(p) “SIP Administrator” means each person designated by the Committee as a “SIP Administrator” with the authority to perform day-to-day administrative functions for the Plan.

(q) “SIP Committee” means the persons who have been delegated certain authority under the Plan by the Committee.

(r) “Solicit” means any direct or indirect communication of any kind whatsoever, regardless of by whom initiated, inviting, advising, encouraging or requesting any person or entity, in any manner, to take or refrain from taking any action.

(s) [“Transfer Restrictions” means restrictions that prohibit the sale, exchange, transfer, assignment, pledge, hypothecation, fractionalization, hedge or other disposal (including through the use of any cash-settled instrument), whether voluntarily or involuntarily by the Grantee, of an Award or any shares of Common Stock, cash or other property delivered in respect of an Award.]

(t) [“Transferability Date” means the date Transfer Restrictions on a Restricted Share will be released. Within 30 Business Days after the applicable Transferability Date, GS Inc. shall take, or shall cause to be taken, such steps as may be necessary to remove Transfer Restrictions.]

(u) “Vested” means, with respect to an Award, the portion of the Award that is not subject to a condition that the Grantee remain actively employed by the Firm in order for the Award to remain Outstanding. The fact that an Award becomes Vested shall not mean or otherwise indicate that the Grantee has an unconditional or nonforfeitable right to such Award, and such Award shall remain subject to such terms, conditions and forfeiture provisions as may be provided for in the Plan or in the Award Agreement.



**The Goldman Sachs Group, Inc.**  
SIGNATURE CARD FOR \_\_\_\_\_ AWARDS  
AND CONSENT TO RECEIVE ELECTRONIC DELIVERY

**IMPORTANT: PLEASE REVIEW, EXECUTE AND RETURN THIS FORM TO: \_\_\_\_\_**

**YOU MUST PROPERLY EXECUTE THIS FORM TO ACKNOWLEDGE ACCEPTANCE OF THE TERMS AND CONDITIONS OF YOUR AWARD(S) AND RELATED MATTERS.**

1. I have received and agree to be bound by The Goldman Sachs Amended and Restated Stock Incentive Plan (2015) (the "SIP") and the Award Agreement(s) applicable to me in connection with the \_\_\_\_\_ Award(s) (the "Award(s)") that I have been granted by the Firm (as defined in the SIP). I confirm that I am accepting the Award(s) subject to the terms and conditions contained in the SIP, the Award Agreement(s), and this signature card (the "Signature Card"), including, but not limited to, the requirement that certain disputes be decided through arbitration in New York City and be governed by New York law. For the avoidance of doubt, references to a "share" or "Share" herein mean a share of the common stock of The Goldman Sachs Group, Inc. ("GS Inc.") and, where applicable, deliveries of cash or other property in lieu thereof.

For the avoidance of doubt, I understand and agree that to be eligible to receive any award under the SIP or any predecessor plan, I must not have engaged in any conduct constituting "Cause" (as defined in the SIP) prior to the grant of the award, and by accepting this Award, I represent and warrant that I have not engaged in any conduct constituting Cause.

As a condition of this grant, I understand that the Award(s) (as well as any other award that the Firm may grant to me under the SIP) is/are subject to governing law provisions as outlined in this Signature Card or in the applicable Award Agreement(s), and, as a condition to receiving such awards, I agree to be bound thereby. As a condition of this grant, I agree to provide upon request an appropriate certification regarding my U.S. tax status on Form W-8BEN, Form W-9, or other appropriate form, and I understand that failure to supply a required form may result in the imposition of backup withholding on certain payments I receive pursuant to this grant.

I understand and acknowledge that, under the SIP and the applicable Award Agreement(s), I am agreeing to arbitrate all claims relating to the SIP in accordance with the arbitration procedure set forth in the SIP and the applicable Award Agreement(s). If I am employed in the U.S. or if I am otherwise subject to U.S. Federal, State, or local employment laws, I further agree to arbitrate, in accordance with the SIP-related arbitration procedure and to the fullest extent permitted by law, all claims arising out of or relating to my employment with the Firm or the termination thereof, or otherwise concerning any rights, obligations or other aspects of my employment relationship with the Firm (collectively, "Employment-Related Matters"); provided that nothing herein shall preclude me from filing a charge with or participating in any investigation or

proceeding conducted by any governmental authority, including but not limited to the U.S. Securities and Exchange Commission and the Equal Employment Opportunity Commission. I agree that all provisions in the SIP (specifically Section 3.17 thereof) and any applicable Award Agreements that relate to arbitration and SIP-related dispute resolution (including without limitation the provisions concerning New York choice of law and New York City choice of forum) shall be applicable to resolution of disputes concerning Employment-Related Matters; provided, however, that Employment-Related Matters that do not relate to the SIP need not be presented to the Committee or the SIP Committee (each, as defined in the SIP) as a pre-condition to being submitted to arbitration. None of the SIP, the Award Agreement(s), or this Signature Card includes an agreement to arbitrate claims (whether they are claims relating to Employment-Related Matters or otherwise) on a collective, class or representative basis. I explicitly agree that, to the fullest extent permitted by applicable law, no arbitrator shall have the authority to consider class, collective or representative claims, to order consolidation or to join different claimants or grant relief other than on an individual basis to the individual claimant involved and that, notwithstanding any applicable forum rules to the contrary, to the extent there is a question of enforceability of this agreement arising from a challenge to the arbitrator's jurisdiction or to the arbitrability of a claim, it shall be decided by a court and not an arbitrator. I understand and agree that (a) "Employment-Related Matter" includes matters relating to actions or inactions by individuals associated with the Firm (including but not limited to employees, officers, and directors), irrespective of whether such actions or inactions occurred in the ordinary course of employment, and (b) my obligation to arbitrate matters that arise out of or relate to Employment-Related Matters applies irrespective of whether the Firm is or would be a party to any such arbitration (e.g., if I elect to pursue a claim against another employee, including my manager, based on an Employment-Related Matter). I agree that the Firm may intervene in any arbitration concerning an Employment-Related Matter to which the Firm is not a party if the Firm determines, in its judgment, that the Firm has an interest in the outcome of the arbitration.

I also understand and agree that all references to the New York Stock Exchange in Section 3.17 of the SIP shall be read as references to the Financial Industry Regulatory Authority and that, for the avoidance of doubt, the Federal Arbitration Act governs interpretation and enforcement of all arbitration provisions under the SIP and this Signature Card, and all arbitration proceedings thereunder. I

understand and agree that nothing herein creates a substantive right to bring a claim under U.S. Federal, State, or local employment laws. To the extent that I have entered into any prior agreement with the Firm requiring me to arbitrate certain claims, including Employment-Related Matters, I understand and agree to continue to be bound by my obligation to arbitrate all such claims.

I irrevocably grant full power and authority to GS Inc. to register in its name, or that of any designee, any and all Restricted Shares (as defined in the applicable Award Agreement), Shares at Risk (as defined in the applicable Award Agreement) or other shares of GS Inc. common stock that have been or may be delivered to me subject to transfer restrictions or forfeiture provisions, and I irrevocably authorize GS Inc., or its designee, to sell, assign or transfer such shares to GS Inc. or such other persons as it may determine in the event of a forfeiture of such shares pursuant to any agreement with GS Inc.

Further, as a condition of this grant, if I am a person who has worked in the United Kingdom at any time during the earnings period relating to any award under the SIP, as determined by the Firm, when requested and as directed by the Firm, I will agree to a Joint Election under s431 ITEPA 2003 of the laws of the United Kingdom for full or partial disapplication of Chapter 2 Income Tax (Earnings and Pension) Act 2003 under the laws of the United Kingdom and will sign and return such election in respect of all future deliveries of Shares underlying the Award(s) and any previous grants made to me under the SIP and understand that the Firm intends to meet its delivery obligations in Shares with respect to my Award(s), except as may be prohibited by law or described in the accompanying Award Agreement(s) or supplementary materials.

If I have worked in Switzerland at any time during the earnings period relating to the Award(s) granted to me as determined by the Firm, (i) I acknowledge that my Award(s) are subject to tax in accordance with the rulings and method of calculation of taxable values to be agreed by the Firm with the Federal and/or Zurich/Geneva cantonal/communal tax authorities or as otherwise directed by the Firm, and (ii) I hereby agree to be bound by any rulings agreed by the Firm in respect of any Award(s), which is expected to result in taxation at the time of delivery of Shares, and (iii) I undertake to declare and make a full and accurate income tax declaration in respect of my Award(s) in accordance with the above ruling or as directed by the Firm.

2. I have read and understand the Firm's "Notice Periods for Recipients of Year-End Equity-Based Awards" policy (the

"Notice Policy") available through the HR Workways® link on GSWeb or as otherwise provided to me, pursuant to which I am required to provide certain specified advance notice of my intent to leave employment with the Firm. By executing this form, I am agreeing to be bound by the Notice Policy as in effect from time to time and, where applicable, am agreeing to a permanent change in the terms and conditions of my employment. I agree to this change in consideration of my continued employment with the Firm and the Firm's offer of the Award(s). I understand that the Notice Policy requires me, among other things, to provide my employing entity with advance written notice of my intention to leave employment with the Firm as follows:

- In the Americas: 60 days in advance of my termination date;
- In Europe, the Middle East, Africa and India: 90 days in advance of my termination date; and
- In Japan and Asia Ex-Japan (including Australia and New Zealand and excluding India): 90 days in advance of my termination date if I am a Vice President or an Executive Director; 60 days in advance of my termination date in all other cases.

If, under local law or my contract of employment (for example, a Managing Director Agreement), I have a notice requirement that is longer than those specified above, I understand that the longer notice period will apply. I also understand that if my employment is subject to a probation period, the Notice Policy applies only if notice of termination is given after the probation period has ended.

I understand that if I fail to comply in any respect with the Notice Policy, I will have failed to meet an obligation I have under an agreement with the Firm, as a result of which the Firm may have certain legal and equitable rights and remedies, including, without limitation, forfeiture of the Award(s) and any other awards granted to me under the SIP. The Firm may forfeit such Award(s) for violation of the Notice Policy irrespective of whether this agreement constitutes a legally recognized permanent change to my terms and conditions of employment, and irrespective of whether applicable law permits me to make a payment in lieu of notice. In addition, the Firm may seek an order or injunction from a court or arbitration panel to stop a breach and may also seek other permissible remedies. The Firm may hold me personally liable for any damages it suffers as a result of the breach.

This agreement concerning my notice period is being made for and on behalf of my Goldman Sachs employing entity, and implementation of the Notice Policy does not create an employment relationship between me and GS Inc.

3. I have read and understand the Firm's hedging and pledging policies (including, without limitation, the Firm's "Policies with Respect to Personal Transactions Involving GS Securities and GS Equity Awards"), and agree to be bound by them (with respect to the Award(s) and any prior awards under the SIP), both during and following my employment with the Firm.

4. As a condition to this grant, I agree to open and activate any brokerage, trust, sub-trust, custody or similar account (an "Account"), as required or approved by the Firm in its sole discretion. I agree to access, review, execute and be bound by any agreements that govern any such Account, including any provisions that provide for the applicable restrictions on transfers, pledges and withdrawals of Shares, permitting the Firm to monitor any such Account, and the limitations on the liability of the party (which may not be affiliated with the Firm) providing the Account and the Firm. I understand and agree that the Firm may direct the transfer of securities, cash or other assets in my Account to the Firm in connection with any indebtedness or any other obligation that I have to the Firm, as determined by the Firm in its sole discretion, however such obligation may have arisen. I also agree to open an Account with any other custodian, broker, trustee, transfer agent or similar party selected by the Firm, if the Firm, in its sole discretion, requires me to open an account with such custodian, broker, trustee, transfer agent or similar party as a condition to delivery of Shares underlying the Award(s).

5. If the Firm advanced or loaned me funds to pay certain taxes (including income taxes and Social Security, or similar contributions) in connection with the Award(s) (or does so in the future), and if I have not signed a separate loan agreement governing repayment, I authorize the Firm to withhold from my compensation any amounts required to reimburse it for any such advance or loan to the extent permitted by applicable law.

I understand and agree that, if I leave the Firm, I am required immediately to repay any outstanding amount. I further understand and agree that the Firm has the right to offset, to the extent permitted by the Award Agreement and applicable law (including Section 409A of the U.S. Internal Revenue Code of 1986, as amended, which limits the Firm's ability to offset in the case of United States taxpayers under certain circumstances), any outstanding amounts that I then owe the Firm against its delivery obligations under the Award(s), against any obligations to remove restrictions and/or other terms and conditions in respect of any Restricted Shares or Shares at Risk (each as defined in the applicable Award Agreement) or against any other amounts the Firm then owes me, including payments of dividends or dividend equivalent payments. I understand that the delivery of Shares pursuant to the Award(s) is conditioned on my satisfaction of any applicable taxes or Social Security contributions (collectively referred to as "tax" or "taxes" for purposes of the SIP and all related documents) in accordance with the SIP. To

the extent permitted by applicable law, the Firm, in its sole discretion, may require me to provide amounts equal to all or a portion of any Federal, State, local, foreign or other tax obligations imposed on me or the Firm in connection with the grant, vesting or delivery of the Award(s) by requiring me to choose between remitting such amount (i) in cash (or through payroll deduction or otherwise), (ii) in the form of proceeds from the Firm's executing a sale of Shares delivered to me pursuant to the Award(s) or (iii) as otherwise permitted in the Award Agreement(s). However, in no event shall any such choice or the choice specified in paragraph 6, below, determine, or give me any discretion to affect, the timing of the delivery of Shares or payment of tax obligations.

6. If I am an individual with separate employment contracts (at any time during and/or after the \_\_\_\_\_), I acknowledge and agree that the Firm may, in its sole discretion, require (to the extent permitted by applicable law) that I provide for a reserve in an amount the Firm determines is advisable or necessary in connection with any actual, anticipated or potential tax consequences related to my separate employment contracts by requiring me to choose between remitting such amount (i) in cash (or through payroll deductions or otherwise) or (ii) in the form of proceeds from the Firm's executing a sale of Shares delivered to me pursuant to the Award(s) (or any other of my awards outstanding under the SIP).

7. In connection with any Award Agreement or other interest I may receive in the SIP or any Shares that I may receive in connection with the Award(s) or any award I have previously received or may receive, or in connection with any amendment or variation thereof or any documents listed in paragraph 8, I hereby consent to (a) the acceptance by me of the Award(s) electronically, (b) the giving of instructions in electronic form whether by me or the Firm, and (c) the receipt in electronic form at my email address maintained at Goldman Sachs or via Goldman Sachs' intranet site (or, if I am no longer employed by the Firm, at such other email address as I may specify, or via such other electronic means as the Firm and I may agree) all notices and information that the Firm is required by law to send to me in connection therewith including, without limitation, any document (or part thereof) constituting part of a prospectus covering securities that have been registered under the U.S. Securities Act of 1933, the information contained in any such document and any information required to be delivered to me under Rule 428 of the U.S. Securities Act of 1933, including, for example, the annual report to security holders or the annual report on Form 10-K of GS Inc. for its latest fiscal year, and that all prior elections that I may have made relating to the delivery of any such document in physical form are hereby revoked and superseded. I agree to check Goldman Sachs' intranet site (or, if I am no longer

employed by the Firm, such other electronic site as notified to me by the Firm) periodically as I deem appropriate for any new notices or information concerning the SIP. I understand that I am not required to consent to the receipt of such documents in electronic form in order to receive the Award(s) and that I may decline to receive such documents in electronic form by contacting \_\_\_\_\_, which will provide me with hard copies of such documents upon request. I also understand that this consent is voluntary and may be revoked at any time on three business days' written notice.

8. I hereby acknowledge that I have received in electronic form in accordance with my consent in paragraph 7 the following documents:

- The Goldman Sachs Amended and Restated Stock Incentive Plan (2015);
- Summary of The Goldman Sachs Amended and Restated Stock Incentive Plan (2015);
- The annual report on Form 10-K for The Goldman Sachs Group, Inc. for the fiscal year ended December 31, \_\_\_\_;
- The Award Agreement(s); and
- Summaries of the Award(s) (“Award Summary”).

9. I expressly authorize any appropriate representative of the Firm to make any notifications, filings or remittances of funds that may be required in connection with the SIP or otherwise on my behalf. Further, if I am an employee who is resident in South Africa at a relevant time, by accepting my Award(s), I expressly authorize any appropriate representative of the Firm to make any required notification on my behalf to the Financial Surveillance Department of the South African Reserve Bank (or its authorized dealer) in relation to my participation in the SIP and to any acquisition of Shares for no consideration under the SIP or other similar filing that may otherwise be required in South Africa. I acknowledge that any such authorization is effective from the date of acceptance of my Award(s) until such time as I expressly revoke the authorization by written notice to any appropriate representative of the Firm. I understand that this authorization does not create any obligation on the Firm to deal with any such notifications, filings or remittances of funds that I may be required to make in connection with the SIP and I accept full responsibility in this regard.

10. The granting of the Award(s), the delivery of the underlying Shares and any subsequent dividends or dividend equivalent payments, and the receipt of any proceeds in connection with the Award(s) may result in legal or regulatory requirements in some jurisdictions. I understand and agree that it is my responsibility to ensure that I comply with any legal or regulatory requirements in respect of the Award(s).

11. I confirm that I have filed all tax returns that I am required to file and paid all taxes I am required to pay with respect to awards previously granted to me by the Firm, and I agree, with respect to both the Award(s) as well as awards previously granted to me by

the Firm, to file all tax returns I am required to file in connection with the Award(s) and any sales of any Shares or other property delivered pursuant to the Award(s) and to pay all taxes I am required to pay.

12. The goodwill associated with the relationships between the Firm and its clients and prospective clients is a valuable asset of the Firm that is built and preserved through the combined services and efforts of the Firm and all of its personnel. The Firm provides its employees with a unique platform of financial products and services, confidential and proprietary information, professional training, access to specialized expertise, research, analytical, operational, and business development support, travel and entertainment expenses and other valuable resources to build and enhance the goodwill associated with the relationships between the Firm and its clients, as well as to foster and establish such relationships with prospective clients. Accordingly, I acknowledge and agree that (i) because the Firm contributes valuable resources to build and enhance client relationships, including those for which I provide services, it has a legitimate and essential business interest in protecting the goodwill associated with those relationships; (ii) by my continued employment, I confirm that I have assigned and will assign to the Firm all goodwill I have developed or will develop with persons or entities with whom I interact while at the Firm and/or who are or will become clients or prospective clients of the Firm in connection with my employment with the Firm, even if I did business with such persons or entities prior to joining the Firm; and (iii) while at the Firm I do not have and will not acquire any property, proprietary, contractual or other legal right or interest whatsoever in or to any client or prospective client with whom I interact or conduct business while employed by the Firm or (except to the extent otherwise provided in a written agreement between the Firm and me that governs my compensation) to any current or prospective revenues associated with such client or prospective client (all such interests being referred to herein as “Intangible Interests”). For the avoidance of doubt, I am hereby assigning all Intangible Interests to the Firm. I acknowledge and agree that my compensation during the term of my employment with the Firm is adequate financial consideration in this regard, and that no further consideration is necessary (including in respect of obligations applicable to me after my employment with the Firm has ended).

#### **Consent to Data Collection, Processing and Transfers:**

**I understand and agree that in connection with the SIP and any other Firm benefit plan (the “Programs”), to the extent permitted under the laws of the applicable jurisdiction, the Firm may collect, process, transfer/transmit (internationally), and use various data that is personal to me, and that my data might be deemed sensitive personal data in certain**

jurisdictions, including but not limited to my name, address, work location, hire date, Social Security or Social Insurance or taxpayer identification number (required for tax purposes), type and amount of SIP or other benefit plan award, citizenship or residency (required for tax purposes) and other similar information reasonably necessary for the administration of such Programs (collectively referred to as "Information") and provide such Information to its affiliates, Computershare Limited and its affiliates (collectively "Computershare") and Fidelity Stock Plan Services, LLC, Fidelity Personal Trust Company, FSB and any of their affiliates (collectively "Fidelity") or any other service provider, whether in the United States or elsewhere, as is reasonably necessary for the administration of the Programs and under the laws of these jurisdictions. I understand that, in certain circumstances, where required by law, foreign courts, law enforcement agencies or regulatory agencies may be entitled to access the Information. I understand that, unless I explicitly authorize otherwise, the Firm, its affiliates and its service providers (through their respective employees in charge of the relevant electronic and manual processing) will collect, process, transfer/transmit (internationally), and use this Information only for purposes of administering the Programs. I understand that, in the United States and in other countries to which such Information may be transferred for the administration of the Programs, the level of data protection is not equivalent to data protection standards in the member states of the European Economic Area, Switzerland, Canada or certain Canadian provinces or my home country and that U.S. public authorities may potentially access such Information. If I am employed in Monaco, Spain or Argentina, I have also read the text in bold in the respective Monaco, Spain or Argentina legal notice below in conjunction with this Consent to Data Collection, Processing and Transfers clause and I understand that such text forms part of this clause and that in the event of any inconsistency such text shall prevail over this clause. I understand that, upon request to \_\_\_\_\_, to the extent required under the laws of the applicable jurisdiction, I may have access to and obtain communication of the Information and may exercise any of my rights in respect of such Information, in each case free of charge, including objecting to the collecting, processing, (international) transfer/transmission, and any use of the Information and requesting that the Information be updated or corrected (if wrong), completed or clarified (if incomplete or equivocal), or erased (if cannot legally be collected or kept). Upon request, to the extent required under the laws of the applicable jurisdiction, Equity Compensation (division of HCM) will also provide me, free of charge, with a list of all the service providers used in connection with the Programs at the time of request. I understand that there is no legal obligation for me to provide the Firm with the Information and any Information is provided at my own will and consent. I understand that, if I refuse to authorize the collecting, processing, use and (international) transfer/transmission of the Information

consistent with the above, I may not benefit from the Programs. I authorize the collecting, processing, use and (international) transfer/transmission of the Information consistent with the above for the period of administration of the Programs. In particular, I authorize (within the limits described above): (i) the data processing by the Firm (which means GS Inc. and any of its subsidiaries and affiliates); (ii) the data processing by Fidelity or Computershare; (iii) the data processing by the Firm's other service providers; and (iv) the data transfer to the United States and other countries, as described above for the purposes set forth herein. A list of the Firm's international offices and countries to which data that is personal to me can be transferred is set forth at <http://www2.goldmansachs.com/who-we-are/locations/index.html>. I further acknowledge that the Information may be retained by the aforementioned persons beyond the period of administration of the Programs to the extent permitted under the laws of the applicable jurisdiction and I so authorize.

#### FOR ALL NON-U.S. EMPLOYEES

By accepting (whether expressly or by implication) any benefit granted to you by GS Inc., including without limitation your Award(s), you acknowledge and agree to each of the following:

- **Country-Specific Legal Notices:** You have read the country-specific legal notices below that pertain to your place of employment and/or residence (and also the location of your employer, if different), if any, and understand that they apply throughout the term of your Award(s).
- **No Public Offer:** Awards under the SIP and the Firm's other compensation and benefit programs are strictly limited to eligible participants and are not intended to constitute a public offer in any jurisdiction, nor intended for registration in any jurisdiction outside of the U.S. You should keep all Award-related documents confidential and you may not reproduce, distribute or otherwise make public any part of such documents without GS Inc.'s express written consent. If you have received any such documents and you are not the intended recipient, please disregard and destroy them.

- **Transferability:** Any provisions permitting transfers to a third party in the Award documents will not apply to you (i) to the extent that the applicability of those provisions would affect the availability of relevant exemptions or tax favorable treatment, or (ii) otherwise in circumstances determined by the Firm in its sole discretion from time to time.
- **Adequate Information:** You acknowledge that you (i) have been provided with all relevant information and materials with respect to the Firm's operations and financial conditions and the terms and conditions of your Award(s), (ii) have read and understood such information and materials, (iii) are fully aware and knowledgeable of the terms and conditions of your Award(s), and (iv) completely and voluntarily agree to the terms and conditions of your Award(s).
- **Independent Advice Recommended:** The information provided by the Firm or its service providers in respect of an Award does not take into account the individual circumstances of recipients and does not constitute investment advice. Awards under the SIP involve certain risks and you should exercise caution. The Firm recommends that you consult your own independent legal, financial and tax advisors in all cases, and you acknowledge that you are provided with adequate opportunity to do so.
- **No Employer Involvement:** Except to the extent required by applicable law, all Awards are offered, issued and administered by GS Inc., a Delaware corporation, and your employer is not involved in the grant of your Award(s) or any other GS Inc. equity compensation. All documents related to the Awards, including the SIP, the Award Agreement, this Signature Card and the link by which you access these documents, are originated and maintained in the United States.
- **No Effect on Employment-Related Rights:** Any compensation you receive (even on a regular and repeated basis) in connection with the SIP is discretionary and does not constitute part of your base or normal salary or wages. It does not affect your rights and obligations under the terms of your employment and it will not be taken into account (except to the extent otherwise required by applicable law) in determining any other employment-related rights you may have, including without limitation rights in relation to severance, redundancy or end-of-service payments, bonuses, long-service awards, pension or retirement benefits. In particular you waive any and all rights to compensation or damages in consequence of the termination of your employment for any reason whatsoever insofar as those rights arise or may arise from your ceasing to have rights under, or be entitled to receive payment in respect of, the SIP as a result of such termination, or from the loss or diminution in value of such rights or entitlements. This waiver applies whether or not such termination amounts to wrongful or unfair dismissal.
- **No Additional Entitlements:** The grant of an Award is strictly discretionary and voluntary and neither this Award (even if Award grants are made to you on a regular and repeated basis) nor your employment contract implies any expectation or right in relation to (i) the grant of any Award or similar compensation in the future, (ii) the terms, conditions and amount of any Award or similar compensation that GS Inc. may decide to grant in future, or (iii) continued employment in connection with any Award.
- **Translations:** The official Award documents (including contracts and communications) are in the English language. You are responsible for ensuring that you fully understand these documents. The English version of the documents will always prevail in the event of any inconsistency with translated or interpreted documents.
- **Severability:** If any provision (in whole or in part) of this Signature Card or the other Award documents is to any extent illegal, otherwise invalid, or incapable of being enforced, that provision will be excluded to the extent (only) of such invalidity or unenforceability. All other provisions will remain in full effect and, to the extent possible, the invalid or unenforceable provision will be deemed replaced by a provision that is valid and enforceable and that comes closest to expressing the intention of such invalid or unenforceable provision.

**[NON-COMPETITION AND NON-SOLICITATION RESTRICTIONS FOR EMPLOYEES PROVIDING SERVICES IN ASIA**

In addition to and without limiting any provisions in the SIP or the applicable Award Agreement(s) (including without limitation the Award vesting, delivery, forfeiture, termination or repayment provisions) unless provided otherwise in the Restrictions, if I am providing services to the Firm in Asia or to BGH, in view of my importance to the Firm and/or BGH, I hereby agree to and acknowledge the following:

(a) I hereby agree that the Firm or BGH would likely suffer significant harm from me competing with the Firm or BGH for some period of time after my employment ends. Accordingly, I hereby agree that I will not, without the written consent of the Firm or BGH, during the Restricted Period in the Geographic Area:

(i) form, or acquire a 5% or greater equity ownership, voting or profit participation interest in, any Covered Enterprise; or

(ii) associate (including, but not limited to, association as an officer, employee, partner, director, consultant, agent or advisor) with any Covered Enterprise and in connection with such association engage in, or directly or indirectly manage or supervise personnel engaged in, any activity:

A. which is similar or substantially related to any activity in which I was engaged, in whole or in part, at the Firm or BGH,

B. for which I had direct or indirect managerial or supervisory responsibility at the Firm or BGH, or

C. which calls for the application of the same or similar specialized knowledge or skills as those utilized by me in my activities with the Firm or BGH,

each such activity being determined with reference to the one-year period immediately prior to the end of the Asia Service Period, and, in each such case, irrespective of the purpose of the activity or whether the activity is or was in furtherance of advisory, agency, proprietary or fiduciary business of either the Firm or BGH or the Covered Enterprise.

(By way of example only, this provision precludes an "advisory" investment banker from joining a leveraged-buyout firm, a research analyst from becoming a proprietary trader or joining a hedge fund, or an information systems professional from joining a management or other consulting firm and providing information technology consulting services or advice to any Covered Enterprise, in each case without the written consent of the Firm or BGH.)

(b) I hereby agree that during the Restricted Period, I will not, in any manner, directly or indirectly, (1) Solicit a Client to transact business with a Covered Enterprise or to reduce or refrain from doing any business with the Firm or BGH, or (2) interfere with or damage (or attempt to interfere with or damage) any relationship between the Firm or BGH and a Client.

(c) I hereby agree that during the Restricted Period, I will not, in any manner, directly or indirectly:

(i) Solicit any Selected Firm Personnel to resign from the Firm or BGH;

(ii) Solicit any Selected Firm Personnel to apply for or accept employment (or other association) with any person or entity other than the Firm; or

(iii) hire or participate in the hiring of any Selected Firm Personnel (whether as an employee, consultant, or otherwise) by any person or entity other than the Firm

(including, without limitation, participating in the identification of individuals for potential hire, and participating in any hiring decision).

I acknowledge that I will have violated this provision if, during the Restricted Period, any Selected Firm Personnel are Solicited or hired:

(i) by any entity which I form, which bears my name, or in which I possess or control greater than a de minimis equity ownership, voting or profit participation; or

(ii) by any entity, and I have, or will have, direct or indirect managerial responsibility for such Selected Firm Personnel.

(d) I acknowledge and agree that these Restrictions form part of my terms and conditions of employment. I also acknowledge and agree that these Restrictions supersede any part of any other agreement (which, for the avoidance of doubt, excludes the SIP and the Award Agreement (s)), written or oral, that I am subject to in respect of the same subject matter unless I am notified in writing to the contrary.

(e) Prior to accepting employment with any other person or entity during the Restricted Period, I will provide any prospective employer with written notice of the Restrictions with a copy containing the prospective employer's name and contact information delivered simultaneously to the Firm.

(f) I understand that the Restrictions may limit my ability to earn a livelihood in a business similar to the business of the Firm or BGH. I acknowledge that a violation on my part of any of the Restrictions would cause immeasurable and irreparable damage to the Firm or BGH. Accordingly, I agree that the Firm and/or BGH will be entitled to injunctive relief in any court of competent jurisdiction for any actual or threatened violation of any of the Restrictions in addition to any other remedies it or they may have. In the event that I violate any of the Restrictions, I acknowledge that the Restricted Period shall automatically be extended by the period of time that I was in violation of the said Restriction(s). I also acknowledge that a violation of any of the Restrictions would constitute my failure to meet an obligation I have under an agreement between me and the Firm that was entered into in connection with my employment with the Firm and/or BGH, may be detrimental to the Firm and/or BGH and would constitute "Cause" for purposes of any equity-based awards granted to me by the Firm and/or BGH and will result in my forfeiting such equity-based awards.

(g) If any provision (or part of a provision) of the Restrictions is held by a court of competent jurisdiction to be invalid, illegal or unenforceable (whether in whole or in part), such provision will be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability and the remaining such provisions will not be affected thereby; provided, however, that if any of the Restrictions are held by a court of competent jurisdiction to be invalid, illegal or unenforceable because it exceeds the maximum time period such court determines is acceptable to permit such provision to be enforceable, such Restrictions will be deemed to be modified to the minimum extent necessary to modify such time period in order to make such provision enforceable hereunder.

(h) The promises contained in the Restrictions are provided by me for the benefit of each Firm entity and BGH and I acknowledge and agree that each such entity may independently enforce the Restrictions against me. Any benefit that I give or am deemed to have given by virtue of the Restrictions is received jointly and severally by each Firm entity (including, for the avoidance of doubt, any Firm entity to which I provide services from time to time) and BGH.

(i) For the purposes of the Restrictions, GS Inc. enters into the SIP and Award Agreement(s) applicable to me in connection with the Award(s) in its own capacity and as agent for each other Firm entity and BGH. The consideration for the promises in these Restrictions is given to me by GS Inc. on its own behalf and on behalf of each other Firm entity (including, for the avoidance of doubt, any Firm entity to which I provide services from time to time) and BGH.

(j) I acknowledge that the Restrictions set out in this clause are reasonable and necessary for the protection of the legitimate interests of the Firm and/or BGH, and that, having regard to those interests, such restrictions do not impose an unreasonable burden on me.

(k) The Restrictions shall remain in full force and effect and survive the termination of my employment for any reason whatsoever.

(l) If I am subject to the Non-Competition and Non-Solicitation Agreement for Select Employees in the Equities Division, or a Managing Director subject to a Goldman Sachs Group, Inc. Managing Director Agreement, the Restrictions shall not apply to me.

(m) If I am a Private Wealth Management employee subject to an Employee Agreement Regarding Confidential and Proprietary Information and Materials and Non-Solicitation, I will be subject to the restrictions contained in clause (a) of the Restrictions but will not be subject to the restrictions contained in clauses (b) and (c) of the Restrictions. Nothing in the Restrictions will affect the operation of the Employee Agreement Regarding Confidential and Proprietary Information and Materials and Non-Solicitation.

(n) For the purposes of the Restrictions only, the following terms have the following meanings:

**“Asia”** means each state and territory in Australia, Brunei, Hong Kong SAR, India, Indonesia, Japan, Korea, Labuan, Macau SAR, Malaysia, Mongolia, New Zealand, Papua New

Guinea, the Philippines, the PRC, Singapore, Taiwan, Thailand and Vietnam.

**“Asia Service Period”** means the period during which I am located in Asia and contracted to provide services to a member of the Firm in Asia or BGH. For the avoidance of doubt, the Asia Service Period does not end when I transfer to another member of the Firm in Asia or BGH.

**“BGH”** means Beijing Gao Hua Securities Company Limited, its subsidiaries and affiliates, and its or their respective successors.

**“Client”** means any client or prospective client of the Firm or BGH (i) to whom I provided services at any time during the one year period immediately prior to the end of the Asia Service Period, or (ii) for whom I transacted business at any time during the one year period immediately prior to the end of the Asia Service Period, or (iii) whose identity became known to me in connection with my relationship with or employment by the Firm or BGH at any time during the one year period immediately prior to the end of the Asia Service Period and with respect to whom I had access to confidential information.

**“Covered Enterprise”** means a Competitive Enterprise and any other existing or planned business enterprise that: (i) offers, holds itself out as offering or reasonably may be expected to offer products or services that are the same as or similar to those offered by the Firm or BGH or that the Firm or BGH reasonably expects to offer (“Firm Products or Services”) or (ii) engages in, holds itself out as engaging in or reasonably may be expected to engage in any other activity that is the same as or similar to any financial activity engaged in by the Firm or BGH or in which the Firm or BGH reasonably expects to engage (“Firm Activities”). For the avoidance of doubt, Firm Activities include any activity that requires the same or similar skills as any financial activity engaged in by the Firm or BGH or in which the Firm or BGH reasonably expects to engage, irrespective of whether any such financial activity is in furtherance of an advisory, agency, proprietary or fiduciary undertaking.

The enterprises covered by this definition include enterprises that offer, hold themselves out as offering or reasonably may be expected to offer Firm Products or Services, or engage in, hold themselves out as engaging in or reasonably may be expected to engage in Firm Activities directly, as well as those that do so indirectly by ownership or control (e.g., by owning, being owned by or by being under common ownership with an enterprise that offers, holds



itself out as offering or reasonably may be expected to offer Firm Products or Services or that engages in, holds itself out as engaging in or reasonably may be expected to engage in Firm Activities). The definition of Covered Enterprise includes, solely by way of example, any enterprise that offers, holds itself out as offering or reasonably may be expected to offer any product or service, or engages in, holds itself out as engaging in or reasonably may be expected to engage in any activity, in any case, associated with investment banking; public or private finance; lending; financial advisory services; private investing for anyone other than me or members of my family (including, for the avoidance of doubt, any type of proprietary investing or trading); private wealth management; private banking; consumer, digital, or commercial banking; merchant banking; asset, portfolio or hedge fund management; insurance or reinsurance underwriting or brokerage; property management; or securities, futures, commodities, energy, derivatives, currency or digital asset brokerage, sales, lending, custody, clearance, settlement or trading. An enterprise that offers, holds itself out as offering or reasonably may be expected to offer Firm Products or Services, or engages in, holds itself out as engaging in or reasonably may be expected to engage in Firm Activities is a Covered Enterprise, **irrespective of whether the enterprise is a customer, client or counterparty of the Firm or BGH and, because each of the Firm and BGH is a global enterprise, irrespective of where the Covered Enterprise is physically located.**

**“Covered Extended Absence”** means my absence from active employment for at least 180 days in any 12-month period as a result of my incapacity due to mental or physical illness, as determined by the Firm or BGH (as applicable).

**“Effective Date”** means (i) if the termination is for cause or Covered Extended Absence, the date on which such termination occurs; or (ii) if I repudiate my employment contract, the date of repudiation as determined by the Firm or BGH (as applicable).

**“Firm”** means GS Inc., its subsidiaries and affiliates and its and their respective successors.

**“Geographic Area”** means (i) the jurisdiction in Asia in which I am located as of the date of execution of the Signature Card; and/or (ii) any other jurisdiction in Asia in relation to which I have substantial product and/or geographical market responsibilities in the one year period immediately prior to the end of the Asia Service Period; and/or (iii) any other jurisdiction in Asia in relation to which I have substantial employee managerial responsibilities in the one year period immediately prior to the end of the Asia Service Period; and/or (iv) any other jurisdiction in Asia in relation to which I provided services in the one year period immediately prior to the end of the Asia Service Period.

**“PRC”** means, for the purpose of the Restrictions, the People’s Republic of China, excluding Hong Kong SAR, Macau SAR and Taiwan.

**“Restricted Period”** means (i) in the event of the termination of my employment with the Firm in Asia or BGH, the Asia Service Period including any notice period applicable under the Notice Policy or, in the event I repudiate my notice requirement or exercise any statutory right to shorten the notice period or if my employment is terminated without notice or if the Firm elects to shorten the notice period in whole or in part with or without pay in lieu for any period of notice that has been waived or reduced, the Asia Service Period and the period of time equivalent to my notice requirement commencing from the Effective Date; or (ii) in the event of my employment with the Firm in Asia or BGH ending by reason of the transfer of my employment to another member of the Firm outside Asia, the Asia Service Period and the period of time equivalent to my notice requirement commencing from the conclusion of the Asia Service Period; or (iii) in the event of the termination of my secondment to the Firm in Asia or BGH and assignment or transfer of my employment to another member of the Firm outside Asia, the Asia Service Period and the period of time equivalent to my notice requirement commencing from the conclusion of the Asia Service Period.

**“Restrictions”** means the non-competition and non-solicitation restrictions for employees providing services in Asia as set out in (a) to (o) of this section of the Signature Card.

**“Selected Firm Personnel”** means any individual who is, or in the three months preceding the conduct prohibited by (c) of this section of the Signature Card was (i) a Firm or BGH employee or consultant with whom I have personally worked with while employed by the Firm; (ii) a Firm or BGH employee or consultant who, at any time during the one-year period immediately prior to the end of the Asia Service Period, worked in the same division in which I worked; or (iii) an Advisory Director, a Managing Director, or a Senior Advisor of the Firm.

**“Solicit”** means any direct or indirect communication of any kind whatsoever, regardless of by whom initiated, inviting, advising, encouraging or requesting any person or entity, in any manner, to take or refrain from taking any action.

(o) Notwithstanding paragraph 1 of this Signature Card, the Restrictions shall be governed by and construed in accordance with the laws of the jurisdiction in which I am located and providing services to the Firm at the date of execution of the Signature Card. If I am located and providing services to the Firm in a state or territory in Australia, the laws of the jurisdiction shall be New South Wales. Notwithstanding paragraph 1, any Firm entity (including, for the avoidance of doubt, any Firm entity to which I provide services from time to time) or BGH may at any time elect to enforce the Restrictions in any competent court of any jurisdiction determined by such entity.]

## Other Legal Notices:

### FOR ARGENTINA EMPLOYEES ONLY

Your Award(s) are being offered to you in your capacity as an employee of the Firm. By receiving and accepting your Award(s), you are deemed to (i) acknowledge that the underlying Shares have not been authorized by the Argentine *Comisión Nacional de Valores* (“CNV”) to be publicly offered in Argentina; and (ii) agree that you will not sell or offer to sell any Shares acquired upon settlement of your Award(s) in Argentina other than pursuant to transactions that would not qualify as a public offering under article 2 of Argentine Law 26,831.

The Award documents are being delivered to you in your capacity as an employee of the Firm. Accordingly, receipt and acceptance of the Award documents constitute your agreement that the information contained in the Award documents may not (i) be reproduced or used, in whole or in part, for any purpose whatsoever other than as a representation of your holding of Shares, or (ii) furnished to or discussed with any person (other than your personal advisors on a confidential basis) without the express written permission of GS Inc.

**Additional data protection information for Argentina employees (which should be read in conjunction with, and forms part of, the Consent to Data Collection, Processing and Transfers clause above (together with this additional information, the “Clause”)):**

*Mandatory Notice: El titular de los datos personales tiene la facultad de ejercer el derecho de acceso a los mismos en forma gratuita a intervalos no inferiores a seis meses, salvo que se acredite un interés legítimo al efecto conforme lo establecido en el artículo 14, inciso 3 de la Ley N° 25.326. La Dirección Nacional de Protección de Datos Personales, Órgano de Control de la Ley N° 25.326, tiene la atribución de atender las denuncias y reclamos que se interpongan con relación al incumplimiento de las normas sobre protección de datos personales.*

*(English translation would be as follows: Personal data subjects have the right freely to access such data within intervals of no less than six months, unless a legitimate interest is proven pursuant to Section 14, clause 3, Act 25.326. The National Data Protection Agency is the enforcing authority of Act 25.326, and has the power to attend to reports and claims regarding non-fulfilment of data protection provisions.)*

### FOR AUSTRALIA EMPLOYEES ONLY

GS Inc. undertakes that it will, within a reasonable period of you so requesting and at no charge, provide you with a copy of the rules of the SIP. The market price of a Share can be accessed at the following link: <https://www.nyse.com/index>. The Australian dollar equivalent of that market price can be ascertained by applying the prevailing USD/AUD exchange rate published by the Reserve Bank of Australia, which can be accessed at the following link: <http://www.rba.gov.au/statistics/frequency/exchange-rates.html>.

Any advice given by GS Inc. in connection with the SIP is general advice only. The documentation does not take into account the objectives, financial situation or needs of any particular person. Before acting on the information contained in the documentation, or making a decision to participate, you should consider obtaining your own financial product advice from a person who is licensed by the Australian Securities and Investments Commission (ASIC) to give such advice.

Throughout the period in which you hold a dividend equivalent right you may obtain copies of all information filed by GS Inc. with the U.S. Securities and Exchange Commission (SEC) which is accessible by GS Inc.’s shareholders and the general public (“shareholder information”) by going to the SEC’s website ([www.sec.gov](http://www.sec.gov)) or to the GS Inc. website (<http://www.goldmansachs.com/>), and at <http://www.goldmansachs.com/investor-relations/financials/>. You should be aware that shareholder information can affect the value of your dividend equivalent rights from time to time.

The actual value you receive in respect of the Shares acquired by you will depend on the number of Shares you receive, the market value of a Share, the value of any dividend and dividend equivalent payments made in respect of a Share, and the USD/AUD exchange rate.

There are risks associated with an investment in Shares and the value of any Shares you receive may be less than the value of those Shares today. Some of those risks are specific to GS Inc.’s business activities while others are of a more general nature. For more detail on those risks, please refer to GS Inc.’s most recent annual report. Individually or in combination, those risks may affect the value of Shares.

Fidelity Personal Trust Company, FSB (“Trustee”) will hold Shares that are the subject of Award(s). Any Shares, and income gained, held on your behalf may only be dealt with by the Trustee with your direction. You may direct the Trustee on the exercise of any applicable voting rights that you hold in respect of such Shares. GS Inc. undertakes that it will, within a reasonable period of you so requesting and at no charge, provide you with a copy of the trust deed.

### **FOR BRAZIL EMPLOYEES ONLY**

Please note that the offer of an award under the SIP does not constitute a public offer in Brazil, and therefore it is not subject to registration with the Brazilian authorities.

According to Brazilian regulations, individuals resident in Brazil must inform the Central Bank of Brazil yearly the amounts of any nature, the assets and rights (including cash and other deposits) held outside of the Brazilian territory. Please consult your own legal counsel on the terms and conditions for presentation of such information.

By accepting the Award(s), you acknowledge that the Firm has provided you with Portuguese translations of the Award Summary, Award Agreement and Signature Card, but that the original English versions of these documents control. (Ao aceitar esta outorga, Você reconhece que a Empresa lhe disponibilizou a versão em português do Award Summary, do Award Agreement e do Signature Card; porém a versão original em inglês desses documentos prevalecerá.)

### **FOR CHILE EMPLOYEES ONLY**

Neither GS Inc., the SIP nor the Shares have been registered in the *Registro de Valores* (Securities Registry) or in the *Registro de Valores Extranjeros* (Foreign Securities Registry) of the *Superintendencia de Valores y Seguros* (Chilean Securities and Insurance Commission or SVS) and they are not subject to the control of the SVS. If such securities are offered within Chile, they will be offered and sold only pursuant to *Norma de Carácter, General 336* (General Regulation 336) of the SVS, an exemption to the registration requirements, or in circumstances which do not constitute a public offer of securities in Chile within the meaning of Article 4 of the Chilean Securities Market Law 18,045. As the Shares are not registered, the issuer has no obligation under Chilean law to deliver public information regarding the Shares in Chile. The Shares shall not be subject to public offering in Chile unless they are registered in the Foreign Securities Registry of the SVS. The commencement date of the offer is the date on which these documents were first provided to you via email.

The official plan documents are in the English language. If you do not understand their content, please contact your HCM contact in order to obtain a Spanish version.

Ni GS Inc., ni el SIP, ni las Acciones, han sido registradas en el Registro de Valores o Registro de Valores Extranjeros que lleva la Superintendencia de Valores y Seguros (SVS) y ninguno de ellos está sujeto a la fiscalización de la SVS. Si dichos valores son ofrecidos dentro de Chile, serán ofrecidos y colocados sólo de acuerdo a la Norma de Carácter General 336 de la SVS, una excepción a la obligación de registro, o en circunstancias que no constituyan una oferta pública de valores en Chile según lo definido por el Artículo 4 de la Ley 18.045 de Mercado de Valores de Chile. Por tratarse de valores no inscritos, el emisor de las Acciones no tiene obligación bajo la ley chilena de entregar en Chile información pública acerca de las Acciones.

Las Acciones no pueden ser ofrecidas públicamente en Chile en tanto éstas no se registren en el Registro de Valores Extranjeros de la SVS. Se informa que la fecha de inicio de la presente oferta será aquella en que estos documentos fueron entregados a usted por primera vez vía email.

**Los documentos oficiales del SIP se encuentran en idioma inglés. En caso que usted no entienda el contenido de estos documentos, por favor comuníquese con su encargado de recursos humanos, a fin de obtener una versión en español.**

### **FOR THE PEOPLE'S REPUBLIC OF CHINA EMPLOYEES ONLY**

All documentation in relation to the Award(s) is intended for your personal use and in your capacity as an employee of the Firm (and/or its affiliate) and is being given to you solely for the purpose of providing you with information concerning the Award(s) which the Firm may grant to you as an employee of the Firm (and/or its affiliate) in accordance with the terms of the SIP, this documentation and the applicable Award Agreement(s). The grant of the Award(s) has not been and will not be registered with the China Securities Regulatory Commission of the People's Republic of China pursuant to relevant securities laws and regulations, and the Award(s) may not be offered or sold within the mainland of the People's Republic of China by means of any of the documentation in relation to the Award(s) through a public offering or in circumstances which require a registration or approval of the China Securities Regulatory Commission of the People's Republic of China in accordance with the relevant securities laws and regulations.

You agree that notwithstanding anything to the contrary under the SIP or the Award Agreement(s), the Award(s) may be settled in cash in Renminbi or such other currency, payable by your employing entity in the mainland of the People's Republic of China or such other entity, in each case, as may be determined by the Firm in its sole discretion.

## FOR FRANCE EMPLOYEES ONLY

Disclaimer: The current Award(s) is not covered by any prospectus which is the subject of the AMF's approval. Grantees can only receive this award for their own account ("compte propre") in the conditions laid down by articles L. 411-2, D. 411-1, D. 411-4, D. 744-1, D. 754-1 and D. 764-1 of the French Monetary and Financial Code. Any direct or indirect dissemination into the public of the financial instruments acquired can only take place within the conditions of articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French Monetary and Financial Code.

By accepting the Award(s), you acknowledge that the Firm has provided you with French translations of the Award Summary, Award Agreement and Signature Card, but that the original English versions of these documents control.

The provisions of the Award Agreement will apply only in respect of the year to which the Award Agreement relates and will not in any circumstances create any right or entitlement to you for any future fiscal years.

Avertissement: La présente attribution ne donne pas lieu à un prospectus soumis au visa de l'Autorité des marchés financiers. Les personnes qui y participent ne peuvent le faire que pour compte propre dans les conditions fixées par les articles L. 411-2, D. 411-1, D. 411-4, D. 744-1, D. 754-1 et D. 764-1 du Code monétaire et financier. La diffusion, directe ou indirecte, dans le public des instruments financiers ainsi acquis, ne peut être réalisée que dans les conditions prévues aux articles L. 411-1, L. 411-2, L. 412-1 et L. 621-8 à L. 621-8-3 du Code monétaire et financier.

En acceptant cet octroi, vous reconnaissez que la Société vous a transmis une version française de l'*Award Summary* (Résumé de l'Octroi), l'*Award Agreement* (Contrat d'Octroi) et de la *Signature Card* (Carte de Signature), mais que seule la version originale en langue anglaise fait foi.

Les dispositions de l'Accord de prime s'appliquent uniquement à l'année concernée par l'Accord de prime et ne créent en aucune circonstance tous droits ou habilitations s'agissant des années fiscales à venir.

## FOR GERMANY EMPLOYEES ONLY

The Award(s) are offered to you by GS Inc. in accordance with the terms of the SIP which are summarized in the Award Summary. More information about GS Inc. is available on [www.gs.com](http://www.gs.com). You are being offered the Award(s) under the SIP in order to provide an additional incentive and to encourage employee share ownership and so increase your interest in the Firm's success. Please refer to the section entitled *Shares Available for Awards* in the SIP for information on the maximum number of GS Inc. shares that can be offered under the SIP. The obligation to publish a prospectus under the Prospectus Directive does not apply to the offer because of Article 4(1)(e) of that directive. This document is not a prospectus within the meaning of that directive.

Die Prämien werden Ihnen von der GS Inc. nach den in der Prämienübersicht aufgeführten Bestimmungen des Erwerbsplans angeboten. Weitere Informationen über GS Inc. finden Sie unter [www.gs.com](http://www.gs.com). Die Prämien werden Ihnen im Rahmen des Erwerbsplans zu Ihrer Motivation angeboten und um Sie durch das Halten von Aktien am Erfolg des Unternehmens teilhaben zu lassen. Informationen zur Anzahl der im Rahmen des Plans angebotenen GS Inc.-Aktien entnehmen Sie bitte dem Abschnitt *Shares Available for Awards* (Als Prämien erhältliche Aktien) im Erwerbsplan. Es besteht auf Grund von Artikel 4(1)(e) der Prospektrichtlinie für dieses Angebot keine Verpflichtung zur Veröffentlichung eines Emissionsprospekts. Dieses Dokument ist kein Prospekt im Sinne dieser Richtlinie.

## FOR HONG KONG EMPLOYEES ONLY

### WARNING:

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to this Award(s). If you are in doubt about any of the contents of this document, you should obtain independent professional advice.

This document has not been, and will not be, registered as a "prospectus" in Hong Kong under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap 32) nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap 571) of the Laws of Hong Kong. This document does not constitute an offer or invitation to the public in Hong Kong to acquire any securities nor an advertisement of securities in Hong Kong. This document is distributed on a confidential basis.

By accepting the Award(s), you acknowledge and agree that you will not be permitted to transfer awards to persons who fall outside the definition of 'qualifying persons' in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap 32) (i.e., a person who is not a current or former director, employee, officer, consultant of the Firm or a person other than the offeree's wife, husband, widow, widower, child or step-child under the age of 18 years, or as otherwise defined), even if otherwise permitted under the SIP or any of the related documents.

#### **FOR INDIA EMPLOYEES ONLY**

This website does not invite offers from the public for subscription or purchase of the securities of any body corporate under any law for the time being in force in India. The website is not a prospectus under the applicable laws for the time being in force in India. GS Inc. does not intend to market, promote, invite offers for subscription or purchase of the securities of any body corporate by this website. The information provided on this website is for the record only. Any person who subscribes or purchases securities of any body corporate should consult his own investment advisors before making any investments. GS Inc. shall not be liable or responsible for any such investment decision made by any person.

#### **FOR INDONESIA EMPLOYEES ONLY**

By accepting the Award(s), you acknowledge that the Firm has provided you with Bahasa Indonesia translations of the Award Summary, Award Agreement and Signature Card, but that the original English versions of these documents control.

Dengan menerima Putusan, Anda menyatakan bahwa Perusahaan telah memberikan Anda terjemahan Bahasa Indonesia dari Ikhtisar Putusan, Perjanjian Putusan dan Perjanjian dengan Tanda Tangan, tapi versi asli dalam Bahasa Inggris dari dokumen-dokumen ini tetap mengendalikan.

#### **FOR ITALY EMPLOYEES ONLY**

No person resident or located in Italy other than the original recipients of this document and any other document related to the Award(s) may rely on such documents or their content. The offer of the Award(s) under the SIP (and the delivery of underlying Shares) is exempted from prospectus requirements under Italian securities legislation.

Under Italian rules, Italian taxpayers must report in their annual tax return the value of any financial instruments held abroad at year-end (such as financial and real estate assets). Please consult your own advisors regarding the terms and conditions of this reporting obligation.

#### **FOR MONACO EMPLOYEES ONLY**

If you are a Monégasque national (or if otherwise applicable), by accepting your Award(s), you expressly renounce the jurisdiction of Monaco and notably the application of articles 3.2° and 5bis of the Monégasque Procedural Civil Code in connection with any dispute relating to your Award(s).

If you are a French national (or if otherwise applicable), by accepting your Award(s), you expressly renounce the jurisdiction of France and notably the application of articles 14 and 15 of the French Civil Code in connection with any dispute relating to your Award(s).

**Additional data protection information for Monaco employees (which should be read in conjunction with, and**

**forms part of, the Consent to Data Collection, Processing and Transfers clause above (together with this additional information, the “Clause”)): If you are employed in Monaco, you acknowledge and agree that in the event of any inconsistency between this Clause and the law in force, the law 1.165 on the protection of personal data (or other relevant law) as amended shall prevail over this Clause.**

#### **FOR NEW ZEALAND EMPLOYEES ONLY**

GS Inc. is offering you awards under the SIP in reliance upon clause 8 of Schedule 1 of the Financial Markets Conduct Act 2013 (offers under employee share purchase schemes) (**Exclusion**). In accordance with the requirements of the Exclusion, the following information has been made available to you:

1. GS Inc.’s most recent annual report on <http://www2.goldmansachs.com/our-firm/investors/financials/index.html>.
2. The SIP documentation (which constitutes the current rules of the employee share purchase scheme for the purposes of the Exclusion) on <https://hcm.web.gs.com/newaward>.
3. A copy of the Award Agreement on <https://hcm.web.gs.com/newaward>.
4. GS Inc.’s most recent published audited and unaudited financial statements on <http://www2.goldmansachs.com/our-firm/investors/financials/index.html>.
5. A copy of the auditor’s report on the above financial statements (if any) at <http://www2.goldmansachs.com/our-firm/investors/financials/index.html>.

You may request copies of the documents listed above free of charge from Head of Securities Compliance – Goldman Sachs Australia Pty Ltd.

#### **Warning**

The Award(s) constitute an offer of shares (although the Award may in limited circumstances be settled in cash or other property). The shares give you a stake in the ownership of GS Inc. You may receive a return if dividends are paid.

If GS Inc. runs into financial difficulties and is wound up, you will be paid only after all creditors have been paid. You may lose some or all of your investment.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors to make an informed decision.

The usual rules do not apply to this offer because it is made under an employee share purchase scheme. As a result, you may not be given all the information usually required. You will also have fewer other legal protections for this investment.

Ask questions, read all documents carefully, and seek independent financial advice before committing yourself.

The shares are quoted on a stock exchange. GS Inc. intends to quote these shares on the New York Stock Exchange (NYSE). This means you may be able to sell them on the NYSE if there are interested buyers. You may get less than you invested. The price will depend on the demand for the shares.

For further information, including the form, dividend payments, vesting, delivery, and transfer restrictions of the Award, please refer to the information provided in the above legend.

#### **FOR POLAND EMPLOYEES ONLY**

The Award(s) are offered to you by GS Inc. in accordance with the terms of the SIP which are summarized in the Award Summary. More information about GS Inc. is available on [www.gs.com](http://www.gs.com). You are being offered Award(s) under the SIP in order to provide an additional incentive and to encourage employee share ownership and so increase your interest in the Firm's success. Please refer to the section entitled *Shares Available for Awards* in the SIP for information on the maximum number of GS Inc. shares that can be offered under the SIP. The obligation to publish a prospectus under the 2003/71 Prospectus Directive and Polish Act of 29 July 2005 on Public Offer does not apply to the offer because of Article 3(2)(b) of that directive and Article 3 sec. 1 of that act.

The Goldman Sachs Group, Inc. („GS Inc.”) przyznaje Państwu Premię (Premie) zgodnie z warunkami Motywacyjnego Programu Akcji Pracowniczych opisanymi w Ogólnych Warunkach Przyznania Premii. Więcej informacji na temat GS Inc. można uzyskać na stronie [www.gs.com](http://www.gs.com). Oferowana Państwu na podstawie Motywacyjnego Programu Akcji Pracowniczych Premia ma stanowić dodatkową motywację i rozwijać akcjonariat pracowniczy a w konsekwencji zwiększyć Państwa zaangażowanie w sukces Firmy. Prosimy zapoznać się z działem zatytułowanym Akcje dostępne w ramach Premii w Motywacyjnym Programie Akcji Pracowniczych, w celu uzyskania informacji na temat maksymalnej liczby akcji GS Inc. oferowanych na podstawie Motywacyjnego Programu Akcji Pracowniczych. Obowiązek publikowania prospektu wynikający z Dyrektywy w Sprawie Prospektu Emisyjnego 2003/71 oraz

Ustawy z dnia 29 lipca 2005 r. o Ofercie Publicznej nie ma zastosowania do niniejszej oferty, ze względu na brzmienie art. 3 ust. 2 lit. (b) wskazanej powyżej dyrektywy oraz art. 3 ust. 1 powyższej Ustawy.

#### **FOR RUSSIA EMPLOYEES ONLY**

None of the information contained in the documents referred to in paragraph 8 of this Signature Card or in this Signature Card constitutes an advertisement of the Award(s) in Russia and must not be passed on to third parties or otherwise be made publicly available in Russia. The Award(s) have not been and will not be registered in Russia and are not intended for “placement” or “public circulation” in Russia.

#### **FOR SAUDI ARABIA EMPLOYEES ONLY**

The Award(s) are offered to you on behalf of Goldman Sachs Saudi Arabia, Commercial Registration Number 1010256672, 25<sup>th</sup> Floor, Kingdom Tower, Post Office Box 52969, Riyadh 11573, Saudi Arabia. The SIP documents may not be distributed in the Kingdom except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority. The Capital Market Authority does not make any representation as to the accuracy or completeness of the SIP documents, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of the SIP documents. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of the SIP documents you should consult an authorized financial adviser.

#### **FOR SINGAPORE EMPLOYEES ONLY**

The Shares or the Award(s) may not be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with the conditions of, an exemption under any provision of Subdivision (4) of Division 1 of Part XIII of the Securities and Futures Act, Chapter 289 of Singapore.

**FOR SPAIN EMPLOYEES ONLY**

Please note that the offer of an Award under the SIP does not constitute a public offer in Spain, and therefore it is not subject to registration with the Spanish authorities. The Award(s) are offered to you by GS Inc. in accordance with the terms and conditions set forth in the SIP and the Award Agreement(s). The grantees may be subject to certain reporting obligations for the acquisition or disposal of Shares under the SIP, the opening of cash or brokerage bank accounts abroad and the transfer or receipt of funds. Please consult your own advisors regarding these and other legal or tax obligations that may be applicable.

**Additional data protection information for Spain employees (which should be read in conjunction with, and forms part of, the Consent to Data Collection, Processing and Transfers clause above (together with this additional information, the “Clause”)):**

- **Your consent as described in the Clause is obtained in accordance with the provisions of the Spanish Data Protection Act 15/1999.**
- **Capitalized and abbreviated terms used in the Clause are defined as specified throughout this Signature Card.**
- **References to the Firm in the Clause should be read as including your employer (as identified in your employment contract), its ultimate parent company (The Goldman Sachs Group, Inc. or “GS Inc.”), and any of GS Inc.’s other subsidiaries and affiliates.**
- **The relevant data controllers for the purposes of Spanish law are your employer and GS Inc., both represented in respect of the Programs by Equity Compensation at the address listed above.**

**FOR TURKEY EMPLOYEES ONLY**

This offer is not a public offering in terms of the Turkish Capital Markets legislation and the information provided herein cannot be construed as a public

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

offering. The grant of the Award(s) should not be construed as a public offering or a private placement and is made to you as an employee of the Firm. You are not obligated to accept your Award(s). Your decision to accept or reject the Award(s) is entirely up to you and will have no impact on your employment or your career, either positive or negative. The grant of your Award(s) does not change or supplement the terms of your employment in any way. The plan documents do not constitute an employee handbook or an employment contract between you and GS Inc.

The information set forth in the plan documents is solely for informative reasons and GS Inc. is not hereby giving you nor purports to be giving you investment or other financial advice. GS Inc. reserves the right to suspend, change, amend or supplement the terms of the plan documents, in whole or in part, for any reason at any time. If you are in doubt about the merits of the plan documents, you should contact your financial advisor.

**FOR UK EMPLOYEES ONLY**

This document does not have regard to the specific investment objectives, financial situation and particular needs of any specific person who may receive it. Recipients should seek their own financial advice.

The Award(s) are subject to the terms and conditions set forth in the SIP and the Award Agreement(s). The price of shares and the income from such shares (if any) can fluctuate and may be affected by changes in the exchange rate for U.S. Dollars. Past performance will not necessarily be repeated. Levels and bases of taxation may change from time to time. Investors should consult their own tax advisors in order to understand tax consequences. GS Inc. has (and its associates may have) a material interest in the shares and the investments that are the subject of this document.

Date: \_\_\_\_\_

Employee ID #: \_\_\_\_\_

**THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES**  
**COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES AND RATIOS OF EARNINGS**  
**TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS**

<i>\$ in millions</i>	Year Ended December				
	2017	2016	2015	2014	2013
Net earnings	<b>\$ 4,286</b>	\$ 7,398	\$ 6,083	\$ 8,477	\$ 8,040
Add:					
Provision for taxes	<b>6,846</b>	2,906	2,695	3,880	3,697
Portion of rents representative of an interest factor	<b>91</b>	81	83	103	108
Interest expense on all indebtedness	<b>10,181</b>	7,104	5,388	5,557	6,668
<b>Pre-tax earnings, as adjusted</b>	<b>\$21,404</b>	\$17,489	\$14,249	\$18,017	\$18,513
Fixed charges <sup>1</sup> :					
Portion of rents representative of an interest factor	<b>\$ 91</b>	\$ 81	\$ 83	\$ 103	\$ 108
Interest expense on all indebtedness	<b>10,229</b>	7,127	5,403	5,569	6,672
<b>Total fixed charges</b>	<b>\$10,320</b>	\$ 7,208	\$ 5,486	\$ 5,672	\$ 6,780
Preferred stock dividend requirements	<b>1,561</b>	804	743	583	458
<b>Total combined fixed charges and preferred stock dividends</b>	<b>\$11,881</b>	\$ 8,012	\$ 6,229	\$ 6,255	\$ 7,238
<b>Ratio of earnings to fixed charges</b>	<b>2.07x</b>	2.43x	2.60x	3.18x	2.73x
<b>Ratio of earnings to combined fixed charges and preferred stock dividends</b>	<b>1.80x</b>	2.18x	2.29x	2.88x	2.56x

1. Fixed charges include capitalized interest of \$48 million for 2017, \$23 million for 2016, \$15 million for 2015, \$12 million for 2014 and \$4 million for 2013.



### Significant Subsidiaries of the Registrant

The following are significant subsidiaries of The Goldman Sachs Group, Inc. as of December 31, 2017 and the states or jurisdictions in which they are organized. Each subsidiary is indented beneath its principal parent. The Goldman Sachs Group, Inc. owns, directly or indirectly, at least 99% of the voting securities of substantially all of the subsidiaries included below. The names of particular subsidiaries have been omitted because, considered in the aggregate as a single subsidiary, they would not constitute, as of the end of the year covered by this report, a “significant subsidiary” as that term is defined in Rule 1-02(w) of Regulation S-X under the Securities Exchange Act of 1934.

Name	State or Jurisdiction of Organization of Entity
The Goldman Sachs Group, Inc.	Delaware
Goldman Sachs & Co. LLC	New York
Goldman Sachs Paris Inc. et Cie	France
Goldman Sachs Funding LLC	Delaware
Goldman Sachs Financial Markets, L.P.	Delaware
Goldman, Sachs & Co. Wertpapier GMBH	Germany
Goldman Sachs (UK) L.L.C.	Delaware
Goldman Sachs Group UK Limited	United Kingdom
Goldman Sachs International Bank	United Kingdom
Goldman Sachs International	United Kingdom
Goldman Sachs Asset Management International	United Kingdom
Goldman Sachs Group Holdings (U.K.) Limited	United Kingdom
Scadbury UK Limited	United Kingdom
ELQ Investors VIII Ltd	United Kingdom
Titanium UK Holdco 1 Limited	United Kingdom
Titanium Luxco 2 S.A R.L.	Luxembourg
Rothsay Life (Cayman) Limited	Cayman Islands
Broad Street Principal Investments International, Ltd.	Cayman Islands
J. Aron & Company LLC	New York
GSAM Holdings LLC	Delaware
Goldman Sachs Asset Management, L.P.	Delaware
Goldman Sachs Asset Management International Holdings L.L.C.	Delaware
Goldman Sachs Asset Management Co., Ltd.	Japan
Goldman Sachs Hedge Fund Strategies LLC	Delaware
GS Investment Strategies, LLC	Delaware
Goldman Sachs (Asia) Corporate Holdings L.L.C.	Delaware
Goldman Sachs Holdings (Asia Pacific) Limited	Hong Kong
Goldman Sachs (Japan) Ltd.	British Virgin Islands
Goldman Sachs Japan Co., Ltd.	Japan
Goldman Sachs Holdings (Hong Kong) Limited	Hong Kong
Goldman Sachs (Asia) L.L.C.	Delaware
Goldman Sachs (Hong Kong) International Investments Limited	Hong Kong
Goldman Sachs (Asia) Finance	Mauritius
Goldman Sachs Holdings (Singapore) PTE. Ltd.	Singapore
J. Aron & Company (Singapore) PTE.	Singapore
Goldman Sachs Holdings ANZ Pty Limited	Australia
Goldman Sachs Financial Markets Pty Ltd	Australia
Goldman Sachs Australia Group Holdings Pty Ltd	Australia
Goldman Sachs Australia Capital Markets Limited	Australia
Goldman Sachs Australia Pty Ltd	Australia
GS Lending Partners Holdings LLC	Delaware
Goldman Sachs Lending Partners LLC	Delaware
Goldman Sachs Bank USA	New York
Goldman Sachs Mortgage Company	New York
GS Financial Services II, LLC	Delaware
GS Funding Europe III Ltd.	United Kingdom
GS Funding Europe	United Kingdom
GS Funding Europe I Ltd.	Cayman Islands
GS Funding Europe II Ltd.	Cayman Islands
GS Funding Europe IV Limited	United Kingdom
GS Funding Europe V Limited	United Kingdom

Name	State or Jurisdiction of Organization of Entity
GSSG Holdings LLC	Delaware
Goldman Sachs Specialty Lending Holdings, Inc.	Delaware
Special Situations Investing Group II, LLC	Delaware
Special Situations Investing Group III, Inc.	Delaware
GS Asian Venture (Delaware) L.L.C.	Delaware
Asia Investing Holdings Pte. Ltd.	Singapore
Mercer investments (Singapore) PTE. Ltd.	Singapore
MTGRP, L.L.C.	Delaware
AIH Overseas Investments PTE. Ltd.	Singapore
Asia Investment Holdings (Europe) S.A R.L.	Luxembourg
Austreo Property Ventures Pty Ltd	Australia
Goldman Sachs Investments Holdings (Asia) Limited	Mauritius
GSFS Investments I Corp.	Delaware
GS Financial Services L.P. (DEL)	Delaware
GS Strategic Investments Japan LLC	Delaware
JLQ LLC	Cayman Islands
Minato Capital Holdings KK	Japan
Goldman Sachs Credit Partners (Japan), Ltd.	Japan
ELQ Holdings (Del) LLC	Delaware
Pascal Topco SAS	France
ELQ Holdings (UK) Ltd	United Kingdom
ELQ Investors VI Ltd	United Kingdom
ELQ Investors IX Ltd	United Kingdom
ELQ Investors II Ltd	United Kingdom
GS Diversified Funding LLC	Delaware
Hull Trading Asia Limited	Hong Kong
Goldman Sachs LLC	Mauritius
Goldman Sachs Venture LLC	Mauritius
MTGLQ Investors, L.P.	Delaware
ELQ Investors, LTD	United Kingdom
GS European Strategic Investment Group (2009) Ltd	United Kingdom
GS UK Funding Limited Partnership	United Kingdom
Broad Street Principal Investments Superholdco LLC	Delaware
Broad Street Principal Investments, L.L.C.	Delaware
BSPI Holdings, L.L.C.	Delaware
Broad Street Investments Holding (Singapore) PTE. Ltd	Singapore
Broad Street Principal Investments Holdings, L.P.	Delaware
Broad Street Credit Holdings LLC	Delaware
Broad Street Credit Investments LLC	Delaware
GS Fund Holdings, L.L.C.	Delaware
Shoelane, L.P.	Delaware
Goldman Sachs Do Brasil Banco Multiplo S/A	Brazil

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (File No. 333-219206) and on Form S-8 (File Nos. 333-80839, 333-42068, 333-106430 and 333-120802) of The Goldman Sachs Group, Inc. of our report dated February 23, 2018 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in Part II, Item 8 of this Form 10-K. We also consent to the incorporation by reference in such Registration Statements of our report dated February 23, 2018 relating to Supplemental Financial Information — Selected Financial Data, which appears in Exhibit 99.1 of this Form 10-K.

/s/ PRICEWATERHOUSECOOPERS LLP

New York, New York  
February 23, 2018

**CERTIFICATIONS**

I, Lloyd C. Blankfein, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2017 of The Goldman Sachs Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2018

/s/ Lloyd C. Blankfein  
Name: Lloyd C. Blankfein  
Title: Chief Executive Officer

## CERTIFICATIONS

I, R. Martin Chavez, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2017 of The Goldman Sachs Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2018

/s/ R. Martin Chavez  
Name: R. Martin Chavez  
Title: Chief Financial Officer

**Certification**

Pursuant to 18 U.S.C. § 1350, the undersigned officer of The Goldman Sachs Group, Inc. (the “Company”) hereby certifies that the Company’s Annual Report on Form 10-K for the year ended December 31, 2017 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 23, 2018

/s/ Lloyd C. Blankfein  
Name: Lloyd C. Blankfein  
Title: Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

### **Certification**

Pursuant to 18 U.S.C. § 1350, the undersigned officer of The Goldman Sachs Group, Inc. (the “Company”) hereby certifies that the Company’s Annual Report on Form 10-K for the year ended December 31, 2017 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 23, 2018

/s/ R. Martin Chavez

Name: R. Martin Chavez

Title: Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
ON SELECTED FINANCIAL DATA**

To the Board of Directors and the Shareholders of  
The Goldman Sachs Group, Inc.:

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial condition of The Goldman Sachs Group, Inc. and its subsidiaries (the Company) as of December 31, 2017 and 2016, and the related consolidated statements of earnings, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2017, and the effectiveness of the Company's internal control over financial reporting as of December 31, 2017, and in our report dated February 23, 2018, we expressed an unqualified opinion thereon. We have also previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial condition of the Company as of December 31, 2015, 2014 and 2013, and the related consolidated statements of earnings, comprehensive income, changes in shareholders' equity and cash flows for the years ended December 31, 2014 and 2013 (none of which are presented herein), and we expressed unqualified opinions on those consolidated financial statements. In our opinion, the information set forth in the (i) income statement data, (ii) balance sheet data and (iii) common share data of the Supplemental Financial Information — Selected Financial Data of The Goldman Sachs Group, Inc. and its subsidiaries for each of the five years in the period ended December 31, 2017, appearing on page 197 in Part II, Item 8 of this Form 10-K, is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

/s/ PRICEWATERHOUSECOOPERS LLP

New York, New York  
February 23, 2018



**Debt and Trust Preferred Securities Registered Pursuant to Section 12(b) of the Act:**

Title of Each Class	Name of Each Exchange on Which Registered
5.793% Fixed-to-Floating Rate Normal Automatic Preferred Enhanced Capital Securities of Goldman Sachs Capital II (and Registrant's guarantee with respect thereto)	New York Stock Exchange
Floating Rate Normal Automatic Preferred Enhanced Capital Securities of Goldman Sachs Capital III (and Registrant's guarantee with respect thereto)	New York Stock Exchange
Medium-Term Notes, Series A, Index-Linked Notes due 2037 of GS Finance Corp. (and Registrant's guarantee with respect thereto)	NYSE Arca
Medium-Term Notes, Series B, Index-Linked Notes due 2037	NYSE Arca
Medium-Term Notes, Series D, 7.50% Notes due 2019	New York Stock Exchange

## Executive Offices

The Goldman Sachs Group, Inc.  
200 West Street  
New York, New York 10282  
1-212-902-1000  
[www.goldmansachs.com](http://www.goldmansachs.com)

## Common Stock

The common stock of The Goldman Sachs Group, Inc. is listed on the New York Stock Exchange and trades under the ticker symbol "GS."

## Shareholder Inquiries

Information about the firm, including all quarterly earnings releases and financial filings with the U.S. Securities and Exchange Commission, can be accessed via our Web site at [www.goldmansachs.com](http://www.goldmansachs.com).

Shareholder inquiries can also be directed to Investor Relations via email at [gs-investor-relations@goldmansachs.com](mailto:gs-investor-relations@goldmansachs.com) or by calling 1-212-902-0300.

## 2017 Annual Report on Form 10-K

Copies of the firm's 2017 Annual Report on Form 10-K as filed with the U.S. Securities and Exchange Commission can be accessed via our Web site at [www.goldmansachs.com/investor-relations](http://www.goldmansachs.com/investor-relations).

Copies can also be obtained by contacting Investor Relations via email at [gs-investor-relations@goldmansachs.com](mailto:gs-investor-relations@goldmansachs.com) or by calling 1-212-902-0300.

## Transfer Agent and Registrar for Common Stock

Questions from registered shareholders of The Goldman Sachs Group, Inc. regarding lost or stolen stock certificates, dividends, changes of address and other issues related to registered share ownership should be addressed (by regular mail or phone) to:

Computershare  
P.O. Box 505000  
Louisville, KY 40233-5000  
U.S. and Canada: 1-800-419-2595  
International: 1-201-680-6541  
[www.computershare.com](http://www.computershare.com)

## Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP  
300 Madison Avenue  
New York, New York 10017



The papers used in the printing of this Annual Report are certified by the Forest Stewardship Council®, which promotes environmentally appropriate, socially beneficial and economically viable management of the world's forests. These papers contain a mix of pulp that is derived from FSC® certified well-managed forests; post-consumer recycled paper fibers and other controlled sources. Sandy Alexander Inc FSC® "Chain of Custody" certification is BVQI-C020268.



[goldmansachs.com](http://goldmansachs.com)