

GOLDMAN SACHS GROUP INC
Form 10-Q
August 03, 2015
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended June 30, 2015

or

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

For the transition period from

to

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

13-4019460
(I.R.S. Employer
Identification No.)
10282
(Zip Code)

(212) 902-1000

(Registrant's telephone number, including area code)

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 (§232.405 of this chapter) 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting 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
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

As of July 17, 2015, there were 432,870,999 shares of the registrant's common stock outstanding.

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THE GOLDMAN SACHS GROUP, INC.

QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2015

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements (Unaudited)**

THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Earnings**(Unaudited)**

	Three Months		Six Months	
	Ended June		Ended June	
<i>in millions, except per share amounts</i>	2015	2014	2015	2014
Revenues				
Investment banking	\$2,019	\$1,781	\$ 3,924	\$ 3,560
Investment management	1,566	1,378	3,069	2,876
Commissions and fees	805	786	1,658	1,658
Market making	2,309	2,185	6,234	4,824
Other principal transactions	1,707	1,995	3,279	3,498
Total non-interest revenues	8,406	8,125	18,164	16,416
Interest income	2,150	2,579	4,185	5,173
Interest expense	1,487	1,579	2,663	3,136
Net interest income	663	1,000	1,522	2,037
Net revenues, including net interest income	9,069	9,125	19,686	18,453
Operating expenses				
Compensation and benefits	3,809	3,924	8,268	7,935
Brokerage, clearing, exchange and distribution fees	647	613	1,285	1,208
Market development	147	141	286	279
Communications and technology	203	186	401	386

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Depreciation and amortization	265	294	484	684
Occupancy	186	205	390	415
Professional fees	250	224	461	436
Other expenses	1,836	717	2,451	1,268
Total non-compensation expenses	3,534	2,380	5,758	4,676
Total operating expenses	7,343	6,304	14,026	12,611
Pre-tax earnings	1,726	2,821	5,660	5,842
Provision for taxes	678	784	1,768	1,772
Net earnings	1,048	2,037	3,892	4,070
Preferred stock dividends	132	84	228	168
Net earnings applicable to common shareholders	\$ 916	\$1,953	\$ 3,664	\$ 3,902
Earnings per common share				
Basic	\$ 2.01	\$ 4.21	\$ 8.07	\$ 8.36
Diluted	1.98	4.10	7.93	8.13
Dividends declared per common share				
	\$ 0.65	\$ 0.55	\$ 1.25	\$ 1.10
Average common shares outstanding				
Basic	451.4	461.7	452.3	465.1
Diluted	461.6	475.9	462.1	480.1

The accompanying notes are an integral part of these condensed consolidated financial statements.

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income**(Unaudited)**

	Three Months		Six Months	
	Ended June		Ended June	
<i>\$ in millions</i>	2015	2014	2015	2014
Net earnings	\$1,048	\$2,037	\$3,892	\$4,070
Other comprehensive income/(loss) adjustments, net of tax:				
Currency translation	(30)	(30)	(55)	(59)
Pension and postretirement liabilities	(107)	(6)	(110)	(14)
Cash flow hedges		1		2
Other comprehensive loss	(137)	(35)	(165)	(71)
Comprehensive income	\$ 911	\$2,002	\$3,727	\$3,999

The accompanying notes are an integral part of these condensed consolidated financial statements.

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Financial Condition**(Unaudited)**

	As of	
	June	December
<i>\$ in millions, except per share amounts</i>	2015	2014
Assets		
Cash and cash equivalents	\$ 60,845	\$ 57,600
Cash and securities segregated for regulatory and other purposes (includes \$17,395 and \$34,291 at fair value as of June 2015 and December 2014, respectively)	35,340	51,716
Collateralized agreements:		
Securities purchased under agreements to resell and federal funds sold (includes \$122,354 and \$126,036 at fair value as of June 2015 and December 2014, respectively)	123,619	127,938
Securities borrowed (includes \$69,369 and \$66,769 at fair value as of June 2015 and December 2014, respectively)	177,978	160,722
Receivables:		
Brokers, dealers and clearing organizations	38,336	30,671
Customers and counterparties (includes \$5,714 and \$6,944 at fair value as of June 2015 and December 2014, respectively)	56,349	63,808
Loans receivable	38,397	28,938
Financial instruments owned, at fair value (includes \$57,529 and \$64,473 pledged as collateral as of June 2015 and December 2014, respectively)	303,463	312,248
Other assets	25,552	22,599
Total assets	\$859,879	\$856,240
Liabilities and shareholders' equity		
Deposits (includes \$15,309 and \$13,523 at fair value as of June 2015 and December 2014, respectively)	\$ 89,064	\$ 83,008
Collateralized financings:		
Securities sold under agreements to repurchase, at fair value	87,642	88,215
	7,262	5,570

Securities loaned (includes \$1,091 and \$765 at fair value as of June 2015 and December 2014, respectively)

Other secured financings (includes \$22,537 and \$21,450 at fair value as of June 2015 and December 2014, respectively)	23,952	22,809
Payables:		
Brokers, dealers and clearing organizations	8,007	6,636
Customers and counterparties	198,105	206,936
Financial instruments sold, but not yet purchased, at fair value	124,304	132,083
Unsecured short-term borrowings, including the current portion of unsecured long-term borrowings (includes \$18,865 and \$18,826 at fair value as of June 2015 and December 2014, respectively)	46,378	44,540
Unsecured long-term borrowings (includes \$20,000 and \$16,005 at fair value as of June 2015 and December 2014, respectively)	170,259	167,571
Other liabilities and accrued expenses (includes \$1,185 and \$831 at fair value as of June 2015 and December 2014, respectively)	17,252	16,075
Total liabilities	772,225	773,443

Commitments, contingencies and guarantees

Shareholders equity

Preferred stock, par value \$0.01 per share; aggregate liquidation preference of \$11,200 and \$9,200 as of June 2015 and December 2014, respectively	11,200	9,200
Common stock, par value \$0.01 per share; 4,000,000,000 shares authorized, 863,046,524 and 852,784,764 shares issued as of June 2015 and December 2014, respectively, and 432,768,039 and 430,259,102 shares outstanding as of June 2015 and December 2014, respectively	9	9
Share-based awards	4,011	3,766
Nonvoting common stock, par value \$0.01 per share; 200,000,000 shares authorized, no shares issued and outstanding		
Additional paid-in capital	51,210	50,049
Retained earnings	82,072	78,984
Accumulated other comprehensive loss	(908)	(743)
Stock held in treasury, at cost, par value \$0.01 per share; 430,278,487 and 422,525,664 shares as of June 2015 and December 2014, respectively	(59,940)	(58,468)

Total shareholders' equity	87,654	82,797
Total liabilities and shareholders' equity	\$859,879	\$856,240

The accompanying notes are an integral part of these condensed consolidated financial statements.

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Changes in Shareholders' Equity**(Unaudited)**

<i>\$ in millions</i>	Six Months Ended June 2015	Year Ended December 2014
Preferred stock		
Balance, beginning of year	\$ 9,200	\$ 7,200
Issued	2,000	2,000
Balance, end of period	11,200	9,200
Common stock		
Balance, beginning of year	9	8
Issued		1
Balance, end of period	9	9
Share-based awards		
Balance, beginning of year	3,766	3,839
Issuance and amortization of share-based awards	1,997	2,079
Delivery of common stock underlying share-based awards	(1,615)	(1,725)
Forfeiture of share-based awards	(49)	(92)
Exercise of share-based awards	(88)	(335)
Balance, end of period	4,011	3,766
Additional paid-in capital		
Balance, beginning of year	50,049	48,998
Delivery of common stock underlying share-based awards	1,904	2,206
Cancellation of share-based awards in satisfaction of withholding tax requirements	(1,101)	(1,922)
Preferred stock issuance costs	(7)	(20)
Excess net tax benefit related to share-based awards	366	788
Cash settlement of share-based awards	(1)	(1)
Balance, end of period	51,210	50,049

Retained earnings

Balance, beginning of year	78,984	71,961
Net earnings	3,892	8,477
Dividends and dividend equivalents declared on common stock and share-based awards	(576)	(1,054)
Dividends declared on preferred stock	(228)	(400)
Balance, end of period	82,072	78,984

Accumulated other comprehensive loss

Balance, beginning of year	(743)	(524)
Other comprehensive loss	(165)	(219)
Balance, end of period	(908)	(743)

Stock held in treasury, at cost

Balance, beginning of year	(58,468)	(53,015)
Repurchased	(1,495)	(5,469)
Reissued	29	49
Other	(6)	(33)
Balance, end of period	(59,940)	(58,468)
Total shareholders equity	\$ 87,654	\$ 82,797

The accompanying notes are an integral part of these condensed consolidated financial statements.

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows**(Unaudited)**

	Six Months	
	Ended June	
<i>\$ in millions</i>	2015	2014
Cash flows from operating activities		
Net earnings	\$ 3,892	\$ 4,070
Adjustments to reconcile net earnings to net cash provided by/(used for) operating activities		
Depreciation and amortization	484	684
Share-based compensation	1,972	1,775
Gain related to extinguishment of junior subordinated debt	(34)	
Changes in operating assets and liabilities		
Cash and securities segregated for regulatory and other purposes	16,376	9,003
Receivables and payables (excluding loans receivable), net	(7,825)	6,772
Collateralized transactions (excluding other secured financings), net	(11,818)	(14,645)
Financial instruments owned, at fair value	7,140	(4,531)
Financial instruments sold, but not yet purchased, at fair value	(7,779)	(3,279)
Other, net	(3,540)	(3,541)
Net cash used for operating activities	(1,132)	(3,692)
Cash flows from investing activities		
Purchase of property, leasehold improvements and equipment	(698)	(353)
Proceeds from sales of property, leasehold improvements and equipment	49	10
Business acquisitions, net of cash acquired	(1,583)	(449)
Proceeds from sales of investments	275	469
Loans receivable, net	(9,459)	(6,490)
Net cash used for investing activities	(11,416)	(6,813)

Cash flows from financing activities

Unsecured short-term borrowings, net	(1,276)	1,077
Other secured financings (short-term), net	(1,117)	1,141
Proceeds from issuance of other secured financings (long-term)	7,376	3,413
Repayment of other secured financings (long-term), including the current portion	(5,247)	(4,840)
Proceeds from issuance of unsecured long-term borrowings	27,077	19,804
Repayment of unsecured long-term borrowings, including the current portion	(17,256)	(15,320)
Purchase of trust preferred securities	(1)	(1,362)
Derivative contracts with a financing element, net	(96)	574
Deposits, net	6,056	2,943
Common stock repurchased	(1,495)	(2,969)
Dividends and dividend equivalents paid on common stock, preferred stock and share-based awards	(804)	(691)
Proceeds from issuance of preferred stock, net of issuance costs	1,993	1,980
Proceeds from issuance of common stock, including exercise of share-based awards	218	56
Excess tax benefit related to share-based awards	366	550
Cash settlement of share-based awards	(1)	(1)
Net cash provided by financing activities	15,793	6,355
Net increase/(decrease) in cash and cash equivalents	3,245	(4,150)
Cash and cash equivalents, beginning of year	57,600	61,133
Cash and cash equivalents, end of period	\$ 60,845	\$ 56,983

SUPPLEMENTAL DISCLOSURES:

Cash payments for interest, net of capitalized interest, were \$2.51 billion and \$3.26 billion during the six months ended June 2015 and June 2014, respectively.

Cash payments for income taxes, net of refunds, were \$1.91 billion and \$2.06 billion during the six months ended June 2015 and June 2014, respectively.

Non-cash activities:

The firm exchanged \$262 million of Trust Preferred Securities and common beneficial interests held by the firm for \$296 million of the firm's junior subordinated debt held by the issuing trust during the six months ended June 2015. Following the exchange, this junior subordinated debt was extinguished.

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The firm exchanged \$175 million of senior guaranteed trust securities held by the firm for \$175 million of the firm's junior subordinated debt securities held by the issuing trust during the six months ended June 2014. Following the exchange, this junior subordinated debt was extinguished.

The accompanying notes are an integral part of these condensed consolidated financial statements.

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

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 high-net-worth 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, 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, directly and indirectly through funds that the firm manages, in debt securities and loans, public and private equity securities, and real estate entities.

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, including portfolio management and financial counseling, and brokerage and other transaction services to high-net-worth individuals and families.

Note 2.

Basis of Presentation

These condensed 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.

These condensed consolidated financial statements are unaudited and should be read in conjunction with the audited consolidated financial statements included in the firm's Annual Report on Form 10-K for the year ended December 31, 2014. References to the 2014 Form 10-K are to the firm's Annual Report on Form 10-K for the year ended December 31, 2014. The condensed consolidated financial information as of December 31, 2014 has been derived from audited consolidated financial statements not included herein.

These unaudited condensed consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. These adjustments are of a normal, recurring nature. Interim period operating results may not be indicative of the operating results for a full year.

All references to June 2015, March 2015 and June 2014 refer to the firm's periods ended, or the dates, as the context requires, June 30, 2015, March 31, 2015 and June 30, 2014, respectively. All references to December 2014 refer to the date December 31, 2014. 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.

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements**(Unaudited)****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 discussed below or included in the following footnotes:

Financial Instruments Owned, at Fair Value and	
Financial Instruments Sold, But Not Yet Purchased,	
at Fair Value	Note 4
Fair Value Measurements	Note 5
Cash Instruments	Note 6
Derivatives and Hedging Activities	Note 7
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Legal Proceedings	Note 27
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 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.

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

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 included in Financial instruments owned, at fair value. See Notes 6, 18 and 22 for further information about investments in funds.

Use of Estimates

Preparation of these condensed 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, discretionary compensation accruals and the provisions for losses that may arise from litigation, regulatory proceedings and 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, at fair value and Financial instruments sold, but not yet purchased, at fair value 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.

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 computed 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.

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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 Assets

Transfers of assets are accounted for as sales when the firm has relinquished control over the assets transferred. For transfers of assets accounted for as sales, any related gains or losses are recognized in net revenues. Assets or liabilities that arise from the firm's continuing involvement with transferred assets are recognized at fair value. For transfers of assets that are not accounted for as sales, the assets remain in Financial instruments owned, at fair value 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 assets accounted for as collateralized financings and Note 11 for further information about transfers of 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 June 2015 and December 2014, Cash and cash equivalents included \$6.78 billion and \$5.79 billion, respectively, of cash and due from banks, and \$54.07 billion and \$51.81 billion, respectively, of interest-bearing deposits with banks.

Receivables from Customers and Counterparties

Receivables from customers and counterparties generally relate to collateralized transactions. Such receivables are primarily comprised 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 June 2015 and December 2014, the firm's receivables from customers and counterparties included \$2.39 billion and \$400 million, 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 June 2015 and December 2014, the carrying value of receivables not accounted for at fair value generally approximated fair value. While these items 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 items been included in the firm's fair value hierarchy, substantially all would have been classified in level 2 as of June 2015 and December 2014. Interest on receivables from customers and counterparties is recognized over the life of the transaction and included in Interest income.

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 June 2015 and December 2014.

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 June 2015 and December 2014. Interest on payables to customers and counterparties is recognized over the life of the transaction and included in Interest expense.

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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 condensed 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 condensed consolidated statements of financial condition when such transactions meet certain settlement criteria and are subject to netting agreements.

In the condensed 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 condensed 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.

Share-based Compensation

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. Expected forfeitures are included in determining share-based employee compensation expense.

The firm pays cash dividend equivalents on outstanding restricted stock units (RSUs). Dividend equivalents paid on RSUs are generally charged to retained earnings. Dividend equivalents paid on RSUs expected to be forfeited are included in compensation expense. The firm accounts for the tax benefit related to dividend equivalents paid on RSUs

as an increase to additional paid-in capital.

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.

Foreign Currency Translation

Assets and liabilities denominated in non-U.S. currencies are translated at rates of exchange prevailing on the date of the condensed 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 condensed consolidated statements of comprehensive income.

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Recent Accounting Developments

Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity (ASC 205 and ASC 360). In April 2014, the FASB issued ASU No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. ASU No. 2014-08 limits discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity's operations and financial results. The ASU requires expanded disclosures for discontinued operations and disposals of individually significant components of an entity that do not qualify for discontinued operations reporting. The ASU was effective for disposals and components classified as held for sale that occurred within annual periods beginning on or after December 15, 2014, and interim periods within those years. Early adoption was permitted. The firm early adopted ASU No. 2014-08 in 2014 and adoption did not materially affect the firm's financial condition, results of operations, or cash flows.

Revenue from Contracts with Customers (ASC 606). In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). ASU No. 2014-09 provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services. The ASU also provides guidance on accounting for certain contract costs, and requires new disclosures. ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. In July 2015, the FASB voted to defer the effective date of ASU No. 2014-09 by one year, to annual reporting periods beginning after December 15, 2017. Early adoption will be permitted for annual reporting periods beginning after December 15, 2016. The firm is still evaluating the effect of the ASU on its financial condition, results of operations, and cash flows.

Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures (ASC 860). In June 2014, the FASB issued ASU No. 2014-11, Transfers and Servicing (Topic 860) Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. ASU No. 2014-11 changes the accounting for repurchase- and resale-to-maturity agreements by requiring that such agreements be recognized as financing arrangements, and requires that a transfer of a financial asset and a repurchase agreement entered into contemporaneously be accounted for separately. ASU No. 2014-11 also requires additional disclosures about certain transferred financial assets accounted for as sales and certain securities financing transactions. The accounting changes and additional disclosures about certain transferred financial assets accounted for as sales were effective for the first interim and annual reporting periods beginning after December 15, 2014. The additional disclosures for certain securities financing transactions were required for annual reporting periods beginning after December 15, 2014 and for interim reporting periods beginning after March 15, 2015. Adoption of the accounting changes in ASU No. 2014-11 on January 1, 2015 did not materially affect the firm's financial condition, results of operations, or cash flows.

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). ASU No. 2014-13 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. ASU No. 2014-13 provides new disclosure requirements for those electing this approach, and is effective for interim and annual periods beginning after December 15, 2015. Early adoption is permitted. Adoption of ASU No. 2014-13 will not materially affect the firm's financial condition, results of operations, or cash flows.

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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. ASU No. 2015-02 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 from Topic 810 for certain investments in money market funds. The ASU 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. ASU No. 2015-02 is effective for interim and annual reporting periods beginning after December 15, 2015. Early adoption is permitted and the firm intends to early adopt in 2015. Adoption of ASU No. 2015-02 is not expected to materially affect the firm's financial condition, results of operations, or cash flows.

Simplifying the Presentation of Debt Issuance Costs (ASC 835). In April 2015, the FASB issued ASU No. 2015-03, Interest Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs. ASU No. 2015-03 simplifies the presentation of debt issuance costs by requiring that these costs related to a recognized debt liability be presented in the statement of financial condition as a direct reduction from the carrying amount of that liability. ASU No. 2015-03 is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. Early adoption is permitted and the firm intends to early adopt in 2015. ASU No. 2015-03 is required to be applied retrospectively to all periods presented beginning in the year of adoption. Adoption will not materially affect the firm's financial condition, results of operations, or cash flows.

Disclosures for Investments in Certain Entities That Calculate Net Asset Value (NAV) per Share (or Its Equivalent) (ASC 820). In May 2015, the FASB issued ASU No. 2015-07, Fair Value Measurement (Topic 820) Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). ASU No. 2015-07 requires that investments for which the fair value is measured at NAV using the practical expedient (investments in funds measured at NAV) under Fair Value Measurements and Disclosures (Topic 820) be excluded from the fair value hierarchy. ASU No. 2015-07 is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. ASU No. 2015-07 is required to be applied retrospectively to all periods presented beginning in the period of adoption. The firm early adopted ASU No. 2015-07 in June 2015 and adoption did not affect the firm's financial condition, results of operations, or cash flows. In accordance with ASU No. 2015-07, previously reported amounts have been conformed to the current presentation. See Notes 4 through 6 for the disclosures required by ASU No. 2015-07.

Note 4.

Financial Instruments Owned, at Fair Value and Financial Instruments Sold, But Not Yet Purchased, at Fair Value

Financial instruments owned, at fair value and financial instruments sold, but not yet purchased, at fair value are accounted for at fair value either under the fair value option or in accordance with other U.S. GAAP. See Note 8 for

further information about other financial assets and financial liabilities accounted for at fair value primarily under the fair value option.

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Notes to Condensed Consolidated Financial Statements**(Unaudited)**

The tables below present the firm's financial instruments owned, at fair value, and financial instruments sold, but not yet purchased, at fair value.

	As of June 2015	
	Financial Instruments Owned	Financial Instruments Sold, But Not Yet Purchased
<i>\$ in millions</i>		
Commercial paper, certificates of deposit, time deposits and other money market instruments	\$ 2,767	\$
U.S. government and federal agency obligations	52,295	15,103
Non-U.S. government and agency obligations	34,006	21,794
Mortgage and other asset-backed loans and securities:		
Loans and securities backed by commercial real estate	4,483 ¹	1
Loans and securities backed by residential real estate	11,075 ²	
Bank loans and bridge loans	12,064	371
Corporate debt securities	17,383	4,555
State and municipal obligations	1,417	
Other debt obligations	2,190 ³	1
Equities and convertible debentures	98,073	30,049
Commodities	4,253	704
Investments in funds measured at NAV	8,956	
Subtotal	248,962	72,578
Derivatives	54,501	51,726
Total	\$303,463	\$124,304

<i>\$ in millions</i>	As of December 2014	
	Financial Instruments Owned	Financial Instruments Sold, But Not Yet Purchased
Commercial paper, certificates of deposit, time deposits and other money market instruments	\$ 3,654	\$
U.S. government and federal agency obligations	48,002	12,762
Non-U.S. government and agency obligations	37,059	20,500
Mortgage and other asset-backed loans and securities:		
Loans and securities backed by commercial real estate	6,463 ¹	1
Loans and securities backed by residential real estate	11,717 ²	
Bank loans and bridge loans	14,848	464
Corporate debt securities	21,419	5,800
State and municipal obligations	1,203	
Other debt obligations	3,257 ³	2
Equities and convertible debentures	87,900	28,314
Commodities	3,846	1,224
Investments in funds measured at NAV	9,610	
Subtotal	248,978	69,067
Derivatives	63,270	63,016
Total	\$ 312,248	\$132,083

1. Includes \$2.39 billion and \$4.29 billion of loans backed by commercial real estate as of June 2015 and December 2014, respectively.

2. Includes \$7.31 billion and \$6.43 billion of loans backed by residential real estate as of June 2015 and December 2014, respectively.

3. Includes \$493 million and \$618 million of loans backed by consumer loans and other assets as of June 2015 and December 2014, 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. These gains/(losses) include both realized and unrealized gains and losses, and are primarily related to the firm's financial instruments owned, at fair value and financial instruments sold, but not yet purchased, at fair value, including both derivative and non-derivative financial instruments. These gains/(losses) exclude related interest income and interest expense. See Note 23 for further information about interest income and interest expense.

The gains/(losses) in the table below 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.

<i>\$ in millions</i>	Three Months		Six Months	
	Ended June		Ended June	
Product Type	2015	2014	2015	2014
Interest rates	\$ 2,864	\$ (176)	\$ 278	\$ (456)
Credit	(12)	1,022	920	2,202
Currencies	(1,861)	561	1,791	856
Equities	1,041	544	2,703	1,227
Commodities	277	234	542	995
Market making	2,309	2,185	6,234	4,824
Other principal transactions ¹	1,707	1,995	3,279	3,498
Total	\$ 4,016	\$4,180	\$9,513	\$8,322

1. 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.

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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 parameters as 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 fair value hierarchy for disclosure of fair value measurements. The fair value 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 the fair value hierarchy is based on the lowest level of input that is significant to its fair value measurement. 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 accounted for at fair value primarily under the fair value option (including information about unrealized gains and losses related to level 3 financial assets and financial liabilities, and

transfers in and out of level 3), respectively.

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. Counterparty and cash collateral netting represents the impact on derivatives of netting across levels of the fair value hierarchy. Netting among positions classified in the same level is included in that level.

	June	As of March	December
<i>\$ in millions</i>	2015	2015	2014
Total level 1 financial assets	\$143,808	\$ 146,659	\$ 139,484
Total level 2 financial assets	423,629	448,886	466,030
Total level 3 financial assets	32,412	34,342	35,780
Investments in funds measured at NAV	8,956	9,216	9,610
Counterparty and cash collateral netting	(90,510)	(106,649)	(104,616)
Total financial assets at fair value	\$518,295	\$ 532,454	\$ 546,288
Total assets ¹	\$859,879	\$ 865,458	\$ 856,240
Total level 3 financial assets as a percentage of total assets	3.8%	4.0%	4.2%
Total level 3 financial assets as a percentage of total financial assets at fair value	6.3%	6.4%	6.5%
Total level 1 financial liabilities	\$ 63,772	\$ 60,609	\$ 59,697
Total level 2 financial liabilities	247,883	262,860	253,364
Total level 3 financial liabilities	18,353	16,309	15,904
Counterparty and cash collateral netting	(39,075)	(46,587)	(37,267)
Total financial liabilities at fair value	\$290,933	\$ 293,191	\$ 291,698
Total level 3 financial liabilities as a percentage of total financial liabilities at fair value	6.3%	5.6%	5.5%

1. Includes \$834 billion, \$842 billion and \$834 billion as of June 2015, March 2015 and December 2014, respectively, that is carried at fair value or at amounts that generally approximate fair value.

The table below presents a summary of level 3 financial assets. See Notes 6 through 8 for further information about level 3 financial assets.

<i>\$ in millions</i>	Level 3 Financial Assets as of June
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	2015	March 2015	December 2014
Cash instruments	\$26,195	\$27,235	\$28,650
Derivatives	6,175	7,069	7,074
Other financial assets	42	38	56
Total	\$32,412	\$34,342	\$35,780

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Level 3 financial assets as of June 2015 decreased compared with March 2015, primarily reflecting a decrease in level 3 cash instruments and derivative assets. See Note 6 for further information about changes in level 3 cash instruments. The decrease in level 3 derivative assets was primarily attributable to unrealized losses on certain credit derivative assets, and transfers to level 2 of certain equity derivative assets.

Level 3 financial assets as of June 2015 decreased compared with December 2014, primarily reflecting a decrease in level 3 cash instruments. See Note 6 for further information about changes in level 3 cash instruments.

Note 6.

Cash Instruments

Cash instruments include U.S. government and federal agency obligations, non-U.S. government and agency obligations, bank loans and bridge loans, corporate debt securities, equities and convertible debentures, investments in funds measured 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 U.S. government obligations and most non-U.S. government obligations, actively traded listed equities, certain government agency obligations and money market instruments. 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 commercial paper, certificates of deposit, time deposits, most government agency obligations, certain non-U.S. government obligations, most corporate debt securities, commodities, certain mortgage-backed loans and securities, certain bank loans and bridge loans, restricted or less liquid listed equities, most state and municipal obligations 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.

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Notes to Condensed Consolidated Financial Statements**(Unaudited)****Valuation Techniques and Significant Inputs**

The table below presents the valuation techniques and the nature of significant inputs. These valuation techniques and significant inputs are generally used to determine the fair values of each type of level 3 cash instrument.

Level 3 Cash Instruments	Valuation Techniques and Significant Inputs
Loans and securities backed by commercial real estate	Valuation techniques vary by instrument, but are generally based on discounted cash flow techniques.
Collateralized by a single commercial real estate property or a portfolio of properties	Significant inputs are generally determined based on relative value analyses and include: Transaction prices in both the underlying collateral and instruments with the same or similar underlying collateral and the basis, or price difference, to such prices
May include tranches of varying levels of subordination	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 Timing of expected future cash flows (duration) which, in certain cases, may incorporate the impact of other unobservable inputs (e.g., prepayment speeds)

<p>Loans and securities backed by residential real estate</p>	<p>Valuation techniques vary by instrument, but are generally based on discounted cash flow techniques.</p>
<p>Collateralized by portfolios of residential real estate</p>	<p>Significant inputs are generally determined based on relative value analyses, which incorporate comparisons to instruments with similar collateral and risk profiles. Significant inputs include:</p>
<p>May include tranches of varying levels of subordination</p>	<p>Transaction prices in both the underlying collateral and instruments with the same or similar underlying collateral</p>
	<p>Market yields implied by transactions of similar or related assets</p>
	<p>Cumulative loss expectations, driven by default rates, home price projections, residential property liquidation timelines and related costs</p>
	<p>Duration, driven by underlying loan prepayment speeds and residential property liquidation timelines</p>

<p>Bank loans and bridge loans</p>	<p>Valuation techniques vary by instrument, but are generally based on discounted cash flow techniques.</p>
	<p>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:</p>
	<p>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)</p>
	<p>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</p>
	<p>Duration</p>

Commercial paper, certificates of deposit, time deposits and other money market instruments	Valuation techniques vary by instrument, but are generally based on discounted cash flow techniques.
Non-U.S. government and agency 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:
Corporate debt securities	Market yields implied by transactions of similar or related assets and/or current levels and trends of market indices such as CDX, LCDX and MCDX (an index that tracks the performance of municipal obligations)
State and municipal obligations	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
Other debt obligations	Duration
Equities and convertible debentures (including private equity investments and investments in real estate entities)	<p>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:</p> <ul style="list-style-type: none"> Industry multiples (primarily EBITDA multiples) and public comparables Transactions in similar instruments Discounted cash flow techniques Third-party appraisals <p>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:</p>

Market and transaction multiples

Discount rates, long-term growth rates, earnings compound annual growth rates and capitalization rates

For equity instruments with debt-like features: market yields implied by transactions of similar or related assets, current performance and recovery assumptions, and duration

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements**(Unaudited)****Significant Unobservable Inputs**

The table below presents the ranges and weighted averages of significant unobservable inputs used to value the firm's level 3 cash instruments. In the table below:

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 financial 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 presented in the tables below for private equity investments is appropriate for valuing a specific private equity investment but may not be appropriate for valuing any other private equity investment. 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 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, basis, multiples, long-term growth rate or compound annual growth rate 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.

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.

Level 3 Cash Instruments	Valuation Techniques and Significant Unobservable Inputs	Range of Significant Unobservable Inputs (Weighted Average)	
		As of June 2015	As of December 2014

Loans and securities backed by commercial real estate	Discounted cash flows:		
		Yield	3.3% to 20.0% (12.0%)
Collateralized by a single commercial real estate property or a portfolio of properties	Recovery rate	15.1% to 95.3% (54.4%)	24.9% to 100.0% (68.3%)
	Duration (years)	0.3 to 4.4 (1.9)	0.3 to 4.7 (2.0)
	Basis	(6) points to 11 points (3 points) (8) points to 13 points (2 points)	

May include tranches of varying levels of subordination

(\$2.13 billion and \$3.28 billion of level 3 assets as of June 2015 and December 2014, respectively.)

Loans and securities backed by residential real estate	Discounted cash flows:		
		Yield	2.8% to 12.0% (6.7%)
Collateralized by portfolios of residential real estate	Cumulative loss rate	6.0% to 42.6% (19.4%)	0.0% to 95.1% (24.4%)
	Duration (years)	1.7 to 13.0 (5.1)	0.5 to 13.0 (4.3)

May include tranches of varying levels of

subordination

(\$2.72 billion and \$2.55 billion of level 3 assets as of June 2015 and December 2014, respectively.)

Bank loans and bridge loans	Discounted cash flows:		
	Yield	1.5% to 22.0% (8.6%)	1.4% to 29.5% (8.7%)
<i>(\$5.38 billion and \$6.97 billion of level 3 assets as of June 2015 and December 2014, respectively.)</i>	Recovery rate	15.3% to 88.9% (51.2%)	26.6% to 92.5% (60.6%)
	Duration (years)	0.4 to 6.5 (2.4)	0.3 to 7.8 (2.5)

Commercial paper, certificates of deposit, time deposits and other money market instruments	Discounted cash flows:		
	Yield	1.0% to 17.3% (9.4%)	0.9% to 24.4% (9.2%)
	Recovery rate	0.0% to 71.7% (61.0%)	0.0% to 71.9% (59.2%)
	Duration (years)	0.5 to 17.0 (4.4)	0.5 to 19.6 (3.7)

Non-U.S. government and agency obligations

Corporate debt securities

State and
municipal
obligations

Other debt
obligations

*(\$3.51 billion
and \$4.75 billion
of level 3 assets
as of June 2015
and
December 2014,
respectively.)*

Equities and convertible debentures (including private equity investments and investments in real estate entities) <i>(\$12.46 billion and \$11.11 billion of level 3 assets as of June 2015 and December 2014, respectively.)</i>	Market comparables and discounted cash flows:		
	Multiples	0.7x to 23.2x (6.1x)	0.8x to 16.6x (6.5x)
	Discount rate/yield	3.7% to 25.0% (14.3%)	3.7% to 30.0% (14.4%)
	Long-term growth rate/ compound annual growth rate	3.0% to 10.7% (5.6%)	1.0% to 10.0% (6.0%)
	Capitalization rate	5.3% to 11.9% (7.5%)	3.8% to 13.0% (7.6%)

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements**(Unaudited)****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. Cash instrument assets and liabilities are

included in Financial instruments owned, at fair value and Financial instruments sold, but not yet purchased, at fair value, respectively.

<i>\$ in millions</i>	Cash Instrument Assets at Fair Value as of June 2015			
	Level 1	Level 2	Level 3	Total
Commercial paper, certificates of deposit, time deposits and other money market instruments	\$ 69	\$ 2,687	\$ 11	\$ 2,767
U.S. government and federal agency obligations	26,183	26,112		52,295
Non-U.S. government and agency obligations	28,255	5,730	21	34,006
Mortgage and other asset-backed loans and securities:				
Loans and securities backed by commercial real estate		2,349	2,134	4,483
Loans and securities backed by residential real estate		8,358	2,717	11,075
Bank loans and bridge loans		6,687	5,377	12,064
Corporate debt securities	239	14,549	2,595	17,383
State and municipal obligations		1,274	143	1,417
Other debt obligations		1,450	740	2,190
Equities and convertible debentures	76,614	9,002	12,457 ²	98,073
Commodities		4,253		4,253
Subtotal	\$131,360	\$82,451	\$26,195	240,006
Investments in funds measured at NAV				8,956
Total¹				\$248,962

<i>\$ in millions</i>	Cash Instrument Liabilities at Fair Value as of June 2015			
	Level 1	Level 2	Level 3	Total
U.S. government and federal agency obligations	\$ 15,093	\$ 10	\$	\$ 15,103
Non-U.S. government and agency obligations	19,677	2,117		21,794
Mortgage and other asset-backed loans and securities:				
Loans and securities backed by commercial real estate		1		1
Bank loans and bridge loans		233	138	371
Corporate debt securities	3	4,551	1	4,555
Other debt obligations			1	1
Equities and convertible debentures	28,984	1,027	38	30,049
Commodities		704		704
Total	\$ 63,757	\$ 8,643	\$ 178	\$ 72,578

1. Includes collateralized debt obligations (CDOs) and collateralized loan obligations (CLOs) backed by real estate and corporate obligations of \$180 million in level 2 and \$1.14 billion in level 3.

2. Includes \$11.67 billion of private equity investments, \$315 million of investments in real estate entities and \$472 million of convertible debentures.

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements**(Unaudited)**

<i>\$ in millions</i>	Cash Instrument Assets at Fair Value as of December 2014			
	Level 1	Level 2	Level 3	Total
Commercial paper, certificates of deposit, time deposits and other money market instruments	\$	\$ 3,654	\$	\$ 3,654
U.S. government and federal agency obligations	18,540	29,462		48,002
Non-U.S. government and agency obligations	30,255	6,668	136	37,059
Mortgage and other asset-backed loans and securities:				
Loans and securities backed by commercial real estate		3,188	3,275	6,463
Loans and securities backed by residential real estate		9,172	2,545	11,717
Bank loans and bridge loans		7,875	6,973	14,848
Corporate debt securities	249	17,537	3,633	21,419
State and municipal obligations		1,093	110	1,203
Other debt obligations		2,387	870	3,257
Equities and convertible debentures	68,974	7,818	11,108 ²	87,900
Commodities		3,846		3,846
Subtotal	\$118,018	\$92,700	\$28,650	239,368
Investments in funds measured at NAV				9,610
Total ¹				\$248,978

<i>\$ in millions</i>	Cash Instrument Liabilities at Fair Value as of December 2014			
	Level 1	Level 2	Level 3	Total
U.S. government and federal agency obligations	\$ 12,746	\$ 16	\$	\$ 12,762
Non-U.S. government and agency obligations	19,256	1,244		20,500
Mortgage and other asset-backed loans and securities:				
Loans and securities backed by commercial real estate		1		1

Bank loans and bridge loans		286	178	464
Corporate debt securities		5,741	59	5,800
Other debt obligations			2	2
Equities and convertible debentures	27,587	722	5	28,314
Commodities		1,224		1,224
Total	\$ 59,589	\$ 9,234	\$ 244	\$ 69,067

1. Includes CDOs and CLOs backed by real estate and corporate obligations of \$234 million in level 2 and \$1.34 billion in level 3.

2. Includes \$10.25 billion of private equity investments, \$294 million of investments in real estate entities and \$562 million of convertible debentures.

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. During the three months ended June 2015, transfers into level 2 from level 1 of cash instruments were \$480 million, reflecting transfers of public equity securities primarily due to decreased market activity in these instruments. During the three months ended June 2015, transfers into level 1 from level 2 of cash instruments were \$211 million, reflecting transfers of public equity securities due to increased market activity in these instruments. During the three months ended June 2014, transfers into level 2 from level 1 of cash instruments were \$552 million, including \$346 million of public equity securities and \$206 million of U.S. government and federal agency obligations primarily due to decreased market activity in these instruments. During the three months ended June 2014, transfers into level 1 from level 2 of cash instruments were \$7 million, reflecting transfers of public equity securities due to increased market activity in these instruments.

During the six months ended June 2015, transfers into level 2 from level 1 of cash instruments were \$500 million, reflecting transfers of public equity securities primarily due to decreased market activity in these instruments. During the six months ended June 2015, transfers into level 1 from level 2 of cash instruments were \$126 million, reflecting transfers of public equity securities due to increased market activity in these instruments. During the six months ended June 2014, transfers into level 2 from level 1 of cash instruments were \$67 million, including \$49 million of public equity securities and \$18 million of U.S. government and federal agency obligations primarily due to decreased market activity in these instruments. During the six months ended June 2014, transfers into level 1 from level 2 of cash instruments were \$81 million, reflecting transfers of public equity securities, due to increased market activity in these instruments.

See level 3 rollforward below for information about transfers between level 2 and level 3.

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements**(Unaudited)****Level 3 Rollforward**

The tables below present changes in fair value for all cash instrument assets and liabilities categorized as level 3 as of the end of the period. In the tables below:

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 included in level 3.

Purchases include both originations and secondary market purchases.

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 reported 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.

<i>\$ in millions</i>	Level 3 Cash Instrument Assets at Fair Value for the Three Months E					
	Balance, beginning of period	Net realized gains/ (losses)	Net unrealized gains/(losses) relating to instruments still held at period-end	Purchases	Sales	Settlements
Commercial paper, certificates of deposit, time deposits and other money market instruments	\$ 10	\$	\$	\$ 1	\$	\$
Non-U.S. government and agency obligations	95	2	1			(9)
Mortgage and other asset-backed loans and securities:						
Loans and securities backed by commercial real estate	2,763	43	65	81	(277)	(436)
	2,773	37	87	179	(248)	(71)

Loans and securities backed by residential real estate

Bank loans and bridge loans	6,311	122		383	(394)	(430)
Corporate debt securities	2,766	29	(35)	387	(112)	(196)
State and municipal obligations	142	1	1	20	(13)	
Other debt obligations	886	4	(4)	105	(67)	(6)
Equities and convertible debentures	11,489	92	1,098	251	(230)	(379)
Total	\$27,235	\$330¹	\$1,213¹	\$1,407	\$(1,341)	\$(1,527)

Level 3 Cash Instrument Liabilities at Fair Value for the Three Months

<i>\$ in millions</i>	Balance, beginning of period	Net realized (gains)/losses	Net unrealized (gains)/losses relating to instruments still held at period-end	Purchases	Sales	Settlements	T
Total	\$ 162	\$ 1	\$ 8	\$ (34)	\$ 36	\$ 2	

1. The aggregate amounts include gains/(losses) of approximately \$(26) million, \$1.36 billion and \$206 million reported in Market making, Other principal transactions and Interest income, respectively.

The net unrealized gain on level 3 cash instruments of \$1.21 billion (reflecting \$1.21 billion of gains on cash instrument assets and \$8 million of losses on cash instrument liabilities) for the three months ended June 2015 primarily reflected gains on private equity investments principally driven by strong corporate performance and company-specific events.

Transfers into level 3 during the three months ended June 2015 primarily reflected transfers of certain private equity investments, bank loans and bridge loans and corporate debt securities from level 2 principally due to reduced price transparency as a result of a lack of market evidence, including fewer transactions in these instruments.

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements**(Unaudited)**

Transfers out of level 3 during the three months ended June 2015 primarily reflected transfers of certain bank loans and bridge loans, private equity securities and corporate debt securities to level 2 principally due to

increased price transparency as a result of market evidence, including additional market transactions in these instruments and due to certain unobservable yield and duration inputs no longer being significant to the valuation of these instruments.

<i>\$ in millions</i>	Level 3 Cash Instrument Assets at Fair Value for the Six Months					
	Balance, beginning of period	Net realized gains/ (losses)	Net unrealized gains/(losses) relating to instruments still held at period-end	Purchases	Sales	Settlements
Commercial paper, certificates of deposit, time deposits and other money market instruments	\$	\$	\$	\$	\$ (1)	\$
Non-U.S. government and agency obligations	136	2		1	(18)	(26)
Mortgage and other asset-backed loans and securities:						
Loans and securities backed by commercial real estate	3,275	65	67	214	(333)	(1,212)
Loans and securities backed by residential real estate	2,545	95	67	496	(498)	(177)
Bank loans and bridge loans	6,973	218	(92)	579	(668)	(1,258)
Corporate debt securities	3,633	62	(46)	484	(454)	(380)
State and municipal obligations	110	3	2	14	(1)	(1)
Other debt obligations	870	18	3	189	(109)	(63)

Equities and convertible debentures	11,108	135	1,560	486	(375)	(800)
Total	\$28,650	\$598¹	\$1,561¹	\$2,463	\$(2,457)	\$(3,917)

Level 3 Cash Instrument Liabilities at Fair Value for the Six Months

<i>\$ in millions</i>	Balance, beginning of period	Net realized (gains)/ losses	Net unrealized (gains)/losses relating to instruments still held at period-end	Purchases	Sales	Settlements
Total	\$ 244	\$ 2	\$ (13)	\$ (112)	\$ 46	\$ 2

1. The aggregate amounts include gains of approximately \$4 million, \$1.80 billion and \$358 million reported in Market making, Other principal transactions and Interest income, respectively.

The net unrealized gain on level 3 cash instruments of \$1.57 billion (reflecting \$1.56 billion on cash instrument assets and \$13 million on cash instrument liabilities) for the six months ended June 2015 primarily reflected gains on private equity investments principally driven by strong corporate performance and company-specific events.

Transfers into level 3 during the six months ended June 2015 primarily reflected transfers of certain private equity investments, bank loans and bridge loans, loans and securities backed by residential real estate, loans and securities backed by commercial real estate and corporate debt securities from level 2 principally due to reduced price transparency as a result of a lack of market evidence, including fewer transactions in these instruments.

Transfers out of level 3 during the six months ended June 2015 primarily reflected transfers of certain corporate debt securities and bank loans and bridge loans to level 2 principally due to increased price transparency as a result of market evidence, including additional market transactions in these instruments and due to certain unobservable yield and duration inputs no longer being significant to the valuation of these instruments.

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements**(Unaudited)**

<i>\$ in millions</i>	Level 3 Cash Instrument Assets at Fair Value for the Three Months End						
	Balance, beginning of period	Net realized gains/ (losses)	Net unrealized gains/(losses) relating to instruments still held at period-end	Purchases	Sales	Settlements	Tran l
Non-U.S. government and agency obligations	\$ 45	\$ 1	\$ 1	\$ 9	\$ (1)	\$ (2)	
Mortgage and other asset-backed loans and securities:							
Loans and securities backed by commercial real estate	2,518	31	87	114	(155)	(305)	
Loans and securities backed by residential real estate	2,065	34	90	149	(194)	(3)	
Bank loans and bridge loans	6,798	86	102	714	(169)	(1,134)	
Corporate debt securities	2,496	85	32	211	(665)	(177)	
State and municipal obligations	242	1	2	28	(41)		
Other debt obligations	640	5	32	53	(51)	(25)	
Equities and convertible debentures	9,808	71	641	223	(416)	(181)	
Total	\$24,612	\$314 ¹	\$987 ¹	\$1,501	\$(1,692)	\$(1,827)	\$

<i>\$ in millions</i>	Level 3 Cash Instrument Liabilities at Fair Value for the Three Months End						
	Balance, beginning of period	Net realized (gains)/ losses	Net unrealized (gains)/losses relating to instruments still held at period-end	Purchases	Sales	Settlements	Tran l
Total	\$ 204	\$ (6)	\$ (9)	\$ (49)	\$ 51	\$ 11	\$

1. The aggregate amounts include gains of approximately \$232 million, \$743 million and \$326 million reported in Market making, Other principal transactions and Interest income, respectively.

The net unrealized gain on level 3 cash instruments of \$996 million (reflecting \$987 million on cash instrument assets and \$9 million on cash instrument liabilities) for the three months ended June 2014 primarily consisted of gains on private equity investments principally driven by company-specific events and strong corporate performance.

Transfers into level 3 during the three months ended June 2014 primarily reflected transfers of certain bank loans and bridge loans, private equity investments, loans and securities backed by commercial real estate and corporate debt 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 the three months ended June 2014 primarily reflected transfers of certain bank loans and bridge loans, private equity investments, loans and securities backed by commercial real estate and corporate debt securities to level 2 principally due to increased price transparency as a result of market evidence, including market transactions in these instruments.

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements**(Unaudited)**

Level 3 Cash Instrument Assets at Fair Value for the Six Months Ended June 2014								
	Balance, beginning of period	Net realized gains/ (losses)	Net unrealized gains/(losses) relating to instruments still held at period-end	Purchases	Sales	Settlements	Transfers into level 3	Transfers out of level 3
Government and corporate obligations	\$ 40	\$ 1	\$	\$ 22	\$ (18)	\$ (1)	\$ 9	\$
And other asset-backed securities:								
Securities backed by commercial real estate	2,515	66	157	366	(259)	(388)	404	(353)
Securities backed by residential real estate	1,961	68	132	252	(177)	(178)	199	(218)
Commercial and bridge loans	6,071	149	179	1,813	(397)	(1,406)	478	(607)
Debt securities	2,744	155	61	629	(709)	(401)	88	(375)
Municipal obligations	257	2	4	34	(82)	(2)	1	(45)
Other obligations	807	15	38	122	(160)	(76)	38	(155)
Convertible	8,671	93	758	1,229	(609)	(314)	1,436	(713)
	\$23,066	\$549 ¹	\$1,329 ¹	\$4,467	\$ (2,411)	\$ (2,766)	\$2,653	\$ (2,466)

Level 3 Cash Instrument Liabilities at Fair Value for the Six Months Ended June 2014								
	Balance, beginning of period	Net realized (gains)/ losses	Net unrealized (gains)/losses relating to instruments still held at period-end	Purchases	Sales	Settlements	Transfers into level 3	Transfers out of level 3
	\$ 297	\$ (6)	\$ (70)	\$ (110)	\$ 71	\$ 11	\$ 5	\$ (1)

1. The aggregate amounts include gains of approximately \$400 million, \$881 million and \$597 million reported in Market making, Other principal transactions and Interest income, respectively.

The net unrealized gain on level 3 cash instruments of \$1.40 billion (reflecting \$1.33 billion on cash instrument assets and \$70 million on cash instrument liabilities) for the six months ended June 2014 primarily consisted of gains on private equity investments and bank loans and bridge loans, principally driven by company-specific events and strong corporate performance, and gains on loans and securities backed by commercial and residential real estate primarily due to tighter credit spreads.

Transfers into level 3 during the six months ended June 2014 primarily reflected transfers of certain private equity investments, bank loans and bridge loans 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 the six months ended June 2014 primarily reflected transfers of certain private equity investments, bank loans and bridge loans, corporate debt securities and loans and securities backed by commercial real estate to level 2 principally due to increased price transparency as a result of market evidence, including market transactions in these instruments.

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

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(Unaudited)

**Investments in Funds That Are Measured 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 underlying investments at fair value. The firm early adopted ASU No. 2015-07 in June 2015 and as required, disclosures in the paragraphs and tables below are limited to only those investments in funds that are measured at NAV. In accordance with ASU No. 2015-07, previously reported amounts have been conformed to the current presentation.

The firm's investments in funds measured at NAV primarily 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 in a variety of situations, 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 mid- to large-sized 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. The private equity, credit and real estate funds are primarily 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 including long/short equity, credit, convertibles, risk arbitrage, special situations and capital structure arbitrage. 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 by 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) extended the conformance period through July 2016 for investments in, and relationships with, covered funds that were in place prior to December 31, 2013, and indicated that it intends to further extend the conformance period through July 2017. The firm currently expects to be able to exit substantially all such interests in these funds in orderly transactions prior to July 2017, subject to market conditions. However, to the extent that the underlying investments of particular funds are not sold, the firm may be required to sell its interests in such funds. If that occurs, the firm may receive a value for its interests that is less than the then carrying value as there could be a limited secondary market for these investments and the firm may be unable to sell them in orderly transactions.

The firm continues to manage its existing funds, taking into account the conformance period outlined above, and has redeemed \$3.09 billion of its interests in hedge funds since March 2012. In order to be compliant with the Volcker Rule, the firm will be required to reduce most of its interests in the funds in the table below by the end of the conformance period.

The tables below present the fair value of the firm's investments in, and unfunded commitments to, funds that are measured at NAV.

<i>\$ in millions</i>	As of June 2015	
	Fair Value of Investments	Unfunded Commitments
Private equity funds	\$6,095	\$2,093
Credit funds	775	363
Hedge funds	744	
Real estate funds	1,342	302
Total	\$8,956	\$2,758

<i>\$ in millions</i>	As of December 2014	
	Fair Value of Investments	Unfunded Commitments
Private equity funds	\$6,307	\$2,175
Credit funds	1,008	383
Hedge funds	863	
Real estate funds	1,432	310
Total	\$9,610	\$2,868

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(Unaudited)

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 capacity, the firm typically acts as principal and is consequently required to commit capital to provide execution. As a market maker, it is essential to maintain an inventory of financial instruments sufficient to meet expected client and market demands.

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, at fair value and Financial instruments sold, but not yet purchased, at fair value, 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.

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The table below presents the gross fair value and the notional amount of derivative contracts by major product type, the amounts of counterparty and cash collateral netting in the condensed 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.

In the table below:

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.

<i>\$ in millions</i>	As of June 2015			As of December 2014		
	Derivative Assets	Derivative Liabilities	Notional Amount	Derivative Assets	Derivative Liabilities	Notional Amount
Derivatives not accounted for as hedges						
Exchange-traded	\$ 265	\$ 261	\$ 3,297,942	\$ 228	\$ 238	\$ 3,151,865
OTC-cleared	243,453	220,466	26,297,086	351,801	330,298	30,408,636
Bilateral OTC	361,531	337,954	13,423,822	434,333	409,071	13,552,017
Total interest rates	605,249	558,681	43,018,850	786,362	739,607	47,112,518
OTC-cleared	6,109	5,979	441,067	5,812	5,663	378,099
Bilateral OTC	36,573	32,991	1,847,118	49,036	44,491	2,122,859
Total credit	42,682	38,970	2,288,185	54,848	50,154	2,500,958
Exchange-traded	76	242	19,955	69	69	17,214

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OTC-cleared	107	58	12,665	100	96	13,304
Bilateral OTC	95,156	99,549	5,565,689	109,747	108,442	5,535,685
Total currencies	95,339	99,849	5,598,309	109,916	108,607	5,566,203
Exchange-traded	5,324	5,065	322,798	7,683	7,166	321,378
OTC-cleared	185	181	2,368	313	315	3,036
Bilateral OTC	13,149	15,124	287,989	20,994	21,065	345,065
Total commodities	18,658	20,370	613,155	28,990	28,546	669,479
Exchange-traded	9,243	9,055	585,950	9,592	9,636	541,711
Bilateral OTC	44,976	46,124	1,071,701	49,339	49,013	983,784
Total equities	54,219	55,179	1,657,651	58,931	58,649	1,525,495
Subtotal	816,147	773,049	53,176,150	1,039,047	985,563	57,374,653
Derivatives accounted for as hedges						
OTC-cleared	1,566	131	39,730	2,713	228	31,109
Bilateral OTC	9,634	11	80,626	11,559	34	95,389
Total interest rates	11,200	142	120,356	14,272	262	126,498
OTC-cleared	2	14	1,154	12	3	1,205
Bilateral OTC	101	35	8,069	113	13	8,431
Total currencies	103	49	9,223	125	16	9,636
Subtotal	11,303	191	129,579	14,397	278	136,134
Total gross fair value/notional amount of derivatives	\$ 827,450¹	\$ 773,240¹	\$53,305,729	\$ 1,053,444¹	\$ 985,841¹	\$57,510,787
Amounts that have been offset in the condensed consolidated statements of financial condition						
Exchange-traded	\$ (12,228)	\$ (12,228)		\$ (15,039)	\$ (15,039)	
OTC-cleared	(224,199)	(224,199)		(335,792)	(335,792)	
Bilateral OTC	(447,672)	(447,672)		(535,839)	(535,839)	
Total counterparty netting	(684,099)	(684,099)		(886,670)	(886,670)	
OTC-cleared	(26,955)	(2,553)		(24,801)	(738)	
Bilateral OTC	(61,895)	(34,862)		(78,703)	(35,417)	
Total cash collateral netting	(88,850)	(37,415)		(103,504)	(36,155)	
Total counterparty and cash collateral netting	\$(772,949)	\$(721,514)		\$ (990,174)	\$(922,825)	

Amounts included in financial instruments owned/ financial instruments sold, but not yet purchased				
Exchange-traded	\$ 2,680	\$ 2,395	\$ 2,533	\$ 2,070
OTC-cleared	268	77	158	73
Bilateral OTC	51,553	49,254	60,579	60,873
Total amounts included in the condensed consolidated statements of financial condition				
	\$ 54,501	\$ 51,726	\$ 63,270	\$ 63,016
Amounts that have not been offset in the condensed consolidated statements of financial condition				
Cash collateral received/posted	\$ (577)	\$ (1,898)	\$ (980)	\$ (2,940)
Securities collateral received/posted	(13,358)	(11,915)	(14,742)	(18,159)
Total	\$ 40,566	\$ 37,913	\$ 47,548	\$ 41,917

1. Includes derivative assets and derivative liabilities of \$18.98 billion and \$20.53 billion, respectively, as of June 2015, and derivative assets and derivative liabilities of \$25.93 billion and \$26.19 billion, respectively, as of December 2014, 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.

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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.

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. In evaluating the significance of a valuation input, the firm considers, among other factors, a portfolio's net risk exposure to that input.

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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.

For the majority of the firm's interest rate and currency derivatives classified within 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 and mortgage derivatives (e.g., the likelihood of default of the underlying reference obligation relative to one another).

For level 3 equity derivatives, significant unobservable inputs generally include equity volatility inputs for options that are very 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.

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.

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 recorded 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.

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Notes to Condensed Consolidated Financial Statements**(Unaudited)****Significant Unobservable Inputs**

The table below presents the ranges, averages and medians of significant unobservable inputs used to value the firm's level 3 derivatives. In the table below:

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.

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 presented in the tables below 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 presented below do not represent uncertainty in, or possible ranges of, fair value measurements of the firm's level 3 derivatives.

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.

Level 3 Derivative Product Type	Valuation Techniques and Significant Unobservable Inputs	Range of Significant Unobservable Inputs (Average / Median)	
		As of June 2015	As of December 2014
Interest rates (consists of \$100 million and \$40 million of net level 3 liabilities as of June 2015 and December 2014, respectively)	Option pricing models:		
	Correlation ¹	(25)% to 86% (53% / 55%)	(16)% to 84% (37% / 40%)
	Volatility	31 basis points per annum (bpa) to 36 basis points per annum (bpa)	

		153 bpa (84 bpa / 57 bpa)	156 bpa (100 bpa / 115 bpa)
Credit (consists of \$2.97 billion of net level 3 assets as of June 2015 and \$3.53 billion of net level 3 assets as of December 2014, respectively)	Option pricing models, correlation models and discounted cash flows models:		
	Correlation ¹	5% to 97% (68% / 69%)	5% to 99% (71% / 72%)
	Credit spreads	1 basis points (bps) to 803 bps (120 bps / 97 bps) ²	1 basis points (bps) to 700 bps (116 bps / 79 bps) ²
	Upfront credit points	0 points to 99 points (41 points / 40 points)	0 points to 99 points (40 points / 30 points)
	Recovery rates	10% to 72% (48% / 40%)	14% to 87% (44% / 40%)
Derivatives (consists of \$299 million and \$267 million of net level 3 liabilities as of June 2015 and December 2014, respectively)	Option pricing models:		
	Correlation ¹	55% to 80% (69% / 73%)	55% to 80% (69% / 73%)
Commodities (consists of \$1.14 billion and \$1.14 billion of net level 3 liabilities as of June 2015 and December 2014, respectively)	Option pricing models and discounted cash flows models:		
	Volatility	15% to 56% (31% / 30%)	16% to 68% (33% / 32%)

Spread per million British Thermal units (MMBTU) of natural gas	\$(1.76) to \$6.99 (\$0.08) / \$(0.05)	\$(1.66) to \$4.45 (\$0.13) / \$(0.03)
Spread per Metric Tonne (MT) of coal	\$(9.63) to \$(4.50) (\$8.07) / \$(8.21)	\$(10.50) to \$3.00 (\$4.04) / \$(6.74)
Spread per barrel of oil and refined products	\$(8.14) to \$56.54 (\$10.31) / \$1.85) ²	\$(15.35) to \$80.55 (\$22.32) / \$13.50) ²

ities (consists of \$2.35 billion \$1.38 billion of net level 3 ilities as of June 2015 and umber 2014, respectively)

Option pricing models:

Correlation ¹	28% to 99% (63% / 61%)	30% to 99% (62% / 55%)
Volatility	5% to 83% (25% / 23%)	5% to 90% (23% / 21%)

1. The range of unobservable inputs for correlation across derivative product types (i.e., cross-asset correlation) was (45)% to 80% (Average: 32% / Median: 40%) as of June 2015, and (34)% to 80% (Average: 33% / Median: 35%) as of December 2014.

2. The difference between the average and the median for these spread inputs indicates that the majority of the inputs fall in the lower end of the range.

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Range of Significant Unobservable Inputs

The following provides further 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 market (e.g., equity index and equity single stock names) and across markets (e.g., correlation of an interest rate and a foreign exchange rate), as well as across regions. Generally, cross-asset 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 locations.

Sensitivity of Fair Value Measurement to Changes in Significant Unobservable Inputs

The following provides a description of the directional sensitivity of the firm's level 3 fair value measurements to changes in significant unobservable inputs, in isolation. 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.

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.

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Notes to Condensed Consolidated Financial Statements**(Unaudited)****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. In the tables below:

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 and cash collateral netting. Where the counterparty netting is across levels, the netting is reflected in Cross-Level Netting.

Derivative Assets at Fair Value as of June 2015						
<i>\$ in millions</i>	Level 1	Level 2	Level 3	Cross-Level Netting	Cash Collateral Netting	Total
Interest rates	\$ 9	\$ 616,049	\$ 391	\$	\$	\$ 616,449
Credit		35,656	7,026			42,682
Currencies		95,283	159			95,442
Commodities		17,969	689			18,658
Equities	10	53,731	478			54,219
Gross fair value of derivative assets	19	818,688	8,743			827,450
Counterparty and cash collateral netting		(679,871)	(2,568)	(1,660)	(88,850)	(772,949)
Fair value included in financial instruments owned	\$ 19	\$ 138,817	\$ 6,175	\$(1,660)	\$ (88,850)	\$ 54,501

Derivative Liabilities at Fair Value as of June 2015						
<i>\$ in millions</i>	Level 1	Level 2	Level 3	Cross-Level Netting	Cash Collateral Netting	Total
Interest rates	\$ 9	\$ 558,345	\$ 469	\$	\$	\$ 558,823
Credit		34,912	4,058			38,970

Currencies		99,590	308			99,898
Commodities		19,627	743			20,370
Equities	6	52,346	2,827			55,179
Gross fair value of derivative liabilities	15	764,820	8,405			773,240
Counterparty and cash collateral netting		(679,871)	(2,568)	(1,660)	(37,415)	(721,514)
Fair value included in financial instruments sold, but not yet purchased	\$ 15	\$ 84,949	\$ 5,837	\$(1,660)	\$ (37,415)	\$ 51,726

Derivative Assets at Fair Value as of December 2014

<i>\$ in millions</i>	Level 1	Level 2	Level 3	Cross-Level Netting	Cash Collateral Netting	Total
Interest rates	\$123	\$ 800,028	\$ 483	\$	\$	\$ 800,634
Credit		47,190	7,658			54,848
Currencies		109,891	150			110,041
Commodities		28,124	866			28,990
Equities	175	58,122	634			58,931
Gross fair value of derivative assets	298	1,043,355	9,791			1,053,444
Counterparty and cash collateral netting		(882,841)	(2,717)	(1,112)	(103,504)	(990,174)
Fair value included in financial instruments owned	\$298	\$ 160,514	\$ 7,074	\$(1,112)	\$(103,504)	\$ 63,270

Derivative Liabilities at Fair Value as of December 2014

<i>\$ in millions</i>	Level 1	Level 2	Level 3	Cross-Level Netting	Cash Collateral Netting	Total
Interest rates	\$ 14	\$ 739,332	\$ 523	\$	\$	\$ 739,869
Credit		46,026	4,128			50,154
Currencies		108,206	417			108,623
Commodities		26,538	2,008			28,546
Equities	94	56,546	2,009			58,649
Gross fair value of derivative liabilities	108	976,648	9,085			985,841
Counterparty and cash collateral netting		(882,841)	(2,717)	(1,112)	(36,155)	(922,825)
Fair value included in financial instruments sold, but not yet purchased	\$108	\$ 93,807	\$ 6,368	\$(1,112)	\$ (36,155)	\$ 63,016

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Notes to Condensed Consolidated Financial Statements**(Unaudited)****Level 3 Rollforward**

The tables below present changes in fair value for all derivatives categorized as level 3 as of the end of the period. In the tables below:

If a derivative was transferred to level 3 during a reporting period, its entire gain or loss for the period is included in level 3. Transfers between levels are reported at the beginning of the reporting period in which they occur.

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 as level 3.

Gains or losses that have been reported 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.

Level 3 Derivative Assets and Liabilities at Fair Value for the Three Months Ended June 2014

<i>\$ in millions</i>	Asset/ (liability) balance, beginning of period	Net realized gains/ (losses)	Net unrealized gains/(losses) relating to instruments still held at period-end	Purchases	Sales	Settlements	Transfers into level 3	Transfers out of level 3
Interest rates net	\$ (36)	\$(10)	\$ 17	\$ 4	\$ (4)	\$ (14)	\$ (45)	
Credit net	3,589	16	(332)	39	(75)	(205)	(49)	

Currencies net	(182)	(12)	10	14	(12)	32	13
Commodities net	(1,386)	21	136	4	(36)	18	(97)
Equities net	(774)	20	(28)	44	(1,507)	184	(4)
Total derivatives net	\$ 1,211	\$ 35¹	\$(197)¹	\$105	\$(1,634)	\$ 15	\$(182)

1. The aggregate amounts include gains/(losses) of approximately \$(168) million and \$6 million reported in Market making and Other principal transactions, respectively.

The net unrealized loss on level 3 derivatives of \$197 million for the three months ended June 2015 was primarily attributable to losses on certain credit derivatives, principally reflecting the impact of an increase in interest rates and changes in foreign exchange rates, partially offset by gains on certain commodity derivatives, primarily reflecting the impact of an increase in commodity prices.

Transfers into level 3 derivatives during the three months ended June 2015 reflected transfers of certain commodity derivative liabilities into level 3, principally due to unobservable volatility inputs becoming significant to the valuation of these derivatives.

Transfers out of level 3 derivatives during the three months ended June 2015 primarily reflected transfers of certain commodity derivative liabilities to level 2, principally due to increased transparency of oil and refined products spread inputs used to value these derivatives and transfers of certain equity derivative assets to level 2, principally due to unobservable inputs no longer being significant to the valuation of these derivatives.

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<i>\$ in millions</i>	Level 3 Derivative Assets and Liabilities at Fair Value for the Six Months Ended June 2015							Transfers into level 3	Transfers out of level 3
	Asset/ (liability) balance, beginning of period	Net realized gains/ (losses)	Net unrealized gains/(losses) relating to instruments still held at period-end	Purchases	Sales	Settlements	Net change		
Interest rates net	\$ (40)	\$ 17	\$ (4)	\$ 4	\$ (33)	\$ 9	\$ 15	\$ 1	
Credit net	3,530	134	3	97	(205)	(737)	261	1	
Currencies net	(267)	(51)	50	24	(17)	90	16	1	
Commodities net	(1,142)	29	55	27	(13)	(87)	(40)	1	
Equities net	(1,375)	49	(200)	80	(1,825)	872	(18)	1	
Total derivatives net	\$ 706	\$178¹	\$ (96)¹	\$232	\$(2,093)	\$ 147	\$234	\$ 1	

1. The aggregate amounts include gains/(losses) of approximately \$108 million and \$(26) million reported in Market making and Other principal transactions, respectively.

The net unrealized loss on level 3 derivatives of \$96 million for the six months ended June 2015 reflected losses on certain equity derivatives, primarily due to an increase in equity prices.

Transfers into level 3 derivatives during the six months ended June 2015 reflected transfers of certain credit derivative assets from level 2, principally due to unobservable credit spread inputs becoming significant to the valuation of certain credit derivatives and to the net risk of certain portfolios.

Transfers out of level 3 derivatives during the six months ended June 2015 reflected transfers of certain commodity derivative liabilities to level 2, principally due to increased transparency of oil and refined products spread inputs used to value these derivatives.

Level 3 Derivative Assets and Liabilities at Fair Value for the Three Months Ended June 2014

<i>\$ in millions</i>	Asset/ (liability) balance, beginning of period	Net realized gains/ (losses)	Net unrealized gains/(losses) relating to instruments still held at period-end	Purchases	Sales	Settlements	Transfers into level 3	Transfer out of level 3
Interest rates net	\$ (31)	\$ (10)	\$ (51)	\$ 2	\$ (6)	\$ 4	\$ (5)	\$ (3)
Credit net	3,958	26	233	122	(110)	(429)	195	(9)
Currencies net	(143)	(17)	(36)	2		120		(
Commodities net	43	5	(42)		(9)	(22)	(3)	2
Equities net	(1,883)	(25)	1,004	144	(1,110)	2	(23)	39
Total derivatives net	\$ 1,944	\$ (21) ¹	\$ 1,108 ¹	\$ 270	\$ (1,235)	\$ (325)	\$ 164	\$ 27

1. The aggregate amounts include gains/(losses) of approximately \$1.11 billion and \$(26) million reported in Market making and Other principal transactions, respectively.

The net unrealized gain on level 3 derivatives of \$1.11 billion for the three months ended June 2014 principally resulted from changes in observable inputs and was primarily attributable to the impact of an increase in equity prices on certain equity derivatives.

Transfers into level 3 derivatives during the three months ended June 2014 reflected transfers of certain credit derivative assets from level 2, principally due to unobservable credit spread inputs becoming significant to the valuation of these derivatives and reduced transparency of upfront credit point inputs used to value certain other credit derivatives.

Transfers out of level 3 derivatives during the three months ended June 2014 primarily reflected transfers of certain equity derivative liabilities to level 2, principally due to unobservable inputs no longer being significant to the valuation of these derivatives and transfers of certain credit derivatives to level 2, principally due to unobservable inputs no longer being significant to the net risk of certain portfolios.

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements**(Unaudited)**

Level 3 Derivative Assets and Liabilities at Fair Value for the Six Months Ended June 2014

<i>\$ in millions</i>	Asset/ (liability) balance, beginning of period	Net realized gains/ (losses)	Net unrealized gains/(losses) relating to instruments	Purchases	Sales	Settlements	Transfers into level 3	Transfers out of level 3
			still held at period-end					
Interest rates net	\$ (86)	\$(34)	\$ (83)	\$ 4	\$ (7)	\$ 81	\$ 13	\$ (17)
Credit net	4,176	69	564	90	(122)	(891)	117	(103)
Currencies net	(200)	(43)	(3)	6	(15)	177	(2)	(1)
Commodities net	60	64	(91)	10	(38)	39	(12)	(39)
Equities net	(959)	(33)	1,393	155	(2,210)	217	(45)	(17)
Total derivatives net	\$2,991	\$ 23 ¹	\$1,780 ¹	\$265	\$(2,392)	\$(377)	\$ 71	\$(177)

1. The aggregate amounts include gains/(losses) of approximately \$1.85 billion and \$(49) million reported in Market making and Other principal transactions, respectively.

The net unrealized gain on level 3 derivatives of \$1.78 billion for the six months ended June 2014 principally resulted from changes in observable inputs and was primarily attributable to the impact of an increase in equity prices on certain equity derivatives.

Transfers into level 3 derivatives during the six months ended June 2014 primarily reflected transfers from level 2 of certain credit derivative assets, principally due to reduced transparency of upfront credit point inputs used to value these derivatives.

Transfers out of level 3 derivatives during the six months ended June 2014 primarily reflected transfers of certain credit derivatives to level 2, principally due to unobservable inputs no longer being significant to the net risk of certain portfolios.

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/(loss), including hedges, attributable to the impact of changes in credit exposure and credit spreads (counterparty and the firm's) on derivatives was \$78 million and \$56 million for the three months ended June 2015 and June 2014, respectively, and \$(21) million and \$149 million for the six months ended June 2015 and June 2014, respectively.

Bifurcated Embedded Derivatives

The table below presents the fair value and the notional amount of derivatives that have been bifurcated from their related borrowings. 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.

<i>\$ in millions</i>	June	As of December
	2015	2014
Fair value of assets	\$ 394	\$ 390
Fair value of liabilities	850	690
Net liability	\$ 456	\$ 300
Notional amount	\$7,224	\$7,735

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Notes to Condensed Consolidated Financial Statements**(Unaudited)****OTC Derivatives**

The tables below present the fair values of OTC derivative assets and liabilities by tenor and major product type. In the tables below:

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 and cash collateral netting. Where the counterparty netting is across tenor categories, the netting is reflected in Cross-Tenor Netting.

OTC Derivative Assets as of June 2015						
<i>\$ in millions</i>	Less than 1 Year	1 - 5 Years	Greater than 5 Years	Cross-Tenor Netting	Cash Collateral Netting	Total
Interest rates	\$ 5,356	\$24,710	\$ 82,916	\$	\$	\$ 112,982
Credit	1,264	5,051	5,139			11,454
Currencies	13,188	8,910	6,321			28,419
Commodities	4,871	3,188	170			8,229
Equities	5,566	7,338	3,642			16,546
Counterparty and cash collateral netting	(3,557)	(6,755)	(4,961)	(21,686)	(88,850)	(125,809)
Total	\$26,688	\$42,442	\$ 93,227	\$(21,686)	\$ (88,850)	\$ 51,821

OTC Derivative Liabilities as of June 2015						
<i>\$ in millions</i>	Less than 1 Year	1 - 5 Years	Greater than 5 Years	Cross-Tenor Netting	Cash Collateral Netting	Total

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Interest rates	\$ 6,170	\$15,847	\$ 33,346	\$	\$	\$ 55,363
Credit	1,655	4,605	1,481			7,741
Currencies	14,128	9,369	9,211			32,708
Commodities	4,784	2,227	3,188			10,199
Equities	8,780	5,497	3,417			17,694
Counterparty and cash collateral netting	(3,557)	(6,755)	(4,961)	(21,686)	(37,415)	(74,374)
Total	\$31,960	\$30,790	\$ 45,682	\$(21,686)	\$ (37,415)	\$ 49,331

OTC Derivative Assets as of December 2014

<i>\$ in millions</i>	Less than 1 Year	1 - 5 Years	Greater than 5 Years	Cross-Tenor Netting	Cash Collateral Netting	Total
Interest rates	\$ 7,064	\$25,049	\$ 90,553	\$	\$	\$ 122,666
Credit	1,696	6,093	5,707			13,496
Currencies	17,835	9,897	6,386			34,118
Commodities	8,298	4,068	161			12,527
Equities	4,771	9,285	3,750			17,806
Counterparty and cash collateral netting	(4,479)	(7,016)	(4,058)	(20,819)	(103,504)	(139,876)
Total	\$35,185	\$47,376	\$102,499	\$(20,819)	\$(103,504)	\$ 60,737

OTC Derivative Liabilities as of December 2014

<i>\$ in millions</i>	Less than 1 Year	1 - 5 Years	Greater than 5 Years	Cross-Tenor Netting	Cash Collateral Netting	Total
Interest rates	\$ 7,001	\$17,649	\$ 37,242	\$	\$	\$ 61,892
Credit	2,154	4,942	1,706			8,802
Currencies	18,549	7,667	6,482			32,698
Commodities	5,686	4,105	2,810			12,601
Equities	7,064	6,845	3,571			17,480
Counterparty and cash collateral netting	(4,479)	(7,016)	(4,058)	(20,819)	(36,155)	(72,527)
Total	\$35,975	\$34,192	\$ 47,753	\$(20,819)	\$ (36,155)	\$ 60,946

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements**(Unaudited)****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 at the reporting date by counterparties in the event of a one-notch and two-notch downgrade in the firm's credit ratings.

	June	As of December
<i>\$ in millions</i>	2015	2014
Net derivative liabilities under bilateral agreements	\$30,199	\$35,764
Collateral posted	24,168	30,824
Additional collateral or termination payments for a one-notch downgrade	988	1,072
Additional collateral or termination payments for a two-notch downgrade	2,776	2,815
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 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.

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 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.

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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.

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 June 2015, written and purchased credit derivatives had total gross notional amounts of \$1.12 trillion and \$1.17 trillion, respectively, for total net notional purchased protection of \$49.33 billion. As of December 2014, written and purchased credit derivatives had total gross notional amounts of \$1.22 trillion and \$1.28 trillion, respectively, for total net notional purchased protection of \$59.35 billion. Substantially all of the firm's written and purchased credit derivatives are in the form of credit default swaps.

The table below presents certain information about credit derivatives. In the table below:

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.

Maximum Payout/Notional Amount	Maximum Payout/Notional
of Written Credit Derivatives by Tenor	Amount of Purchased

<i>\$ in millions</i>					Credit Derivatives		
	Less than 1 Year	1 - 5 Years	Greater than 5 Years	Total	Offsetting Purchased Credit Derivatives ¹	Other Purchased Credit Derivatives ²	
As of June 2015							
Credit spread on underlier							
(basis points)							
0 - 250	\$232,797	\$716,153	\$69,499	\$1,018,449	\$ 920,862	\$144,214	\$2
251 - 500	4,225	42,433	6,158	52,816	48,224	7,442	
501 - 1,000	3,025	13,071	1,513	17,609	15,374	3,438	
Greater than 1,000	6,691	22,282	1,669	30,642	26,147	3,140	
Total	\$246,738	\$793,939	\$78,839	\$1,119,516	\$1,010,607	\$158,234	\$2

As of December 2014

Credit spread on underlier

(basis points)							
0 - 250	\$261,591	\$775,784	\$68,830	\$1,106,205	\$1,012,874	\$152,465	\$2
251 - 500	7,726	37,255	5,042	50,023	41,657	8,426	
501 - 1,000	8,449	18,046	1,309	27,804	26,240	1,949	
Greater than 1,000	8,728	26,834	1,279	36,841	33,112	3,499	
Total	\$286,494	\$857,919	\$76,460	\$1,220,873	\$1,113,883	\$166,339	\$2

1. Offsetting purchased credit derivatives represent the notional amount of purchased credit derivatives that economically hedge written credit derivatives with identical underliers.

2. This purchased protection represents the notional amount of all other purchased credit derivatives not included in Offsetting Purchased Credit Derivatives.

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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 derivative hedge 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 derivative hedge 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. 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 (OIS)), 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 bank deposits, and the hedge ineffectiveness on these derivatives, which primarily consists of amortization of prepaid credit spreads resulting from the passage of time.

Six Months

<i>\$ in millions</i>	Three Months Ended June		Ended June	
	2015	2014	2015	2014
Interest rate hedges	\$(2,465)	\$ 361	\$(1,523)	\$ 856
Hedged borrowings and bank deposits	2,140	(583)	1,090	(1,204)
Hedge ineffectiveness	\$ (325)	\$(222)	\$ (433)	\$ (348)
Net Investment Hedges				

The firm seeks to reduce the impact of fluctuations in foreign exchange rates on its net investment 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* within the condensed consolidated statements of comprehensive income.

The table below presents the gains/(losses) from net investment hedging.

<i>\$ in millions</i>	Three Months Ended June		Six Months Ended June	
	2015	2014	2015	2014
Foreign currency forward contract hedges	\$(197)	\$(159)	\$247	\$(271)
Foreign currency-denominated debt hedges	29	(39)	31	(78)

The gain/(loss) related to ineffectiveness and the gain/(loss) reclassified to earnings from accumulated other comprehensive income/(loss) were not material for the three and six months ended June 2015 or June 2014.

As of June 2015 and December 2014, the firm had designated \$2.16 billion and \$1.36 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.

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Cash Flow Hedges

During 2013, the firm designated certain commodities-related swap and forward contracts as cash flow hedges. These swap and forward contracts hedged the firm's exposure to the variability in cash flows associated with the forecasted sales of certain energy commodities by one of the firm's consolidated investments. During the fourth quarter of 2014, the firm de-designated these swaps and forward contracts as cash flow hedges as it became probable that the hedged forecasted sales would not occur.

Prior to de-designation, the firm applied a statistical method that utilized regression analysis when assessing hedge effectiveness. A cash flow hedge was considered highly effective in offsetting changes in forecasted cash flows attributable to the hedged risk when the regression analysis resulted in a coefficient of determination of 80% or greater and a slope between 80% and 125%.

For qualifying cash flow hedges, the gains or losses on derivatives, to the extent effective, were included in Cash flow hedges within the condensed consolidated statements of comprehensive income. Such gains or losses were reclassified to Other principal transactions within the condensed consolidated statements of earnings when it became probable that the hedged forecasted sales would not occur. Gains or losses resulting from hedge ineffectiveness were included in Other principal transactions.

The effective portion of the gains recognized on these cash flow hedges, gains reclassified to earnings from accumulated other comprehensive income and gains related to hedge ineffectiveness were not material for the three and six months ended June 2014. There were no gains/(losses) excluded from the assessment of hedge effectiveness for the three and six months ended June 2014.

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, at fair value and Financial instruments sold, but not yet purchased, at fair value, the firm accounts for certain of its other financial assets and financial liabilities at fair value primarily 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 bifurcatable embedded derivatives and do not require settlement by physical delivery of non-financial 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.

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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;

Substantially all other secured financings, including transfers of assets accounted for as financings rather than sales;

Certain unsecured short-term borrowings, consisting of all promissory notes and commercial paper and certain hybrid financial instruments;

Certain unsecured long-term borrowings, including certain prepaid commodity transactions and certain 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 issued by consolidated VIEs.

These 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 as 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 June 2015 and December 2014, there were no level 3 resale agreements, securities borrowed or securities loaned. As of both June 2015 and December 2014, the firm's level 3 repurchase agreements were not material. See Note 10 for further information about collateralized agreements and financings.

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(Unaudited)

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 June 2015:

Funding spreads: 32 bps to 325 bps (weighted average: 196 bps)

Yield: 0.6% to 10.0% (weighted average: 2.6%)

Duration: 1.5 to 9.3 years (weighted average: 3.0 years)

As of December 2014:

Funding spreads: 210 bps to 325 bps (weighted average: 278 bps)

Yield: 1.1% to 10.0% (weighted average: 3.1%)

Duration: 0.7 to 3.8 years (weighted average: 2.6 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 instruments are included 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 are primarily comprised 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 June 2015 and December 2014, 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. See Note 14 for further information about deposits.

The firm's deposits that are included 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.

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements**(Unaudited)****Fair Value of Other Financial Assets and Financial Liabilities by Level**

The tables below present, by level within the fair value hierarchy, other financial assets and financial liabilities accounted for at fair value primarily under the fair value option.

<i>\$ in millions</i>	Other Financial Assets at Fair Value as of June 2015			
	Level 1	Level 2	Level 3	Total
Securities segregated for regulatory and other purposes ¹	\$12,429	\$ 4,966	\$	\$ 17,395
Securities purchased under agreements to resell		122,354		122,354
Securities borrowed		69,369		69,369
Receivables from customers and counterparties		5,672	42	5,714
Total	\$12,429	\$202,361	\$ 42	\$214,832

<i>\$ in millions</i>	Other Financial Liabilities at Fair Value as of June 2015			
	Level 1	Level 2	Level 3	Total
Deposits	\$	\$ 13,629	\$ 1,680	\$ 15,309
Securities sold under agreements to repurchase		87,560	82	87,642
Securities loaned		1,091		1,091
Other secured financings		21,058	1,479	22,537
Unsecured short-term borrowings		14,375	4,490	18,865
Unsecured long-term borrowings		16,538	3,462	20,000
Other liabilities and accrued expenses		40	1,145	1,185
Total	\$	\$154,291	\$12,338	\$166,629

<i>\$ in millions</i>	Other Financial Assets at Fair Value as of December 2014			
	Level 1	Level 2	Level 3	Total

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Securities segregated for regulatory and other purposes ¹	\$21,168	\$ 13,123	\$	\$ 34,291
Securities purchased under agreements to resell		126,036		126,036
Securities borrowed		66,769		66,769
Receivables from customers and counterparties		6,888	56	6,944
Total	\$21,168	\$212,816	\$ 56	\$234,040

Other Financial Liabilities at Fair Value as of December 2014

<i>\$ in millions</i>	Level 1	Level 2	Level 3	Total
Deposits	\$	\$ 12,458	\$ 1,065	\$ 13,523
Securities sold under agreements to repurchase		88,091	124	88,215
Securities loaned		765		765
Other secured financings		20,359	1,091	21,450
Unsecured short-term borrowings		15,114	3,712	18,826
Unsecured long-term borrowings		13,420	2,585	16,005
Other liabilities and accrued expenses		116	715	831
Total	\$	\$150,323	\$ 9,292	\$159,615

1. Includes securities segregated for regulatory and other purposes accounted for at fair value under the fair value option, which consists of securities borrowed and resale agreements. In addition, level 1 consists of U.S. Treasury securities segregated for regulatory and other purposes accounted for at fair value under other U.S. GAAP.

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

the three and six months ended June 2015 and June 2014. The tables below present information about transfers between level 2 and level 3.

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Level 3 Rollforward

The tables below present changes in fair value for other financial assets and financial liabilities accounted for at fair value categorized as level 3 as of the end of the period. In the tables below:

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 included in level 3.

Level 3 other financial assets and liabilities are frequently economically hedged with cash instruments and derivatives. Accordingly, gains or losses that are reported 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.

Level 3 Other Financial Assets at Fair Value for the Three Months Ended June 2015

	Balance, beginning of period	Net realized gains/ (losses)	Net unrealized gains/(losses) relating to instruments still held at period-end	Purchases	Sales	Issuances	Settlements	Transfers into level 3	Transfers out of level 3
	\$ 38	\$	\$	\$ 4	\$	\$	\$	\$	\$
	\$ 38	\$	\$	\$ 4	\$	\$	\$	\$	\$

Level 3 Other Financial Liabilities at Fair Value for the Three Months Ended June 2015

	Balance, beginning of period	Net realized (gains)/ losses	Net unrealized (gains)/losses relating to instruments still held at period-end	Purchases	Sales	Issuances	Settlements	Transfers into level 3	Transfers out of level 3
	\$ 1,350	\$ 2	\$ (74)	\$	\$	\$ 404	\$ (2)	\$	\$

sold

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	83		1		(2)		
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	1,066	8	25		250	(55)	235	(50)
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	4,009	(5)	78		1,503	(1,170)	189	(114)
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d

s

	2,903	1	(95)		934	(157)	44	(168)
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and

	878	(1)	276		1	(9)			
	\$10,289	\$ 5¹	\$211¹	\$	\$	\$3,092	\$(1,395)	\$468	\$(332)

1. The aggregate amounts include (gains)/losses of approximately \$(216) million, \$424 million and \$8 million reported in Market making, Other principal transactions and Interest expense, respectively.

The net unrealized loss on level 3 other financial liabilities of \$211 million for the three months ended June 2015 primarily reflected losses on certain subordinated liabilities included in other liabilities and accrued expenses, principally due to changes in the market value of the related underlying investments.

Transfers into level 3 of other financial liabilities during the three months ended June 2015 primarily reflected transfers of certain hybrid financial instruments included in other secured financings and unsecured short-term borrowings from level 2, principally due to reduced transparency of certain yield, correlation and volatility inputs used to value these instruments.

Transfers out of level 3 of other financial liabilities during the three months ended June 2015 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 correlation and volatility inputs used to value these instruments.

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

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(Unaudited)

Level 3 Other Financial Assets at Fair Value for the Six Months Ended June 2015

	Balance, beginning of period	Net realized gains/ (losses)	Net unrealized gains/(losses) relating to instruments still held at period-end	Purchases	Sales	Issuances	Settlements	Transfers into level 3	Transfers out level 3
customers	\$ 56	\$ 1	\$ (4)	\$ 4	\$	\$	\$ (22)	\$ 7	\$
s	\$ 56	\$ 1 ¹	\$ (4) ¹	\$ 4	\$	\$	\$ (22)	\$ 7	\$

1. The aggregate amounts include gains/(losses) of approximately \$1 million and \$(4) million included in Market making and Other principal transactions, respectively.

Level 3 Other Financial Liabilities at Fair Value for the Six Months Ended June 2015

	Balance, beginning of period	Net realized (gains)/ losses	Net unrealized (gains)/losses relating to instruments still held at period-end	Purchases	Sales	Issuances	Settlements	Transfers into level 3
<i>\$ in millions</i>								
Deposits	\$1,065	\$ 3	\$ (53)	\$	\$	\$ 703	\$ (38)	\$
Securities sold under agreements to repurchase	124		1				(43)	
Other secured financings	1,091	15	(20)			253	(227)	420
Unsecured short-term borrowings	3,712	5	167			1,936	(1,533)	564

Unsecured long-term borrowings	2,585	2	(137)			1,771	(633)	251
Other liabilities and accrued expenses	715		439			1	(10)	
Total	\$9,292	\$25¹	\$ 397¹	\$	\$	\$4,664	\$(2,484)	\$1,235

1. The aggregate amounts include (gains)/losses of approximately \$(215) million, \$621 million and \$16 million reported in Market making, Other principal transactions and Interest expense, respectively.

The net unrealized loss on level 3 other financial assets and liabilities of \$401 million (reflecting \$4 million of losses on other financial assets and \$397 million of losses on other financial liabilities) for the six months ended June 2015 primarily reflected losses on certain subordinated liabilities included in other liabilities and accrued expenses, principally due to changes in the market value of the related underlying investments, and certain hybrid financial instruments included in unsecured short-term borrowings, principally due to an increase in equity prices, partially offset by gains on certain hybrid financial instruments included in unsecured long-term borrowings, principally due to the impact of wider credit spreads and changes in interest and foreign exchange rates.

Transfers into level 3 of other financial liabilities during the six months ended June 2015 reflected transfers of certain hybrid financial instruments included in unsecured short-term and long-term borrowings and other secured financings from level 2, principally due to reduced transparency of certain correlation, volatility and yield inputs used to value these instruments and transfers from level 3 unsecured long-term borrowings to level 3 unsecured short-term borrowings, as these borrowings neared maturity.

Transfers out of level 3 of other financial liabilities during the six months ended June 2015 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 correlation and volatility inputs used to value these instruments and transfers to level 3 unsecured short-term borrowings from level 3 unsecured long-term borrowings, as these borrowings neared maturity.

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements**(Unaudited)**

Level 3 Other Financial Assets at Fair Value for the Three Months Ended June 2014
Net unrealized

	Balance, beginning of period	Net realized gains/ (losses)	relating to instruments still held at period-end	Purchases	Sales	Issuances	Settlements	Transfers into level 3	Transfers out of level 3	Balance, ending of period
Deposits	\$ 63	\$	\$	\$	\$	\$	\$ (13)	\$	\$	\$ 63
Securities purchased under agreements	34	1		22			(2)			57
	\$ 97	\$ 1 ¹	\$	\$22	\$	\$	\$ (15)	\$	\$	\$ 113

1. Included in Market making.

Level 3 Other Financial Liabilities at Fair Value for the Three Months Ended June 2014
Net unrealized

	Balance, beginning of period	Net realized (gains)/ losses	relating to instruments still held at period-end	Purchases	Sales	Issuances	Settlements	Transfers into level 3	Transfers out of level 3	Balance, ending of period
Deposits	\$ 435	\$	\$ 10	\$	\$	\$ 82	\$ (2)	\$	\$	\$ 505
Securities sold under agreements	785		2				(232)			555

to
repurchase

Other secured financings	1,132	5	(6)		15	(99)	
Unsecured short-term borrowings	3,392	4	121	(3)	321	(468)	332
Unsecured long-term borrowings	1,789	11	12	(2)	322	(104)	238
Other liabilities and accrued expenses	333	4	94			1	
Total	\$7,866	\$24 ¹	\$233 ¹	\$ (5)	\$ 740	\$(904)	\$570

1. The aggregate amounts include losses of approximately \$113 million, \$138 million and \$6 million reported in Market making, Other principal transactions and Interest expense, respectively.

The net unrealized loss on level 3 other financial liabilities of \$233 million for the three months ended June 2014 primarily reflected losses on certain hybrid financial instruments included in unsecured short-term borrowings, principally due to an increase in global equity prices, and certain subordinated liabilities included in other liabilities and accrued expenses, principally due to changes in the market value of the related underlying investments.

Transfers into level 3 of other financial liabilities during the three months ended June 2014 primarily reflected transfers of certain hybrid financial instruments included in unsecured short-term and long-term borrowings from level 2, principally due to unobservable inputs being significant to the valuation of these instruments.

Transfers out of level 3 of other financial liabilities during the three months ended June 2014 primarily reflected transfers of certain hybrid financial instruments included in unsecured short-term borrowings to level 2, principally due to unobservable inputs not being significant to the valuation of these instruments.

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements**(Unaudited)**

<i>\$ in millions</i>	Level 3 Other Financial Assets at Fair Value for the Six Months Ended June 2014							
	Balance, beginning of period	Net realized gains/(losses)	Net unrealized gains/(losses) relating to instruments still held at period-end	Purchases	Sales	Issuances	Settlements	Transfers into level 3
Securities purchased under agreements to resell	\$ 63	\$	\$	\$	\$	\$	\$ (13)	\$
Receivables from customers and counterparties	235	1	3	22			(26)	
Total	\$ 298	\$ 1¹	\$ 3¹	\$ 22	\$	\$	\$ (39)	\$

1. The aggregate amounts include gains of approximately \$4 million reported in Market making.

<i>\$ in millions</i>	Level 3 Other Financial Liabilities at Fair Value for the Six Months Ended June 2014							
	Balance, beginning of period	Net realized (gains)/losses	Net unrealized (gains)/losses relating to instruments still held at period-end	Purchases	Sales	Issuances	Settlements	Transfers into level 3
Deposits	\$ 385	\$	\$ 16	\$	\$	\$ 128	\$ (4)	\$
Securities sold under agreements to repurchase	1,010		2				(457)	

Other secured financings	1,019	9	(6)		407	(231)	29
Unsecured short-term borrowings	3,387	8	79	(3)	1,033	(1,239)	500
Unsecured long-term borrowings	1,837	20	42	(2)	448	(203)	905
Other liabilities and accrued expenses	26	5	100				301
Total	\$7,664	\$42 ¹	\$233 ¹	\$ (5)	\$ 2,016	\$(2,134)	\$1,735

1. The aggregate amounts include losses of approximately \$120 million, \$144 million and \$11 million reported in Market making, Other principal transactions and Interest expense, respectively.

The net unrealized loss on level 3 other financial assets and liabilities of \$230 million (reflecting \$3 million of gains on other financial assets and \$233 million of losses on other financial liabilities) for the six months ended June 2014 primarily reflected losses on certain subordinated liabilities included in other liabilities and accrued expenses, principally due to changes in the market value of the related underlying investments, and certain hybrid financial instruments included in unsecured short-term borrowings, principally due to an increase in global equity prices.

Transfers out of level 3 of other financial assets during the six months ended June 2014 primarily reflected transfers of certain secured loans included in receivables from customers and counterparties to level 2, principally due to unobservable inputs not being significant to the net risk of the portfolio.

Transfers into level 3 of other financial liabilities during the six months ended June 2014 primarily reflected transfers of certain hybrid financial instruments included in unsecured short-term and long-term borrowings from level 2, principally due to unobservable inputs being significant to the valuation of these instruments.

Transfers out of level 3 of other financial liabilities during the six months ended June 2014 primarily reflected transfers of certain hybrid financial instruments included in unsecured short-term and long-term borrowings to level 2, principally due to unobservable inputs not being significant to the valuation of these instruments.

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements**(Unaudited)****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 as a result of the firm electing to apply the fair value option to certain financial assets and financial liabilities. These gains and losses are included in Market making and Other principal transactions. The table below also includes gains and losses on the embedded derivative component of hybrid financial instruments included in unsecured short-term borrowings, unsecured long-term borrowings and deposits. 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.

The amounts in the table 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.

<i>\$ in millions</i>	Gains/(Losses) on Financial Assets and Financial Liabilities at			
	Fair Value Under the Fair Value Option Three Months		Fair Value Under the Fair Value Option Six Months	
	Ended June		Ended June	
	2015	2014	2015	2014
Unsecured short-term borrowings ¹	\$(193)	\$ (723)	\$(898)	\$ (800)
Unsecured long-term borrowings ²	539	(500)	473	(776)
Other liabilities and accrued expenses ³	(275)	(98)	(439)	(79)
Other ⁴	162	(115)	(62)	(114)
Total	\$ 233	\$(1,436)	\$(926)	\$(1,769)

1. Includes losses on the embedded derivative component of hybrid financial instruments of \$216 million and \$698 million for the three months ended June 2015 and June 2014, respectively, and \$911 million and \$766 million for the six months ended June 2015 and June 2014, respectively.

2. Includes gains/(losses) on the embedded derivative component of hybrid financial instruments of \$566 million and \$(490) million for the three months ended June 2015 and June 2014, respectively, and \$533 million and \$(775) million for the six months ended June 2015 and June 2014, respectively.

3. Includes gains/(losses) on certain subordinated liabilities issued by consolidated VIEs.

4. Primarily consists of gains/(losses) on securities borrowed, 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, at fair value and Financial instruments sold, but not yet purchased, at fair value.

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 June 2015	December 2014
Performing loans and long-term receivables		
Aggregate contractual principal in excess of the related fair value	\$ 888	\$ 1,699
Loans on nonaccrual status and/or more than 90 days past due ¹		
Aggregate contractual principal in excess of the related fair value (excluding loans carried at zero fair value and considered uncollectible)	12,191	13,106
Aggregate fair value of loans on nonaccrual status and/or more than 90 days past due	3,131	3,333

1. The aggregate contractual principal amount of these loans exceeds the related fair value primarily because the firm regularly purchases loans, such as distressed loans, at values significantly below contractual principal amounts. As of June 2015 and December 2014, the fair value of unfunded lending commitments for which the fair value option was elected was a liability of \$214 million and \$402 million, respectively, and the related total contractual amount of these lending commitments was \$18.90 billion and \$26.19 billion, respectively. See Note 18 for further information about lending commitments.

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements**(Unaudited)****Long-Term Debt Instruments**

The aggregate contractual principal amount of long-term other secured financings for which the fair value option was elected exceeded the related fair value by \$96 million and \$203 million as of June 2015 and December 2014, respectively. The aggregate contractual principal amount of unsecured long-term borrowings for which the fair value option was elected exceeded the related fair value by \$405 million and \$163 million as of June 2015 and December 2014, 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 \$295 million and \$597 million for the three months ended June 2015 and June 2014, respectively, and \$670 million and \$1.21 billion for the six months ended June 2015 and June 2014, respectively. Changes in the fair value of loans and lending commitments are primarily attributable to changes in instrument-specific credit spreads. Substantially all of the firm's performing loans and lending commitments are floating-rate.

Impact of Credit Spreads on Borrowings

The table below presents the net gains/(losses) attributable to the impact of changes in the firm's own credit spreads on borrowings for which the fair value option was elected. The firm calculates the fair value of borrowings by discounting future cash flows at a rate which incorporates the firm's credit spreads.

<i>\$ in millions</i>	Three Months Ended June		Six Months Ended June	
	2015	2014	2015	2014
Net gains/(losses) including hedges	\$185	\$(19)	\$141	\$(4)
Net gains/(losses) excluding hedges	186	(20)	141	(6)

Note 9.**Loans Receivable**

Loans receivable is comprised of loans held for investment that are accounted for at amortized cost net of allowance for loan losses. Interest on such loans 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 June	December 2014
	2015	
Corporate loans	\$18,843	\$15,044
Loans to private wealth management clients	13,084	11,289
Loans backed by commercial real estate	2,890	1,705
Other loans	3,854	1,128
Subtotal	38,671	29,166
Allowance for loan losses	(274)	(228)
Total loans receivable	\$38,397	\$28,938

As of June 2015 and December 2014, the fair value of loans receivable was \$38.26 billion and \$28.90 billion, respectively. As of June 2015, had these loans been carried at fair value and included in the fair value hierarchy, \$18.17 billion and \$20.09 billion would have been classified in level 2 and level 3, respectively. As of December 2014, had these loans been carried at fair value and included in the fair value hierarchy, \$13.75 billion and \$15.15 billion would have been classified in level 2 and level 3, respectively.

The firm also extends lending commitments that are held for investment and accounted for on an accrual basis. As of June 2015 and December 2014, such lending commitments were \$87.56 billion and \$66.22 billion, respectively, substantially all of which were extended to corporate borrowers. The carrying value and the estimated fair value of such lending commitments were liabilities of \$245 million and \$2.20 billion, respectively, as of June 2015, and \$199 million and \$1.86 billion, respectively, as of December 2014. Had these commitments been included in the firm's fair value hierarchy, they would have primarily been classified in level 3 as of both June 2015 and December 2014.

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Below is a description of the captions in the table above.

Corporate Loans. Corporate loans include 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. The majority of these loans have maturities between one year and five years and carry a floating interest rate.

Loans to Private Wealth Management Clients. Loans to the firm's private wealth management clients include 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. The majority of these loans are demand or short-term loans and carry a floating interest rate.

Loans Backed by Commercial Real Estate. Loans backed by commercial real estate include loans collateralized by hotels, retail stores, multifamily housing complexes and commercial and industrial properties. The majority of these loans have maturities between one year and five years and carry a floating interest rate.

Other Loans. Other loans primarily include loans secured by consumer loans, residential real estate and other assets. The majority of these loans have maturities between one year and five years and carry a floating interest rate.

Credit Quality

The firm's risk assessment process includes evaluating the credit quality of its loans receivable. 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.

As of June 2015 and December 2014, loans receivable were primarily extended to non-investment-grade borrowers and lending commitments held for investment and accounted for on an accrual basis were primarily extended to investment-grade borrowers. Substantially all of these loans and lending commitments align with the U.S. federal bank regulatory agencies' definition of Pass. Loans and lending commitments meet the definition of Pass when they are performing and/or do not demonstrate adverse characteristics that are likely to result in a credit loss.

Impaired Loans and Loans on Non-Accrual Status

A loan is 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 placed on non-accrual 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. As of June 2015 and December 2014, impaired loans receivable in non-accrual status were not material.

Allowance for Losses on Loans and Lending Commitments

The firm's allowance for loan losses is comprised of two components: specific loan level reserves and a collective, portfolio level reserve. Specific loan level reserves are determined on loans that exhibit credit quality weakness and are therefore individually evaluated for impairment. Portfolio level reserves are determined on the remaining loans, not deemed impaired, by aggregating groups of loans with similar risk characteristics and estimating the probable loss inherent in the portfolio. As of June 2015 and December 2014, substantially all of the firm's loans receivable were evaluated for impairment at the portfolio level.

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The allowance for loan losses is determined using various inputs, 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. Management's estimate of loan losses entails judgment about loan collectability based on information 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 in the condensed consolidated statements of financial condition. As of June 2015 and December 2014, substantially all of such lending commitments were evaluated for impairment at the portfolio level.

The tables below present changes in the allowance for loan losses and the allowance for losses on lending commitments.

\$ in millions

	Six Months Ended	Year Ended
	June 2015	December 2014
Allowance for loan losses		
Balance, beginning of period	\$228	\$139
Charge-offs	(1)	(3)
Provision for loan losses	47	92
Balance, end of period	\$274	\$228

\$ in millions

	Six Months Ended	Year Ended
	June 2015	December 2014
Allowance for losses on		
lending commitments		
Balance, beginning of period	\$ 86	\$ 57
Provision for losses on lending commitments	47	29
Balance, end of period	\$133	\$ 86

The provision for losses on loans and lending commitments is included in Other principal transactions in the condensed consolidated statements of earnings. As of June 2015 and December 2014, substantially all of the allowance for loan losses and allowance for losses on lending commitments were related to corporate loans and corporate lending commitments. Substantially all of these allowances were determined at the portfolio level.

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>	June 2015	As of December 2014
Securities purchased under agreements to resell ¹	\$123,619	\$127,938
Securities borrowed ²	177,978	160,722
Securities sold under agreements to repurchase ¹	87,642	88,215
Securities loaned ²	7,262	5,570

1. 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.

2. As of June 2015 and December 2014, \$69.37 billion and \$66.77 billion of securities borrowed, and \$1.09 billion and \$765 million of securities loaned were at fair value, respectively.

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

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.

The financial instruments purchased or sold in resale and repurchase agreements typically include U.S. government and federal 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 condensed consolidated statements of financial condition.

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 at the maturity of the agreement. A repo-to-maturity is a transaction in which the firm transfers a security under an agreement to repurchase the security where the maturity date of the repurchase agreement matches the maturity date of the underlying security. Prior to January 2015, repos-to-maturity were accounted for as sales. The firm had no repos-to-maturity as of June 2015 and December 2014. See Note 3 for information about changes to the accounting for repos-to-maturity which became effective in January 2015.

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 Fixed Income, Currency and Commodities 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 arrangements generally can be terminated on demand, they exhibit little, if any, sensitivity to changes in interest rates. Therefore, the carrying value of such arrangements approximates fair value. While these arrangements 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 arrangements been included in the firm's fair value hierarchy, they would have been classified in level 2 as of June 2015 and December 2014.

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements**(Unaudited)****Offsetting Arrangements**

The tables below present the gross and net resale and repurchase agreements and securities borrowed and loaned transactions, and the related amount of counterparty netting included in the condensed consolidated statements of financial condition. The tables below also present the amounts not offset in the condensed consolidated statements of financial condition including 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.

<i>\$ in millions</i>	As of June 2015			
	Assets		Liabilities	
	Resale agreements	Securities borrowed	Repurchase agreements	Securities loaned
Amounts included in the condensed consolidated statements of financial condition				
Gross carrying value	\$ 160,793	\$ 182,946	\$ 121,568	\$ 10,512
Counterparty netting	(33,926)	(3,250)	(33,926)	(3,250)
Total	126,867¹	179,696¹	87,642	7,262
Amounts not offset in the condensed consolidated statements of financial condition				
Counterparty netting	(3,305)	(1,222)	(3,305)	(1,222)
Collateral	(119,066)	(168,915)	(79,337)	(5,606)
Total	\$ 4,496	\$ 9,559	\$ 5,000	\$ 434

<i>\$ in millions</i>	As of December 2014			
	Assets		Liabilities	
	Resale agreements	Securities borrowed	Repurchase agreements	Securities loaned
Amounts included in the condensed consolidated statements of financial condition				
Gross carrying value	\$ 160,644	\$ 171,384	\$ 114,879	\$ 9,150
Counterparty netting	(26,664)	(3,580)	(26,664)	(3,580)

Total	133,980 ¹	167,804 ¹	88,215	5,570
Amounts not offset in the condensed consolidated statements of financial condition				
Counterparty netting	(3,834)	(641)	(3,834)	(641)
Collateral	(124,528)	(154,058)	(78,457)	(4,882)
Total	\$ 5,618	\$ 13,105	\$ 5,924	\$ 47

1. As of June 2015 and December 2014, the firm had \$3.25 billion and \$6.04 billion, respectively, of securities received under resale agreements, and \$1.72 billion and \$7.08 billion, respectively, of securities borrowed transactions that were segregated to satisfy certain regulatory requirements. These securities are included in Cash and securities segregated for regulatory and other purposes.

In the tables 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.

Gross Carrying Value of Repurchase Agreements and Securities Loaned

The tables below present the gross carrying value of repurchase agreements and securities loaned by class of collateral pledged.

<i>\$ in millions</i>	As of June 2015	
	Repurchase agreements	Securities loaned
Commercial paper, certificates of deposit, time deposits and other money market instruments	\$ 1,168	\$
U.S. government and federal agency obligations	57,771	296
Non-U.S. government and agency obligations	29,602	3,177
Mortgage and other asset-backed securities:		
Securities backed by commercial real estate	493	
Securities backed by residential real estate	1,851	
Corporate debt securities	6,765	47
State and municipal obligations	534	
Other debt obligations	487	

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Equities and convertible debentures	22,897	6,992
Total	\$121,568	\$10,512

<i>\$ in millions</i>	As of December 2014	
	Repurchase agreements	Securities loaned
Commercial paper, certificates of deposit, time deposits and other money market instruments	\$ 900	\$
U.S. government and federal agency obligations	56,788	123
Non-U.S. government and agency obligations	27,169	3,463
Mortgage and other asset-backed securities:		
Securities backed by commercial real estate	419	
Securities backed by residential real estate	1,574	
Corporate debt securities	8,028	26
State and municipal obligations	984	
Other debt obligations	562	
Equities and convertible debentures	18,455	5,538
Total	\$114,879	\$ 9,150

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The table below presents the gross carrying value of repurchase agreements and securities loaned by maturity date.

<i>\$ in millions</i>	As of June 2015	
	Repurchase agreements	Securities loaned
No stated maturity and overnight	\$ 41,661	\$ 7,797
2 - 30 days	31,197	1,636
31 - 90 days	14,668	
91 days - 1 year	26,751	1,079
Greater than 1 year	7,291	
Total	\$121,568	\$10,512

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 holders 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 include arrangements that are nonrecourse. As of June 2015 and December 2014, nonrecourse other secured financings were \$2.81 billion and \$1.94 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 June 2015 and December 2014.

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The tables below present information about other secured financings.

<i>\$ in millions</i>	As of June 2015		Total
	U.S. Dollar	Non-U.S. Dollar	
Other secured financings (short-term):			
At fair value	\$ 7,156	\$ 4,971	\$12,127
At amortized cost	20	100	120
<i>Weighted average interest rates</i>	3.05%	7.38%	
Other secured financings (long-term):			
At fair value	5,593	4,817	10,410
At amortized cost	751	544	1,295
<i>Weighted average interest rates</i>	2.88%	1.77%	
Total ¹	\$13,520	\$10,432	\$23,952
Amount of other secured financings collateralized by:			
Financial instruments ²	\$12,702	\$ 9,195	\$21,897
Other assets	818	1,237	2,055
<i>\$ in millions</i>	As of December 2014		Total
	U.S. Dollar	Non-U.S. Dollar	
Other secured financings (short-term):			
At fair value	\$ 7,887	\$ 7,668	\$15,555
At amortized cost	5		5
<i>Weighted average interest rates</i>	4.33%	%	
Other secured financings (long-term):			
At fair value	3,290	2,605	5,895

At amortized cost	580	774	1,354
<i>Weighted average interest rates</i>	<i>2.69%</i>	<i>2.31%</i>	
Total ¹	\$11,762	\$11,047	\$22,809
Amount of other secured financings collateralized by:			
Financial instruments ²	\$11,460	\$10,483	\$21,943
Other assets	302	564	866

1. Includes \$340 million and \$974 million related to transfers of financial assets accounted for as financings rather than sales as of June 2015 and December 2014, respectively. Such financings were collateralized by financial assets included in Financial instruments owned, at fair value of \$343 million and \$995 million as of June 2015 and December 2014, respectively.

2. Includes \$11.89 billion and \$10.24 billion of other secured financings collateralized by financial instruments owned, at fair value as of June 2015 and December 2014, respectively, and includes \$10.01 billion and \$11.70 billion of other secured financings collateralized by financial instruments received as collateral and repledged as of June 2015 and December 2014, respectively.

In the tables above:

Short-term secured financings include 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 exclude secured financings at fair value and include the effect of hedging activities. See Note 7 for further information about hedging activities.

The table below presents other secured financings by maturity date.

<i>\$ in millions</i>	As of June 2015
Other secured financings (short-term)	\$12,247
Other secured financings (long-term):	
2016	4,057
2017	3,126
2018	2,178
2019	1,078
2020	858
2021 - thereafter	408
Total other secured financings (long-term)	11,705

Total other secured financings

\$23,952

In the table above:

Long-term secured financings that are repayable prior to maturity at the option of the firm are reflected at their contractual maturity dates.

Long-term secured financings that are redeemable prior to maturity at the option of the holders 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 federal agency, other sovereign and corporate obligations, as well as equities and convertible debentures) 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.

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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, at fair value in connection with repurchase agreements, securities loaned transactions and other secured financings, and other assets (primarily 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 June 2015	December 2014
Collateral available to be delivered or repledged ¹	\$665,251	\$630,046
Collateral that was delivered or repledged	502,847	474,057

1. As of June 2015 and December 2014, amounts exclude \$3.25 billion and \$6.04 billion, respectively, of securities received under resale agreements, and \$1.72 billion and \$7.08 billion, respectively, of securities borrowed transactions that contractually had the right to be delivered or repledged, but were segregated to satisfy certain regulatory requirements.

The table below presents information about assets pledged.

<i>\$ in millions</i>	As of June 2015	December 2014
Financial instruments owned, at fair value pledged to counterparties that:		
Had the right to deliver or repledge	\$ 57,529	\$ 64,473
Did not have the right to deliver or repledge	64,367	68,027

Other assets pledged to counterparties that:

Did not have the right to deliver or repledge	2,638	1,304
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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 substantially all in connection with government agency securitizations.

Beneficial interests issued by securitization entities are debt or equity securities 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 assets. Prior to securitization, the firm 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 assets that are not accounted for as sales, the assets remain in Financial instruments owned, at fair value 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.

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Notes to Condensed Consolidated Financial Statements**(Unaudited)**

The firm generally receives cash in exchange for the transferred assets but may also have continuing involvement with transferred assets, including ownership of beneficial interests in securitized financial assets, primarily in the form of senior or subordinated securities. 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 are accounted for at fair value, are included in Financial instruments owned, at fair value and are substantially all classified in level 2 of the fair value hierarchy. 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.

<i>\$ in millions</i>	Three Months		Six Months	
	Ended June		Ended June	
	2015	2014	2015	2014
Residential mortgages	\$4,921	\$5,477	\$ 9,531	\$11,698
Commercial mortgages	4,130	1,040	5,380	1,040
Other financial assets		481		481
Total	\$9,051	\$6,998	\$14,911	\$13,219
Cash flows on retained interests	\$ 66	\$ 114	\$ 117	\$ 177

The tables below present 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	As of June 2015	
		Fair Value of Retained Interests	Fair Value of Purchased Interests
U.S. government agency-issued collateralized	\$45,223	\$1,370	\$

mortgage obligations			
Other residential mortgage-backed	2,369	176	
Other commercial mortgage-backed	7,164	123	55
CDOs, CLOs and other	2,932	48	9
Total	\$57,688	\$1,717	\$64

<i>\$ in millions</i>	As of December 2014		
	Outstanding Principal Amount	Fair Value of Retained Interests	Fair Value of Purchased Interests
U.S. government agency-issued collateralized mortgage obligations	\$56,792	\$2,140	\$
Other residential mortgage-backed	2,273	144	5
Other commercial mortgage-backed	3,313	86	45
CDOs, CLOs and other	4,299	59	17
Total	\$66,677	\$2,429	\$67

In the tables above:

The outstanding principal amount is presented for the purpose of providing information about the size of the securitization entities in which the firm has continuing involvement and is not representative of the firm's risk of loss.

For retained or purchased interests, the firm's risk of loss is limited to the fair 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.

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In addition, the outstanding principal and fair value of retained interests in the tables above relate to the following types of securitizations and vintage as described:

The outstanding principal amount and fair value of retained interests for U.S. government agency-issued collateralized mortgage obligations as of June 2015 primarily relate to securitizations during 2015 and 2014, and as of December 2014 primarily relate to securitizations during 2014 and 2013.

The outstanding principal amount and fair value of retained interests for other residential mortgage-backed obligations as of June 2015 primarily relate to resecuritizations during 2015 and 2014, and prime and Alt-A securitizations during 2007, and as of December 2014 primarily relate to resecuritizations during 2014, and prime and Alt-A securitizations during 2007.

The outstanding principal amount and fair value of retained interests for other commercial mortgage-backed obligations as of June 2015 primarily relate to securitizations during 2015 and 2014, and as of December 2014 primarily relate to securitizations during 2014.

The outstanding principal amount and fair value of retained interests for CDOs, CLOs and other as of June 2015 primarily relate to securitizations during 2014 and 2007, and as of December 2014 primarily relate to securitizations during 2014 and 2007.

In addition to the interests in the tables above, the firm had other continuing involvement in the form of derivative transactions with certain nonconsolidated VIEs. The carrying value of these derivatives was a net asset of \$110 million and \$115 million as of June 2015 and December 2014, respectively. The notional amounts of these derivatives are included in maximum exposure to loss in the nonconsolidated VIE table in Note 12.

The tables below present the weighted average key economic assumptions used in measuring the fair value of 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 June 2015	
	Type of Retained Interests Mortgage-Backed	Other ¹
Fair value of retained interests	\$ 1,669	\$ 48
Weighted average life (years)	8.6	3.8
Constant prepayment rate	10.4%	N.M.

Impact of 10% adverse change	\$	(28)	N.M.
Impact of 20% adverse change		(52)	N.M.
Discount rate		4.9%	N.M.
Impact of 10% adverse change	\$	(43)	N.M.
Impact of 20% adverse change		(84)	N.M.
<p style="text-align: center;">As of December 2014 Type of Retained Interests</p>			
<i>\$ in millions</i>		Mortgage-Backed	Other ¹
Fair value of retained interests	\$	2,370	\$ 59
Weighted average life (years)		7.6	3.6
Constant prepayment rate		13.2%	N.M.
Impact of 10% adverse change	\$	(33)	N.M.
Impact of 20% adverse change		(66)	N.M.
Discount rate		4.1%	N.M.
Impact of 10% adverse change	\$	(50)	N.M.
Impact of 20% adverse change		(97)	N.M.

1. Due to the nature and current 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 June 2015 and December 2014. The firm's maximum exposure to adverse changes in the value of these interests is the carrying value of \$48 million and \$59 million as of June 2015 and December 2014, respectively.

In the tables 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.

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Note 12.

Variable Interest Entities

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 additional 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.

The firm is principally involved with VIEs through the following business activities:

Mortgage-Backed VIEs and Corporate CDO and CLO VIEs. The firm sells residential and commercial mortgage loans and securities to mortgage-backed VIEs and corporate bonds and loans to corporate CDO and CLO VIEs and may retain beneficial interests in the assets sold to these VIEs. The firm purchases and sells beneficial interests issued by mortgage-backed and corporate CDO and CLO 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 from derivatives with these VIEs.

Certain mortgage-backed and corporate CDO and CLO VIEs, usually referred to as synthetic CDOs or credit-linked note VIEs, synthetically create the exposure for the beneficial interests they issue by entering into credit derivatives, rather than purchasing the underlying assets. These credit derivatives may reference a single asset, an index, or a portfolio/basket of assets or indices. See Note 7 for further information about credit derivatives. These VIEs use the funds from the sale of beneficial interests and the premiums received from credit derivative counterparties to purchase securities which serve to collateralize the beneficial interest holders and/or the credit derivative counterparty. These VIEs may enter into other derivatives, primarily interest rate swaps, which are typically not variable interests. The firm may be a counterparty to derivatives with these VIEs and generally enters into derivatives with other counterparties to mitigate its risk.

Real Estate, Credit-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 and equity securities. The firm typically does not sell assets to, or enter into derivatives with, these VIEs.

Other Asset-Backed VIEs. The firm structures VIEs that issue notes to clients, and purchases and sells beneficial interests issued by other asset-backed VIEs in connection with market-making activities. In addition, the firm may enter into derivatives with certain other asset-backed VIEs, primarily total return swaps on the collateral assets held by

these VIEs under which the firm pays the VIE the return due to the note holders and receives the return on the collateral assets owned by the VIE. The firm generally can be removed as the total return swap counterparty. The firm generally enters into derivatives with other counterparties to mitigate its risk from derivatives with these VIEs. The firm typically does not sell assets to the 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 the risk it has from the derivatives it enters into with these VIEs. The firm also obtains funding through these VIEs.

Other VIEs. Other primarily includes nonconsolidated power-related and investment fund VIEs. The firm purchases debt and equity securities issued by VIEs that hold power-related assets, and may provide commitments to these VIEs. The firm also 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.

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(Unaudited)

VIE Consolidation Analysis

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) in a VIE 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 in residential and commercial mortgage-backed and other asset-backed securitization entities, CDOs and CLOs; 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.

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 initial 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.

Nonconsolidated VIEs

The table below presents information about nonconsolidated VIEs in which the firm holds variable interests.

<i>\$ in millions</i>	Nonconsolidated VIEs as of	
	June 2015	December 2014
Mortgage-backed¹		
Assets in VIE	\$66,446	\$ 78,107
Carrying value of variable interests - assets	3,072	4,348
Maximum Exposure to Loss		
Retained interests	1,669	2,370
Purchased interests	1,402	1,978
Derivatives	222	392
Total	\$ 3,293	\$ 4,740
Corporate CDOs and CLOs		
Assets in VIE	\$ 7,586	\$ 8,317
Carrying value of variable interests - assets	575	463
Carrying value of variable interests - liabilities	3	3
Maximum Exposure to Loss		
Retained interests	3	4
Purchased interests	275	184
Derivatives	2,204	2,053
Total	\$ 2,482	\$ 2,241
Real estate, credit-related and other investing		
Assets in VIE	\$ 9,414	\$ 8,720
Carrying value of variable interests - assets	3,349	3,051
Carrying value of variable interests - liabilities	2	3
Maximum Exposure to Loss		
Commitments and guarantees	541	604

Loans and investments	3,349	3,051
Total	\$ 3,890	\$ 3,655

Other asset-backed

Assets in VIE	\$ 5,000	\$ 8,253
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Carrying value of variable interests - assets	236	509
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Carrying value of variable interests - liabilities	67	16
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Maximum Exposure to Loss

Retained interests	45	55
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Purchased interests	87	322
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Commitments and guarantees	213	213
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Derivatives	3,507	3,221
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Total	\$ 3,852	\$ 3,811
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Other

Assets in VIE	\$ 4,562	\$ 5,677
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Carrying value of variable interests - assets	269	290
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Maximum Exposure to Loss

Commitments and guarantees	327	307
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Derivatives	6	88
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Loans and investments	269	290
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Total	\$ 602	\$ 685
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Total

Assets in VIE	\$93,008	\$109,074
---------------	----------	-----------

Carrying value of variable interests - assets	7,501	8,661
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Carrying value of variable interests - liabilities	72	22
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Maximum Exposure to Loss

Retained interests	1,717	2,429
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Purchased interests	1,764	2,484
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Commitments and guarantees	1,081	1,124
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Derivatives ²	5,939	5,754
Loans and investments	3,618	3,341
Total	\$14,119	\$ 15,132

1. Assets in VIE and maximum exposure to loss include \$4.17 billion and \$523 million, respectively, as of June 2015, and \$3.57 billion and \$662 million, respectively, as of December 2014, related to CDOs backed by mortgage obligations.

2. Includes \$1.28 billion and \$1.64 billion as of June 2015 and December 2014, respectively, related to derivative transactions with VIEs to which the firm transferred assets.

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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.

In the table above, nonconsolidated VIEs are aggregated based on principal business activity. The nature of the firm's variable interests can take different forms, as described in the rows under maximum exposure to loss. In the table above:

The maximum exposure to loss excludes the benefit of offsetting financial instruments that are held to mitigate the risks associated with these variable interests.

For retained and purchased interests, and loans and investments, the maximum exposure to loss is the carrying value of these interests.

For commitments and guarantees, and derivatives, the maximum exposure to loss 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.

The carrying values of the firm's variable interests in nonconsolidated VIEs are included in the condensed consolidated statement of financial condition as follows:

Substantially all assets held by the firm related to mortgage-backed and corporate CDO and CLO VIEs are included in Financial instruments owned, at fair value. Substantially all liabilities held by the firm related to corporate CDO and CLO VIEs are included in Financial instruments sold, but not yet purchased, at fair value;

Substantially all assets held by the firm related to other asset-backed VIEs are included in Financial instruments owned, at fair value and Loans Receivable. Substantially all liabilities held by the firm related to other asset-backed VIEs are included in Financial instruments sold, but not yet purchased, at fair value;

Substantially all assets held by the firm related to real estate, credit-related and other investing VIEs are included in Financial instruments owned, at fair value, Loans receivable, and Other assets. Substantially all liabilities held by the firm related to real estate, credit-related and other investing VIEs are included in Financial Instruments sold, but not yet purchased, at fair value and Other liabilities and accrued expenses; and

Substantially all assets held by the firm related to other VIEs are included in Financial instruments owned, at fair value.

Consolidated VIEs

The table below presents the carrying amount and classification of assets and liabilities in consolidated VIEs, excluding the benefit of offsetting financial instruments that are held to mitigate the risks associated with the firm's variable interests.

<i>\$ in millions</i>	Consolidated VIEs as of	
	June	December
	2015	2014
Real estate, credit-related and other investing		
Assets		
Cash and cash equivalents	\$ 271	\$ 218
Cash and securities segregated for regulatory and other purposes	16	19
Loans receivable	1,095	589
Financial instruments owned, at fair value	2,991	2,608
Other assets	390	349
Total	\$4,763	\$3,783
Liabilities		
Other secured financings	\$ 334	\$ 419
Financial instruments sold, but not yet purchased, at fair value	258	10
Unsecured long-term borrowings		12
Other liabilities and accrued expenses	1,217	906
Total	\$1,809	\$1,347
CDOs, mortgage-backed and other asset-backed		
Assets		
Financial instruments owned, at fair value	\$ 88	\$ 121
Total	\$ 88	\$ 121
Liabilities		
Other secured financings	\$ 87	\$ 99
Financial instruments sold, but not yet purchased, at fair value	1	8
Total	\$ 88	\$ 107
Principal-protected notes		

Assets

Cash and securities segregated for regulatory and other purposes	\$	\$ 31
Financial instruments owned, at fair value	184	276
Total	\$ 184	\$ 307

Liabilities

Other secured financings	\$ 300	\$ 439
Unsecured short-term borrowings, including the current portion of unsecured long-term borrowings	349	1,090
Unsecured long-term borrowings	480	103
Total	\$1,129	\$1,632

Total**Assets**

Cash and cash equivalents	\$ 271	\$ 218
Cash and securities segregated for regulatory and other purposes	16	50
Loans receivable	1,095	589
Financial instruments owned, at fair value	3,263	3,005
Other assets	390	349
Total	\$5,035	\$4,211

Liabilities

Other secured financings	\$ 721	\$ 957
Financial instruments sold, but not yet purchased, at fair value	259	18
Unsecured short-term borrowings, including the current portion of unsecured long-term borrowings	349	1,090
Unsecured long-term borrowings	480	115
Other liabilities and accrued expenses	1,217	906
Total	\$3,026	\$3,086

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In the table above:

Consolidated VIEs are aggregated based on principal business activity and their assets and liabilities are presented net of intercompany eliminations. The majority of the assets in principal-protected notes VIEs are intercompany and are eliminated in consolidation.

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 the assets can only be used to settle obligations of the VIE. The liabilities of real estate, credit-related and other investing VIEs, and CDOs, 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, non-financial assets. The table below presents other assets by type.

<i>\$ in millions</i>	June 2015	As of December 2014
Property, leasehold improvements and equipment	\$11,600	\$ 9,344
Goodwill and identifiable intangible assets	4,166	4,160
Income tax-related assets	5,866	5,181
Equity-method investments ¹	287	360
Miscellaneous receivables and other ²	3,633	3,554
Total	\$25,552	\$22,599

1.

Excludes investments accounted for at fair value under the fair value option where the firm would otherwise apply the equity method of accounting of \$7.43 billion and \$6.62 billion as of June 2015 and December 2014, respectively, substantially all of which are included in Financial instruments owned, at fair value. The firm has generally elected the fair value option for such investments acquired after the fair value option became available.

2. Includes \$545 million and \$461 million of investments in qualified affordable housing projects as of June 2015 and December 2014, respectively.

Property, Leasehold Improvements and Equipment

Property, leasehold improvements and equipment in the table above is net of accumulated depreciation and amortization of \$8.23 billion and \$8.98 billion as of June 2015 and December 2014, respectively. Property, leasehold improvements and equipment included \$5.77 billion and \$5.81 billion as of June 2015 and December 2014, 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 are 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. Certain costs of software developed or obtained for internal use are capitalized and amortized on a straight-line basis over the useful life of the software.

Goodwill and Identifiable Intangible Assets

The tables below present the carrying values of goodwill and identifiable intangible assets.

<i>\$ in millions</i>	Goodwill as of	
	June 2015	December 2014
Investment Banking:		
Financial Advisory	\$ 98	\$ 98
Underwriting	183	183
Institutional Client Services:		
Fixed Income, Currency and Commodities Client Execution	269	269
Equities Client Execution	2,403	2,403
Securities Services	105	105
Investment Management	587	587
Total	\$3,645	\$3,645

<i>\$ in millions</i>	Identifiable Intangible Assets as of	
	June 2015	December 2014
Institutional Client Services:		
Fixed Income, Currency and Commodities Client Execution	\$ 111	\$ 138

Equities Client Execution	219	246
Investing & Lending	86	18
Investment Management	105	113
Total	\$ 521	\$ 515

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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 annually in the fourth quarter for impairment 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 amount. If results of the qualitative assessment are not conclusive, a quantitative test would be performed. The quantitative goodwill impairment test consists of two steps:

The first step 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 fair value exceeds its estimated net book value, goodwill is not impaired.

If the estimated fair value of a reporting unit is less than its estimated net book value, the second step of the goodwill impairment test is performed to measure the amount of impairment, if any. An impairment is equal to the excess of the carrying amount of goodwill over its fair value.

The firm performed a quantitative goodwill impairment test during the fourth quarter of 2012 (2012 quantitative goodwill test). When performing this test, the firm estimated the fair value of each reporting unit and compared it to the respective reporting unit's net book value (estimated carrying value). The reporting units were valued using relative value and residual income valuation techniques because the firm believes market participants would use these techniques to value the firm's reporting units. The net book value of each reporting unit reflected an allocation of total shareholders' equity and represented the estimated amount of shareholders' equity required to support the activities of the reporting unit under guidelines issued by the Basel Committee on Banking Supervision (Basel Committee) in December 2010. In performing its 2012 quantitative goodwill test, the firm determined that goodwill was not impaired, and the estimated fair value of the firm's reporting units, in which substantially all of the firm's goodwill is held, significantly exceeded their estimated carrying values.

During the fourth quarter of 2014, the firm assessed goodwill for impairment. 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 fair value of any of the reporting units was less than its carrying amount. The qualitative assessment also considered changes since the 2012 quantitative goodwill test.

As a result of the 2014 qualitative assessment, the firm determined that it was more likely than not that the fair value of each of the reporting units exceeded its respective carrying amount. Therefore, the firm determined that goodwill was not impaired and that a quantitative goodwill impairment test was not required.

There were no events or changes in circumstances during the six months ended June 2015 that would indicate that it was more likely than not that the fair value of each of the reporting units did not exceed its respective carrying amount as of June 2015.

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Identifiable Intangible Assets. The table below presents the gross carrying amount, accumulated amortization and net carrying amount of identifiable intangible assets and their weighted average remaining useful lives.

<i>\$ in millions</i>	June 2015	As of Weighted Average Remaining Useful Lives (years)	December 2014
Customer lists			
Gross carrying amount	\$1,036		\$1,036
Accumulated amortization	(745)		(715)
Net carrying amount	291	6	321
Commodities-related			
Gross carrying amount	188		216
Accumulated amortization	(77)		(78)
Net carrying amount	111¹	8	138
Other			
Gross carrying amount	267		200
Accumulated amortization	(148)		(144)
Net carrying amount	119²	6	56
Total			
Gross carrying amount	1,491		1,452
Accumulated amortization	(970)		(937)
Net carrying amount	\$ 521	6	\$ 515

1. Primarily includes commodities-related transportation rights.

2. Primarily includes intangible assets related to acquired leases.

Substantially all of the firm's identifiable intangible assets are considered to have finite useful lives and are amortized over their estimated useful lives using the straight-line method or based on economic usage for certain commodities-related intangibles.

The tables below present amortization for the three and six months ended June 2015 and June 2014, and the estimated future amortization through 2020 for identifiable intangible assets.

<i>\$ in millions</i>	Three Months Ended June		Six Months Ended June	
	2015	2014	2015	2014
Amortization	\$27	\$38	\$70	\$86

\$ in millions

Estimated future amortization	As of June 2015
Remainder of 2015	\$ 61
2016	122
2017	111
2018	100
2019	65
2020	18

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 the first half of 2015, the firm recorded impairments of \$77 million attributable to consolidated investments. The impairments reflected challenging market conditions for certain companies in the energy industry resulting from continued low energy commodity prices. These impairments consisted of \$55 million related to property, leasehold improvements and equipment, which was included in Depreciation and amortization, and \$22 million related to other assets, which was included in Other Expenses.

During the first half of 2014, as a result of continued deterioration in market and operating conditions, the firm determined that certain assets, substantially all of which related to a consolidated investment in Latin America, were

impaired and recorded impairments of \$194 million. These impairments consisted of \$180 million related to property, leasehold improvements and equipment and \$14 million related to identifiable intangible assets, and were included within Depreciation and amortization.

The impairments, all of which were included within the firm's Investing & Lending segment, represented the excess of the carrying values of these assets over their estimated fair values, substantially all of which are calculated using level 3 measurements. These fair values were calculated using a combination of discounted cash flow analyses and relative value analyses, including the estimated cash flows expected to result from the use and eventual disposition of these assets.

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Notes to Condensed Consolidated Financial Statements**(Unaudited)****Note 14.****Deposits**

The table below presents deposits held in U.S. and non-U.S. offices, substantially all of which were interest-bearing. Substantially all 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).

<i>\$ in millions</i>	June 2015	As of December 2014
U.S. offices	\$73,923	\$69,270
Non-U.S. offices	15,141	13,738
Total	\$89,064	\$83,008

The table below presents maturities of time deposits held in U.S. and non-U.S. offices.

<i>\$ in millions</i>	As of June 2015		
	U.S.	Non-U.S.	Total
Remainder of 2015	\$ 3,795	\$7,987	\$11,782
2016	5,725	1,393	7,118
2017	5,534		5,534
2018	3,254		3,254
2019	3,422		3,422
2020	2,039		2,039
2021 - thereafter	6,593	39	6,632
Total	\$30,362¹	\$9,419²	\$39,781³

1.

Includes \$1.65 billion greater than \$100,000, of which \$699 million matures within three months, \$391 million matures within three to six months, \$294 million matures within six to twelve months, and \$266 million matures after twelve months.

2. Includes \$6.70 billion greater than \$100,000.

3. Includes \$15.31 billion of time deposits accounted for at fair value under the fair value option. See Note 8 for further information about deposits accounted for at fair value.

As of June 2015 and December 2014, deposits include \$49.28 billion and \$49.29 billion, respectively, of savings and demand deposits, which have no stated maturity, and were 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 substantially all of its time deposits not accounted for at fair value from fixed-rate obligations into floating-rate obligations. Accordingly, the carrying value of time deposits approximated fair value as of June 2015 and December 2014. 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 June 2015 and December 2014.

Note 15.

Short-Term Borrowings

The table below presents details about the firm's short-term borrowings.

<i>\$ in millions</i>	June 2015	As of December 2014
Other secured financings (short-term)	\$12,247	\$15,560
Unsecured short-term borrowings	46,378	44,540
Total	\$58,625	\$60,100

See Note 10 for information about other secured financings.

Unsecured short-term borrowings include 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 promissory notes, commercial paper and 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 June 2015 and December 2014.

The table below presents details about the firm's unsecured short-term borrowings.

<i>\$ in millions</i>	June	As of December
	2015	2014
Current portion of unsecured long-term borrowings	\$27,753	\$25,126
Hybrid financial instruments	14,176	14,083
Promissory notes	20	338
Commercial paper	294	617
Other short-term borrowings	4,135	4,376
Total	\$46,378	\$44,540
Weighted average interest rate ¹	1.41%	1.52%

1. The weighted average interest rates for these borrowings include the effect of hedging activities and exclude financial instruments accounted for at fair value under the fair value option. See Note 7 for further information about hedging activities.

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements**(Unaudited)****Note 16.****Long-Term Borrowings**

The table below presents details about the firm's long-term borrowings.

<i>\$ in millions</i>	June 2015	As of December 2014
Other secured financings (long-term)	\$ 11,705	\$ 7,249
Unsecured long-term borrowings	170,259	167,571
Total	\$181,964	\$174,820

See Note 10 for information about other secured financings.

The tables below present unsecured long-term borrowings extending through 2061 and consisting principally of senior borrowings.

<i>\$ in millions</i>	As of June 2015		
	U.S. Dollar	Non-U.S. Dollar	Total
Fixed-rate obligations ¹	\$ 90,355	\$31,406	\$121,761
Floating-rate obligations ²	32,390	16,108	48,498
Total	\$122,745	\$47,514	\$170,259

<i>\$ in millions</i>	As of December 2014		
	U.S. Dollar	Non-U.S. Dollar	Total
Fixed-rate obligations ¹	\$ 89,477	\$34,857	\$124,334
Floating-rate obligations ²	27,541	15,696	43,237
Total	\$117,018	\$50,553	\$167,571

1. Interest rates on U.S. dollar-denominated debt ranged from 1.60% to 10.04% (with a weighted average rate of 4.99%) and 1.55% to 10.04% (with a weighted average rate of 5.08%) as of June 2015 and December 2014, respectively. Interest rates on non-U.S. dollar-denominated debt ranged from 0.33% to 13.00% (with a weighted average rate of 3.87%) and 0.02% to 13.00% (with a weighted average rate of 4.06%) as of June 2015 and December 2014, respectively.

2. Floating interest rates generally are based on LIBOR or OIS. Equity-linked and indexed instruments are included in floating-rate obligations.

The table below presents unsecured long-term borrowings by maturity date.

<i>\$ in millions</i>	As of June 2015
2016	\$ 8,185
2017	22,580
2018	23,932
2019	16,073
2020	15,726
2021 - thereafter	83,763
Total ¹	\$170,259

1. Includes \$8.21 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: \$150 million in 2016, \$601 million in 2017, \$756 million in 2018, \$443 million in 2019, \$452 million in 2020 and \$5.81 billion in 2021 and thereafter.

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 holders are excluded from the table as they are included as 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 holders are reflected at the earliest dates such options become exercisable.

The firm designates certain derivatives as fair value hedges to convert a substantial portion of its fixed-rate unsecured long-term borrowings not accounted for at fair value into floating-rate obligations. Accordingly, excluding the

cumulative impact of changes in the firm's credit spreads, the carrying value of unsecured long-term borrowings approximated fair value as of June 2015 and December 2014. See Note 7 for further information about hedging activities. For unsecured long-term borrowings for which the firm did not elect the fair value option, the cumulative impact due to changes in the firm's own credit spreads would be an increase of 1% and 2% in the carrying value of total unsecured long-term borrowings as of June 2015 and December 2014, respectively. 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 June 2015 and December 2014.

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The table below presents unsecured long-term borrowings, after giving effect to hedging activities that converted a substantial portion of fixed-rate obligations to floating-rate obligations.

<i>\$ in millions</i>	June 2015	As of December 2014
Fixed-rate obligations		
At fair value	\$ 214	\$ 861
At amortized cost ¹	49,770	33,748
Floating-rate obligations		
At fair value	19,786	15,144
At amortized cost ¹	100,489	117,818
Total	\$170,259	\$167,571

1. The weighted average interest rates on the aggregate amounts were 2.80% (4.68% related to fixed-rate obligations and 1.89% related to floating-rate obligations) and 2.68% (5.09% related to fixed-rate obligations and 2.01% related to floating-rate obligations) as of June 2015 and December 2014, respectively. These rates exclude financial instruments accounted for at fair value under the fair value option.

Subordinated Borrowings

Unsecured long-term borrowings include 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 June 2015 and December 2014, subordinated debt had maturities ranging from 2017 to 2045, and 2017 to 2038, respectively.

The tables below present subordinated borrowings.

<i>\$ in millions</i>	Par Amount	As of June 2015 Carrying Amount	Rate ¹
Subordinated debt	\$16,149	\$18,879	3.82%
Junior subordinated debt	1,360	1,822	5.99%

Total subordinated borrowings	\$17,509	\$20,701	3.99%
	As of December 2014		
	Par	Carrying	
<i>\$ in millions</i>	Amount	Amount	Rate ¹
Subordinated debt	\$14,254	\$17,241	3.77%
Junior subordinated debt	1,582	2,122	6.21%
Total subordinated borrowings	\$15,836	\$19,363	4.02%

1. Weighted average interest rates after giving effect to fair value hedges used to convert these fixed-rate obligations into floating-rate obligations. See Note 7 for further information about hedging activities. See below for information about interest rates on junior subordinated debt.

Junior Subordinated Debt

Junior Subordinated Debt Held by 2012 Trusts. In 2012, the Vesey Street Investment Trust I and the Murray Street Investment Trust I (together, the 2012 Trusts) issued an aggregate of \$2.25 billion of senior guaranteed trust securities to third parties. The proceeds of that offering were used to purchase \$1.75 billion of junior subordinated debt issued by Group Inc. that pays interest semi-annually at a fixed annual rate of 4.647% and matures on March 9, 2017, and \$500 million of junior subordinated debt issued by Group Inc. that pays interest semi-annually at a fixed annual rate of 4.404% and matures on September 1, 2016. During 2014, the firm exchanged \$175 million of the senior guaranteed trust securities held by the firm for \$175 million of junior subordinated debt held by the Murray Street Investment Trust I. Following the exchange, these senior guaranteed trust securities and junior subordinated debt were extinguished.

The 2012 Trusts purchased the junior subordinated debt from Goldman Sachs Capital II and Goldman Sachs Capital III (APEX Trusts). The APEX Trusts used the proceeds from such sales 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). See Note 19 for more information about the Series E and Series F Preferred Stock.

The 2012 Trusts are required to pay distributions on their senior guaranteed trust securities in the same amounts and on the same dates that they are scheduled to receive interest on the junior subordinated debt they hold, and are required to redeem their respective senior guaranteed trust securities upon the maturity or earlier redemption of the junior subordinated debt they hold.

The firm has the right to defer payments on the junior subordinated debt, subject to limitations. 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 or preferred stock. However, as Group Inc. fully and unconditionally guarantees the payment of the distribution and redemption amounts when due on a senior basis on the senior guaranteed trust securities issued by the 2012 Trusts, if the 2012 Trusts are unable to make scheduled distributions to the holders of the senior guaranteed trust securities, under the guarantee, Group Inc. would be obligated to make those payments. As such, the \$2.08 billion of junior subordinated debt held by the 2012 Trusts for the benefit of investors, included in Unsecured long-term borrowings in the condensed consolidated statements of financial condition, is not classified as subordinated borrowings.

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The APEX Trusts and the 2012 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 or shares of Group Inc.'s Series E or Series F Preferred Stock 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.

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. During 2014 and the first quarter of 2015, the firm purchased \$1.43 billion (par amount) of Trust Preferred Securities and delivered these securities, along with \$44.2 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. Subsequent to these extinguishments, 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.

As of

<i>\$ in millions</i>	June 2015	December 2014
Compensation and benefits	\$ 7,571	\$ 8,368
Noncontrolling interests ¹	652	404
Income tax-related liabilities	1,580	1,533
Employee interests in consolidated funds	161	176
Subordinated liabilities issued by consolidated VIEs	1,193	843
Accrued expenses and other ²	6,095	4,751
Total	\$17,252	\$16,075

1. Primarily relates to consolidated investment funds.

2. The increase in the first half of 2015 relates to net provisions for mortgage-related litigation and regulatory matters.

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Notes to Condensed Consolidated Financial Statements**(Unaudited)****Note 18.****Commitments, Contingencies and Guarantees****Commitments**

The table below presents the firm's commitments.

<i>\$ in millions</i>	Commitment Amount by Period				Total Commitments	
	of Expiration as of June 2015				as of	
	Remainder of 2015	2016 - 2017	2018 - 2019	2020 - Thereafter	June 2015	December 2014
Commitments to extend credit						
Commercial lending:						
Investment-grade	\$ 4,371	\$18,819	\$27,977	\$13,843	\$ 65,010	\$ 63,634
Non-investment-grade	744	11,545	13,165	18,084	43,538	29,605
Warehouse financing	627	1,343	94	1,365	3,429	2,710
Total commitments to extend credit	5,742	31,707	41,236	33,292	111,977	95,949
Contingent and forward starting resale and securities borrowing agreements	48,381	2,246	1		50,628	35,225
Forward starting repurchase and secured lending agreements	8,358				8,358	8,180
Letters of credit	102	108	13	4	227	308
Investment commitments	661	2,806	19	731	4,217	5,164
Other	6,121	134	50	56	6,361	6,321
Total commitments	\$69,365	\$37,001	\$41,319	\$34,083	\$181,768	\$151,147
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 June 2015 and December 2014, \$87.56 billion and \$66.22 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 June 2015 and December 2014, \$5.80 billion and \$3.12 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.

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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 \$26.47 billion and \$27.51 billion as of June 2015 and December 2014, 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 \$768 million of protection had been provided as of both June 2015 and December 2014. 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 consumer and corporate loans.

Contingent and Forward Starting Resale and Securities Borrowing Agreements/Forward Starting Repurchase and Secured Lending Agreements

The firm enters into resale and securities borrowing agreements and 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

The firm's investment commitments of \$4.22 billion and \$5.16 billion as of June 2015 and December 2014, respectively, include commitments to invest in private equity, real estate and other assets directly and through funds that the firm raises and manages. Of these amounts, \$2.76 billion and \$2.87 billion as of June 2015 and December 2014, respectively, relate 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, principally 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>	As of June 2015
Remainder of 2015	\$ 161
2016	303
2017	282
2018	234
2019	198
2020	164
2021 - thereafter	732
Total	\$2,074

Rent charged to operating expense was \$63 million and \$78 million for the three months ended June 2015 and June 2014, respectively, and \$127 million and \$158 million for the six months ended June 2015 and June 2014, respectively.

Operating leases include office space held in excess of current requirements. Rent expense relating to space held for growth is included in Occupancy. 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.

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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.

Representations and Warranties. 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 of the type described below from the originators. 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 loans to trusts and other mortgage securitization vehicles. As of June 2015 and December 2014, the outstanding balance of the loans transferred to trusts and other mortgage securitization vehicles during the period 2005 through 2008 was approximately \$24 billion and \$25 billion, respectively. These amounts reflect paydowns and cumulative losses of approximately \$101 billion (\$23 billion of which are cumulative losses) as of June 2015 and approximately \$100 billion (\$23 billion of which are cumulative losses) as of December 2014. A small number of these Goldman Sachs-issued securitizations with an outstanding principal balance of \$373 million and total paydowns and cumulative losses of \$1.69 billion (\$557 million of which are cumulative losses) as of June 2015, and an outstanding principal balance of \$401 million and total paydowns and cumulative losses of \$1.66 billion (\$550 million of which are cumulative losses) as of December 2014, were structured with credit protection obtained from monoline insurers. In connection with both sales of loans and securitizations, the firm provided loan level representations of the type described below and/or assigned the loan level representations from the party from whom the firm purchased the loans.

The loan level representations made in connection with the sale or securitization of mortgage loans varied among transactions but were generally detailed representations applicable to each loan in the portfolio and addressed matters relating to the property, the borrower and the note. These representations generally included, but were not limited to, the following: (i) certain attributes of the borrower's financial status; (ii) loan-to-value ratios, owner occupancy status and certain other characteristics of the property; (iii) the lien position; (iv) the fact that the loan was originated in compliance with law; and (v) completeness of the loan documentation.

The firm has received repurchase claims for residential mortgage loans based on alleged breaches of representations from government-sponsored enterprises, other third parties, trusts and other mortgage securitization vehicles, which have not been significant. During both the three and six months ended June 2015 and June 2014, the firm repurchased loans with an unpaid principal balance of less than \$10 million and related losses were not material. The firm received a communication from counsel in 2013 purporting to represent certain institutional investors in

portions of Goldman Sachs-issued securitizations between 2003 and 2007, such securitizations having a total original notional face amount of approximately \$150 billion, offering to enter into a settlement dialogue with respect to alleged breaches of representations made by Goldman Sachs in connection with such offerings.

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 including: (i) 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 has entered into with trustees representing trusts; (ii) the extent to which there are underlying breaches of representations that give rise to valid claims for repurchase; (iii) in the case of loans originated by others, the extent to which the firm could be held liable and, if so, the firm's ability to pursue and collect on any claims against the parties who made representations to the firm; (iv) macroeconomic factors, including developments in the residential real estate market; and (v) legal and regulatory developments. Based upon the large number of defaults in residential mortgages, including those sold or securitized by the firm, there is a potential for increasing claims for repurchases. However, the firm is not in a position to make a meaningful estimate of that exposure at this time.

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Foreclosure and Other Mortgage Loan Servicing Practices and Procedures. The firm had received a number of requests for information from regulators and other agencies, including state attorneys general and banking regulators, as part of an industry-wide focus on the practices of lenders and servicers in connection with foreclosure proceedings and other aspects of mortgage loan servicing practices and procedures. The requests sought information about the foreclosure and servicing protocols and activities of Litton Loan Servicing LP (Litton), a residential mortgage servicing subsidiary sold by the firm to Ocwen Financial Corporation (Ocwen) in the third quarter of 2011. The firm is cooperating with the requests and these inquiries may result in the imposition of fines or other regulatory action.

In connection with the sale of Litton, the firm provided customary representations and warranties, and indemnities for breaches of these representations and warranties, to Ocwen. These indemnities are subject to various limitations, and are capped at approximately \$50 million. The firm has not yet received any claims under these indemnities. The firm also agreed to provide specific indemnities to Ocwen related to claims made by third parties with respect to servicing activities during the period that Litton was owned by the firm and which are in excess of the related reserves accrued for such matters by Litton at the time of the sale. These indemnities are capped at approximately \$125 million. The firm has recorded a reserve for the portion of these potential losses that it believes is probable and can be reasonably estimated. As of June 2015, claims received and payments made in connection with these claims were not material to the firm.

The firm further agreed to provide indemnities to Ocwen not subject to a cap, which primarily relate to potential liabilities constituting fines or civil monetary penalties which could be imposed in settlements with U.S. states attorneys general or in consent orders with the U.S. federal bank regulatory agencies or the New York State Department of Financial Services, in each case relating to Litton's foreclosure and servicing practices while it was owned by the firm. The firm has entered into a settlement with the Federal Reserve Board relating to foreclosure and servicing matters.

Under the Litton sale agreement the firm also retained liabilities associated with claims related to Litton's failure to maintain lender-placed mortgage insurance, obligations to repurchase certain loans from government-sponsored enterprises, subpoenas from one of Litton's regulators, and fines or civil penalties imposed by the Federal Reserve Board or the New York State Department of Financial Services in connection with certain compliance matters. Management does not believe, based on currently available information, that any payments under these indemnities will have a material adverse effect on the firm's financial condition.

Other Contingencies. In connection with the sale of Metro International Trade Services (Metro), the firm provided customary representations and warranties, and indemnities for breaches of these representations and warranties, to the buyer. The firm further agreed to provide indemnities to the buyer, which primarily relate to potential liabilities for legal or regulatory proceedings arising out of the conduct of Metro's business while the firm owned it.

Guarantees

The tables below present information about certain derivatives that meet the definition of a guarantee, securities lending indemnifications and certain other guarantees.

<i>\$ in millions</i>		As of June 2015	
	Derivatives	Securities lending indemnifications	Other financial guarantees
Carrying Value of Net Liability	\$ 9,441	\$	\$ 91
Maximum Payout/Notional Amount by Period of Expiration			
Remainder of 2015	\$249,517	\$30,042	\$ 828
2016 - 2017	344,010		796
2018 - 2019	68,480		1,197
2020 - thereafter	74,657		1,747
Total	\$736,664	\$30,042	\$4,568

<i>\$ in millions</i>		As of December 2014	
	Derivatives	Securities lending indemnifications	Other financial guarantees
Carrying Value of Net Liability	\$ 11,201	\$	\$ 119

Maximum Payout/Notional Amount by Period of Expiration			
2015	\$351,308	\$27,567	\$ 471
2016 - 2017	150,989		935
2018 - 2019	51,927		1,390
2020 - thereafter	58,511		1,690
Total	\$612,735	\$27,567	\$4,486

In the tables 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 table in Commitments above for a summary of the firm's commitments.

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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 tables 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 tables 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 tables 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 \$31.00 billion and \$28.49 billion as of June 2015 and December 2014, 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, the 2012 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, the APEX Trusts, and the 2012 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.

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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 its 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 condensed consolidated statements of financial condition as of June 2015 and December 2014.

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 condensed consolidated statements of financial condition as of June 2015 and December 2014.

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. (GS&Co.), GS Bank USA and Goldman Sachs Execution & Clearing, L.P. (GSEC), subject to certain exceptions.

In November 2008, the firm contributed subsidiaries into GS Bank USA, and Group Inc. agreed to guarantee the reimbursement of certain losses, including credit-related losses, relating to assets held by the contributed entities. In connection with this guarantee, Group Inc. also agreed to pledge to GS Bank USA certain collateral, including interests in subsidiaries and other illiquid assets.

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.

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On July 15, 2015, the Board of Directors of Group Inc. (Board) declared a dividend of \$0.65 per common share to be paid on September 29, 2015 to common shareholders of record on September 1, 2015.

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 Federal Reserve Board does not object to such capital actions.

The table below presents the amount of common stock repurchased by the firm under the share repurchase program during the three and six months ended June 2015.

	June 2015	
	Three Months	Six Months
<i>in millions, except per share amounts</i>	Ended	Ended
Common share repurchases	1.2	7.9
Average cost per share	\$208.20	\$188.59
Total cost of common share repurchases	\$ 245	\$ 1,495

Pursuant to the terms of certain share-based compensation plans, employees may remit shares to the firm or the firm may cancel restricted stock units (RSUs) or stock options to satisfy minimum statutory employee tax withholding requirements and the exercise price of stock options. Under these plans, during the six months ended June 2015, employees remitted 35,217 shares with a total value of \$6 million, and the firm cancelled 5.4 million RSUs with a total value of \$969 million and 1.6 million stock options with a total value of \$326 million.

Preferred Equity

The tables below present details about the perpetual preferred stock issued and outstanding as of June 2015.

Series	Shares Authorized	Shares Issued	Shares Outstanding	Depositary 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	17,500	17,500	N/A
F	5,000	5,000	5,000	N/A
I	34,500	34,000	34,000	1,000
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 ¹	80,000	80,000	80,000	25
Total	452,200	380,500	380,498	

1. In April 2015, Group Inc. issued 80,000 shares of Series M perpetual 5.375% Fixed-to-Floating Rate Non-Cumulative Preferred Stock (Series M Preferred Stock).

Series	Liquidation Preference	Redemption Price Per Share	Redemption Value (\$ in millions)
A	\$25,000	\$25,000 plus declared and unpaid dividends	\$ 750
B	25,000	\$25,000 plus declared and unpaid dividends	800
C	25,000	\$25,000 plus declared and unpaid dividends	200
D	25,000	\$25,000 plus declared and unpaid dividends	1,350
E	100,000	\$100,000 plus declared and unpaid dividends	1,750
F	100,000	\$100,000 plus declared and unpaid dividends	500

I	25,000	\$25,000 plus accrued and unpaid dividends	850
J	25,000	\$25,000 plus accrued and unpaid dividends	1,000
K	25,000	\$25,000 plus accrued and unpaid dividends	700
L	25,000	\$25,000 plus accrued and unpaid dividends	1,300
M	25,000	\$25,000 plus accrued and unpaid dividends	2,000
Total			\$11,200

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In the tables above:

Each share of non-cumulative Series A, Series B, Series C and Series D Preferred Stock issued and outstanding is redeemable at the firm's option.

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 or purchase 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.

Each share of non-cumulative Series I Preferred Stock issued and outstanding is redeemable at the firm's option beginning November 10, 2017.

Each share of non-cumulative Series J Preferred Stock issued and outstanding is redeemable at the firm's option beginning May 10, 2023.

Each share of non-cumulative Series K Preferred Stock issued and outstanding is redeemable at the firm's option beginning May 10, 2024.

Each share of non-cumulative Series L Preferred Stock issued and outstanding is redeemable at the firm's option beginning May 10, 2019.

Each share of non-cumulative Series M Preferred Stock issued and outstanding is redeemable at the firm's option beginning May 10, 2020.

All shares of preferred stock have a par value of \$0.01 per share and, where applicable, each share of preferred stock is represented by the specified number of depositary shares.

Prior to redeeming preferred stock, the firm must receive confirmation that the Federal Reserve Board does not object to such capital actions. All series of preferred stock are pari passu and have a preference over the firm's common stock on liquidation. Dividends on each series of preferred stock, excluding Series L and Series M Preferred Stock, if declared, are payable quarterly in arrears. Dividends on Series L and Series M Preferred Stock, if declared, are

payable semi-annually in arrears from the issuance date to, but excluding, May 10, 2019 and May 10, 2020, respectively, and quarterly thereafter. 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.

The table below presents the dividend rates of the firm's perpetual preferred stock as of June 2015.

Series	Dividend Rate
A	3 month LIBOR + 0.75%, with floor of 3.75% per annum
B	6.20% per annum
C	3 month LIBOR + 0.75%, with floor of 4.00% per annum
D	3 month LIBOR + 0.67%, with floor of 4.00% per annum
E	3 month LIBOR + 0.77%, with floor of 4.00% per annum
F	3 month LIBOR + 0.77%, with floor of 4.00% per annum
I	5.95% per annum
J	5.50% per annum to, but excluding, May 10, 2023; 3 month LIBOR + 3.64% per annum thereafter
K	6.375% per annum to, but excluding, May 10, 2024; 3 month LIBOR + 3.55% per annum thereafter
L	5.70% per annum to, but excluding, May 10, 2019; 3 month LIBOR + 3.884% per annum thereafter
M	5.375% per annum to, but excluding, May 10, 2020; 3 month LIBOR + 3.922% per annum thereafter

The tables below present preferred dividends declared on the firm's preferred stock.

Series	Three Months Ended June			
	2015		2014	
	<i>per share</i>	<i>\$ in millions</i>	<i>per share</i>	<i>\$ in millions</i>
A	\$ 234.38	\$ 7	\$ 236.98	\$ 7
B	387.50	13	387.50	12
C	250.00	2	252.78	2

D	250.00	13	252.78	14
E	1,011.11	17	1,011.11	17
F	1,011.11	5	1,011.11	5
I	371.88	13	371.88	13
J	343.75	14	343.75	14
K	398.44	11		
L	712.50	37		
Total		\$132		\$ 84

Six Months Ended June

Series	<i>per share</i>	2015	2014	
		<i>\$ in millions</i>	<i>per share</i>	<i>\$ in millions</i>
A	\$ 473.96	\$ 14	\$ 471.36	\$ 14
B	775.00	25	775.00	24
C	505.56	4	502.78	4
D	505.56	27	502.78	27
E	2,022.22	35	2,022.22	35
F	2,022.22	10	2,022.22	10
I	743.76	26	743.76	26
J	687.50	28	687.50	28
K	796.88	22		
L	712.50	37		
Total		\$228		\$168

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Notes to Condensed Consolidated Financial Statements**(Unaudited)****Accumulated Other Comprehensive Loss**

The tables below present accumulated other comprehensive loss, net of tax by type.

<i>\$ in millions</i>	Balance, beginning of year	June 2015 Other comprehensive income/(loss) adjustments, net of tax	Balance, end of period
Currency translation	\$(473)	\$ (55)	\$(528)
Pension and postretirement liabilities	(270)	(110)	(380)
Accumulated other comprehensive loss, net of tax	\$(743)	\$(165)	\$(908)

<i>\$ in millions</i>	Balance, beginning of year	December 2014 Other comprehensive income/(loss) adjustments, net of tax	Balance, end of year
Currency translation	\$(364)	\$(109)	\$(473)
Pension and postretirement liabilities	(168)	(102)	(270)
Cash flow hedges	8	(8)	
Accumulated other comprehensive loss, net of tax	\$(524)	\$(219)	\$(743)

Note 20.**Regulation and Capital Adequacy**

The Federal Reserve Board is the primary regulator of Group Inc., a bank holding company under the Bank Holding Company Act of 1956 (BHC Act) and a financial holding company under amendments to the BHC Act. As a bank holding company, the firm is subject to consolidated regulatory capital requirements which are calculated in accordance with the revised risk-based capital and leverage regulations of the Federal Reserve Board, subject to certain transitional provisions (Revised 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 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 firm is subject to the Revised Capital Framework. These regulations are largely based on the Basel Committee's final capital framework for strengthening international capital standards (Basel III) and also implement certain provisions of the Dodd-Frank Act. Under the Revised Capital Framework, the firm is an Advanced approach banking organization.

As of June 2015, the firm calculated 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 Revised Capital Framework (together, the Standardized Capital Rules) and (ii) the Advanced approach and market risk rules set out in the Revised Capital Framework (together, the Basel III Advanced Rules). The lower of each 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 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 the firm as of June 2015. The capital requirements that apply to the firm can change in future reporting periods as a result of these regulatory requirements.

As of December 2014, the firm calculated its CET1, Tier 1 capital and Total capital ratios using the Revised Capital Framework for regulatory capital, but RWAs were calculated in accordance with (i) the Basel I Capital Accord of the Basel Committee, incorporating the market risk requirements set out in the Revised Capital Framework, and adjusted for certain items related to capital deductions and for the phase-in of capital deductions (Hybrid Capital Rules), and (ii) the Basel III Advanced Rules. The lower of each ratio calculated in (i) and (ii) was the ratio against which the firm's compliance with its minimum ratio requirements was assessed. Each of the ratios calculated in accordance with the Basel III Advanced Rules was lower than that calculated in accordance with the Hybrid Capital Rules and therefore the Basel III Advanced ratios were the ratios that applied to the firm as of December 2014.

Regulatory Capital and Capital Ratios. The table below presents the minimum ratios required for the firm as of June 2015.

	Minimum Ratio
CET1 ratio	4.5%
Tier 1 capital ratio	6.0%
Total capital ratio ¹	8.0%
Tier 1 leverage ratio ²	4.0%

1. In order to meet the quantitative requirements for being well-capitalized under the Federal Reserve Board's regulations, the firm must meet a higher required minimum Total capital ratio of 10.0%.

2. 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).

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Certain aspects of the Revised Capital Framework's requirements phase in over time (transitional provisions). These include the introduction of capital buffers (including surcharges) 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 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 transitional provisions phase in and capital buffers (including surcharges) are introduced.

Definition of Risk-Weighted Assets. As of June 2015, RWAs were 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.

As of December 2014, the firm calculated RWAs in accordance with both the Basel III Advanced Rules and the Hybrid Capital Rules.

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, the Basel III Advanced Rules and the Hybrid Capital 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 formula approaches to measure exposure for securitizations and equities;

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, securities financing transactions and eligible margin loans. The Revised Capital Framework requires that a bank holding company obtain prior written agreement from its regulators before using internal models for such purposes. The firm utilizes specific required formula approaches to measure exposure for securitizations and equities; and

For credit RWAs calculated in accordance with the Hybrid Capital Rules, the firm utilized prescribed risk-weights depending on, among other things, the type of counterparty. The exposure amount for derivatives was based on a combination of positive net exposure and a percentage of the notional amount for each derivative; for securities financing transactions, it was based on the carrying value without the application of potential price volatility adjustments required under the Standardized Capital Rules.

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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 bank holding company 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, Basel III Advanced Rules and Hybrid Capital 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 trading net revenues used to determine risk management VaR exceptions (i.e., comparing the daily trading net revenues to the VaR measure calculated as of the prior business day) include intraday activity, whereas the Federal Reserve Board's regulatory capital rules require that intraday activity be excluded from daily trading net revenues when calculating regulatory VaR exceptions. Intraday activity includes bid/offer net revenues, which are more likely than not to be positive. As a result, there may be differences in the number of VaR exceptions and the amount of daily trading 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 the three and six months ended June 2015, but did exceed its 99% one-day regulatory VaR on three occasions during 2014. There was no change in the VaR multiplier used to calculate Market RWAs;

Stressed VaR is the potential loss in value of inventory positions 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 in 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.

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements**(Unaudited)****Consolidated Regulatory Capital Ratios**

Capital Ratios and RWAs. Each of the ratios calculated in accordance with the Standardized Capital Rules was lower than the ratio calculated in accordance with the Basel III Advanced Rules as of June 2015 and therefore such lower ratios applied to the firm as of that date. Each of the ratios calculated in accordance with the Basel III Advanced Rules was lower than the ratio calculated in accordance with the Hybrid Capital Rules as of December 2014 and therefore such lower ratios applied to the firm as of that date.

The table below presents the ratios calculated in accordance with both the Standardized and Basel III Advanced rules as of both June 2015 and December 2014. While the ratios calculated in accordance with the Standardized Capital Rules were not applicable until January 2015, the December 2014 ratios are presented in the table below for comparative purposes.

<i>\$ in millions</i>	June 2015	As of December 2014
Standardized		
Common shareholders' equity	\$ 76,454	\$ 73,597
Deductions for goodwill and identifiable intangible assets, net of deferred tax liabilities	(2,874)	(2,787)
Deductions for investments in nonconsolidated financial institutions	(1,482)	(953)
Other adjustments	(347)	(27)
Common Equity Tier 1	71,751	69,830
Perpetual non-cumulative preferred stock	11,200	9,200
Junior subordinated debt issued to trusts	330	660
Other adjustments	(906)	(1,257)
Tier 1 capital	82,375	78,433
Qualifying subordinated debt	13,201	11,894
Junior subordinated debt issued to trusts	990	660
Allowance for losses on loans and lending commitments	408	316

Other adjustments	(9)	(9)
Tier 2 capital	14,590	12,861
Total capital	\$ 96,965	\$ 91,294
RWAs	\$608,254	\$619,216
CET1 ratio	11.8%	11.3%
Tier 1 capital ratio	13.5%	12.7%
Total capital ratio	15.9%	14.7%
Basel III Advanced		
Standardized Tier 2 capital	\$ 14,590	\$ 12,861
Allowance for losses on loans and lending commitments	(408)	(316)
Tier 2 capital	14,182	12,545
Total capital	\$ 96,557	\$ 90,978
RWAs	\$574,067	\$570,313
CET1 ratio	12.5%	12.2%
Tier 1 capital ratio	14.3%	13.8%
Total capital ratio	16.8%	16.0%
Tier 1 leverage ratio	9.6%	9.0%
In the table above:		

The deductions for goodwill and identifiable intangible assets, net of deferred tax liabilities, include goodwill of \$3.65 billion as of both June 2015 and December 2014, and identifiable intangible assets of \$208 million (40% of \$521 million) and \$103 million (20% of \$515 million) as of June 2015 and December 2014, respectively, net of associated deferred tax liabilities of \$979 million and \$961 million as of June 2015 and December 2014, respectively. The deduction for identifiable intangible assets is required to be phased into CET1 ratably over five years from 2014 to 2018. As of June 2015 and December 2014, CET1 reflects 40% and 20% of the deduction, respectively. The balance that is not deducted during the transitional period is risk weighted.

The deductions for investments in nonconsolidated financial institutions represent 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 June 2015 and December 2014, CET1 reflects 40% and 20% of the deduction, respectively. The balance that is not deducted during the transitional period is risk weighted.

Other adjustments within CET1 and Tier 1 capital primarily include accumulated other comprehensive loss, credit valuation adjustments on derivative liabilities, the overfunded portion of the firm's defined benefit pension plan

obligation net of associated deferred tax liabilities, disallowed deferred tax assets and other required credit risk-based deductions. The deductions for such items are generally required to be phased into CET1 ratably over five years from 2014 to 2018. As of June 2015 and December 2014, CET1 reflects 40% and 20% of such deductions, 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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Junior subordinated debt issued to trusts is reflected in both Tier 1 capital (25%) and Tier 2 capital (75%) as of June 2015. Such percentages were 50% for both Tier 1 and Tier 2 capital as of December 2014. 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 1 capital into Tier 2 capital by 2016, and then out of Tier 2 capital by 2022. See Note 16 for additional information about the firm's junior subordinated debt issued to trusts and trust preferred securities purchased by the firm.

Qualifying subordinated debt represents subordinated debt issued by Group Inc. with an original term to maturity of five years or greater. The outstanding amount of subordinated debt qualifying for Tier 2 capital is reduced, or discounted, upon reaching a remaining maturity of five years. See Note 16 for additional information about the firm's subordinated debt.

The tables below present the changes in CET1, Tier 1 capital and Tier 2 capital for the six months ended June 2015 and the period from December 31, 2013 to December 31, 2014.

	Six Months Ended	
	June 2015	
<i>\$ in millions</i>	Standardized	Basel III Advanced
Common Equity Tier 1		
Beginning balance	\$69,830	\$69,830
Increased deductions due to transitional provisions	(1,368)	(1,368)
Increase in common shareholders' equity	2,857	2,857
Change in deduction for goodwill and identifiable intangible assets, net of deferred tax liabilities	15	15
Change in deduction for investments in nonconsolidated financial institutions	441	441
Change in other adjustments	(24)	(24)
Ending balance	\$71,751	\$71,751
Tier 1 capital		
Beginning balance	\$78,433	\$78,433
Increased deductions due to transitional provisions	(1,073)	(1,073)

Other net increase in CET1	3,289	3,289
Redesignation of junior subordinated debt issued to trusts	(330)	(330)
Increase in perpetual non-cumulative preferred stock	2,000	2,000
Change in other adjustments	56	56
Ending balance	82,375	82,375
Tier 2 capital		
Beginning balance	12,861	12,545
Increased deductions due to transitional provisions	(53)	(53)
Increase in qualifying subordinated debt	1,307	1,307
Redesignation of junior subordinated debt issued to trusts	330	330
Change in the allowance for losses on loans and lending commitments	92	
Change in other adjustments	53	53
Ending balance	14,590	14,182
Total capital	\$96,965	\$96,557
		Period Ended December 2014
<i>\$ in millions</i>		
Common Equity Tier 1		
Balance, December 31, 2013		\$63,248
Change in CET1 related to the transition to the Revised Capital Framework ¹		3,177
Increase in common shareholders' equity		2,330
Change in deduction for goodwill and identifiable intangible assets, net of deferred tax liabilities		144
Change in deduction for investments in nonconsolidated financial institutions		839
Change in other adjustments		92
Balance, December 31, 2014		\$69,830
Tier 1 capital		
Balance, December 31, 2013		\$72,471
Change in CET1 related to the transition to the Revised Capital Framework ¹		3,177
Change in Tier 1 capital related to the transition to the Revised Capital Framework ²		(443)
Other net increase in CET1		3,405
Increase in perpetual non-cumulative preferred stock		2,000
		(1,403)

Redesignation of junior subordinated debt issued to trusts and decrease related to trust preferred securities purchased by the firm	
Change in other adjustments	(774)
Balance, December 31, 2014	78,433
Tier 2 capital	
Balance, December 31, 2013	13,632
Change in Tier 2 capital related to the transition to the Revised Capital Framework ³	(197)
Decrease in qualifying subordinated debt	(879)
Trust preferred securities purchased by the firm, net of redesignation of junior subordinated debt issued to trusts	(27)
Change in other adjustments	16
Balance, December 31, 2014	12,545
Total capital	\$90,978

1. Includes \$3.66 billion related to the transition to the Revised Capital Framework on January 1, 2014 as well as \$(479) million related to the firm's application of the Basel III Advanced Rules on April 1, 2014.

2. Includes \$(219) million related to the transition to the Revised Capital Framework on January 1, 2014 as well as \$(224) million related to the firm's application of the Basel III Advanced Rules on April 1, 2014.

3. Includes \$(2) million related to the transition to the Revised Capital Framework on January 1, 2014 as well as \$(195) million related to the firm's application of the Basel III Advanced Rules on April 1, 2014.

In the table above, Change in CET1 related to the transition to the Revised Capital Framework primarily reflects the change in the treatment of equity investments in certain nonconsolidated entities. The Revised Capital Framework requires only a portion of such investments that exceed certain prescribed thresholds to be treated as deductions from CET1 and the remainder are risk-weighted, subject to the applicable transitional provisions. As of December 2013, in accordance with the previous capital regulations, these equity investments were treated as deductions.

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The tables below present the components of RWAs calculated in accordance with the Standardized and Basel III Advanced rules as of June 2015 and December 2014.

<i>\$ in millions</i>	Standardized Capital Rules	
	June 2015	December 2014
Credit RWAs		
Derivatives	\$155,874	\$180,771
Commitments, guarantees and loans	103,844	89,783
Securities financing transactions ¹	92,288	92,116
Equity investments	42,582	38,526
Other ²	76,878	71,499
Total Credit RWAs	471,466	472,695
Market RWAs		
Regulatory VaR	12,863	10,238
Stressed VaR	27,938	29,625
Incremental risk	16,275	16,950
Comprehensive risk	7,375	9,855
Specific risk	72,337	79,853
Total Market RWAs	136,788	146,521
Total RWAs	\$608,254	\$619,216

<i>\$ in millions</i>	Basel III Advanced Rules	
	June 2015	December 2014
Credit RWAs		
Derivatives	\$107,358	\$122,501
Commitments, guarantees and loans	105,223	95,209
Securities financing transactions ¹	20,557	15,618

Equity investments	44,515	40,146
Other ²	59,837	54,470
Total Credit RWAs	337,490	327,944
Market RWAs		
Regulatory VaR	12,863	10,238
Stressed VaR	27,938	29,625
Incremental risk	16,275	16,950
Comprehensive risk	6,188	8,150
Specific risk	72,338	79,918
Total Market RWAs	135,602	144,881
Total Operational RWAs	100,975	97,488
Total RWAs	\$574,067	\$570,313

1. Represents resale and repurchase agreements and securities borrowed and loaned transactions.

2. Includes receivables, other assets, and cash and cash equivalents.

The table below presents the changes in RWAs calculated in accordance with the Standardized and Basel III Advanced rules for the six months ended June 2015.

<i>\$ in millions</i>	Six Months Ended June 2015	
	Standardized	Basel III Advanced
Risk-Weighted Assets		
Beginning balance	\$619,216	\$570,313
Credit RWAs		
Increase/(decrease) due to transitional provisions	(1,073)	(1,073)
Increase/(decrease) in derivatives	(24,897)	(15,143)
Increase/(decrease) in commitments, guarantees and loans	14,061	10,014
Increase/(decrease) in securities financing transactions	172	4,939
Increase/(decrease) in equity investments	5,026	5,339
Change in other	5,482	5,470
Change in Credit RWAs	(1,229)	9,546
Market RWAs		
Increase/(decrease) in regulatory VaR	2,625	2,625

Increase/(decrease) in stressed VaR	(1,687)	(1,687)
Increase/(decrease) in incremental risk	(675)	(675)
Increase/(decrease) in comprehensive risk	(2,480)	(1,962)
Increase/(decrease) in specific risk	(7,516)	(7,580)
Change in Market RWAs	(9,733)	(9,279)
Operational RWAs		
Increase/(decrease) in operational risk		3,487
Change in Operational RWAs		3,487
Ending balance	\$608,254	\$574,067

Standardized Credit RWAs as of June 2015 decreased by \$1.23 billion compared with December 2014, reflecting a decrease in derivatives, primarily due to lower exposures to interest rate and commodity derivatives. This decrease was partially offset by an increase in lending activity and in equity investments. Standardized Market RWAs as of June 2015 decreased by \$9.73 billion compared with December 2014, as a result of reduced specific risk exposures.

Basel III Advanced Credit RWAs as of June 2015 increased by \$9.55 billion compared with December 2014, reflecting increases in lending activity, securities financing exposures and in equity investments. These increases were partially offset by a decrease in RWAs related to derivatives, due to lower counterparty credit risk. Basel III Advanced Market RWAs as of June 2015 decreased by \$9.28 billion compared with December 2014, as a result of reduced specific risk exposures.

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The table below presents the changes in RWAs from December 31, 2013 to December 31, 2014. As of December 31, 2013, the firm was subject to the capital regulations of the Federal Reserve Board that were based on the Basel Committee's Basel I Capital Accord, including the revised market risk capital requirements.

<i>\$ in millions</i>	Period Ended December 2014
Risk-weighted assets	
Balance, December 31, 2013	\$433,226
Credit RWAs	
Change related to the transition to the Revised Capital Framework ¹	69,101
Other Changes:	
Decrease in derivatives	(24,109)
Increase in commitments, guarantees and loans	18,208
Decrease in securities financing transactions	(2,782)
Decrease in equity investments	(2,728)
Increase in other	2,007
Change in Credit RWAs	59,697
Market RWAs	
Change related to the transition to the Revised Capital Framework	1,626
Decrease in regulatory VaR	(5,175)
Decrease in stressed VaR	(11,512)
Increase in incremental risk	7,487
Decrease in comprehensive risk	(6,617)
Decrease in specific risk	(5,907)
Change in Market RWAs	(20,098)
Operational RWAs	
Change related to the transition to the Revised Capital Framework	88,938

Increase in operational risk	8,550
Change in Operational RWAs	97,488
Ending balance (Basel III Advanced)	\$570,313

1. Includes \$26.67 billion of RWA changes related to the transition to the Revised Capital Framework on January 1, 2014 and \$42.43 billion of changes to the calculation of credit RWAs in accordance with the Basel III Advanced Rules related to the firm's application of the Basel III Advanced Rules on April 1, 2014. Credit RWAs as of December 2014 increased by \$59.70 billion compared with December 2013, primarily due to increased risk weightings related to counterparty credit risk for derivative exposures and the inclusion of RWAs for equity investments in certain nonconsolidated entities, both resulting from the transition to the Revised Capital Framework. Market RWAs as of December 2014 decreased by \$20.10 billion compared with December 2013, primarily due to a decrease in stressed VaR, reflecting reduced fixed income and equities exposures. Operational RWAs as of December 2014 increased by \$97.49 billion compared with December 2013, substantially all of which was due to the transition to the Revised Capital Framework.

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 Federal Reserve Board, the FDIC, the New York State Department of Financial Services and the Consumer Financial Protection Bureau, and is subject to minimum regulatory capital requirements that are calculated in a manner similar to those applicable to bank holding companies. 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 Revised Capital Framework described above. GS Bank USA is an Advanced approach banking organization under the Revised Capital Framework. The minimum CET1 ratio required for GS Bank USA as of June 2015 is 4.5%.

Under the regulatory framework for prompt corrective action applicable to GS Bank USA as of June 2015, in order to meet the quantitative requirements for being a well-capitalized depository institution, GS Bank USA was required to maintain a CET1 ratio of at least 6.5%, a Tier 1 capital ratio of at least 8.0%, a Total capital ratio of at least 10.0% and a Tier 1 leverage ratio of at least 5.0%.

GS Bank USA was in compliance with its minimum capital requirements as of June 2015 and December 2014. 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 could result in restrictions being imposed by GS Bank USA's regulators.

As of June 2015, 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 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 ratios calculated in accordance with the Standardized Capital Rules was lower than that calculated in accordance with the Basel III Advanced Rules and therefore each of the Standardized Capital ratios applied to GS Bank USA as of June 2015.

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As of December 2014, GS Bank USA was required to calculate each of the CET1, Tier 1 capital and Total capital ratios in accordance with both the Basel III Advanced Rules and Hybrid Capital Rules. The lower of each ratio calculated in accordance with the Basel III Advanced Rules and the Hybrid Capital Rules was the ratio against which GS Bank USA's compliance with its minimum ratio requirements was assessed. Each of the ratios calculated in accordance with the Hybrid Capital Rules was lower than that calculated in accordance with the Basel III Advanced Rules and therefore each of the Hybrid Capital ratios applied to GS Bank USA as of December 2014.

The table below presents the ratios for GS Bank USA calculated in accordance with both the Standardized and Basel III Advanced rules as of both June 2015 and December 2014, and with the Hybrid Capital Rules as of December 2014. While the ratios calculated in accordance with the Standardized Capital Rules were not applicable until January 2015, the December 2014 ratios are presented in the table below for comparative purposes.

<i>\$ in millions</i>	June 2015	As of December 2014
Standardized		
Common Equity Tier 1	\$ 21,988	\$ 21,293
Tier 1 capital	\$ 21,988	\$ 21,293
Tier 2 capital	\$ 2,222	\$ 2,182
Total capital	\$ 24,210	\$ 23,475
RWAs	\$208,221	\$200,605
CET1 ratio	10.6%	10.6%
Tier 1 capital ratio	10.6%	10.6%
Total capital ratio	11.6%	11.7%
Basel III Advanced		
Standardized Tier 2 capital	\$ 2,222	\$ 2,182
Allowance for losses on loans and lending commitments	(222)	(182)

Tier 2 capital	2,000	2,000
Total capital	\$ 23,988	\$ 23,293
RWAs	\$136,642	\$141,978
CET1 ratio	16.1%	15.0%
Tier 1 capital ratio	16.1%	15.0%
Total capital ratio	17.6%	16.4%
Hybrid		
RWAs	N/A	\$149,963
CET1 ratio	N/A	14.2%
Tier 1 capital ratio	N/A	14.2%
Total capital ratio	N/A	15.7%

Tier 1 leverage ratio	17.0%	17.3%
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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 June 2015 and December 2014, GSIB was in compliance with all regulatory capital requirements.

Broker-Dealer Subsidiaries

U.S. Regulated Broker-Dealer Subsidiaries. The firm's U.S. regulated broker-dealer subsidiaries include GS&Co. and GSEC. GS&Co. and GSEC are registered U.S. broker-dealers and futures commission merchants, and are subject to regulatory capital requirements, including those imposed by the SEC, the U.S. Commodity Futures Trading Commission (CFTC), the Chicago Mercantile Exchange, the Financial Industry Regulatory Authority, Inc. (FINRA) 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. and GSEC have elected to calculate their minimum capital requirements in accordance with the Alternative Net Capital Requirement as permitted by Rule 15c3-1.

As of June 2015 and December 2014, GS&Co. had regulatory net capital, as defined by Rule 15c3-1, of \$15.35 billion and \$14.83 billion, respectively, which exceeded the amount required by \$12.88 billion and \$12.46 billion, respectively. As of June 2015 and December 2014, GSEC had regulatory net capital, as defined by Rule 15c3-1, of \$1.62 billion and \$1.67 billion, respectively, which exceeded the amount required by \$1.44 billion and \$1.53 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 June 2015 and December 2014, GS&Co. had tentative net capital and net capital in excess of both the minimum and the notification requirements.

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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 June 2015 and December 2014, 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 even if the relevant subsidiary would satisfy the equity capital requirements applicable to it after giving effect to the dividend. For example, the Federal Reserve Board, 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 June 2015 and December 2014, Group Inc. was required to maintain \$48.70 billion and \$33.62 billion, respectively, of minimum equity capital in its regulated subsidiaries in order to satisfy the regulatory requirements of such subsidiaries. The increased requirement is primarily a result of higher regulatory capital requirements in GS Bank USA, reflecting the implementation of the Standardized Capital Rules.

Other

The deposits of GS Bank USA are insured by the FDIC to the extent provided by law. The Federal Reserve Board requires that GS Bank USA maintain cash reserves with the Federal Reserve Bank of New York. The amount deposited by GS Bank USA held at the Federal Reserve Bank of New York was \$37.94 billion and \$38.68 billion as of June 2015 and December 2014, respectively, which exceeded required reserve amounts by \$37.80 billion and \$38.57 billion as of June 2015 and December 2014, respectively.

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. Common shares outstanding includes common stock and RSUs for which no future service is required as a condition to the delivery of the underlying common stock. Diluted EPS includes the determinants of basic EPS and, in addition, reflects the dilutive effect of the common stock deliverable for stock warrants and 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>	Three Months Ended June		Six Months Ended June	
	2015	2014	2015	2014
Numerator for basic and diluted EPS - net earnings applicable to common shareholders	\$ 916	\$1,953	\$3,664	\$3,902
Denominator for basic EPS - weighted average number of common shares	451.4	461.7	452.3	465.1
Effect of dilutive securities:				
RSUs	5.2	5.9	4.8	5.4
Stock options	5.0	8.3	5.0	9.6
Dilutive potential common shares	10.2	14.2	9.8	15.0
Denominator for diluted EPS - weighted average number of common shares and dilutive potential common shares	461.6	475.9	462.1	480.1
Basic EPS	\$ 2.01	\$ 4.21	\$ 8.07	\$ 8.36
Diluted EPS	1.98	4.10	7.93	8.13

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 \$0.02 for both the three months ended June 2015 and June 2014, and \$0.03 for both the six months ended June 2015 and June 2014.

The diluted EPS computations in the table above do not include antidilutive RSUs and common shares underlying antidilutive stock options of 3.4 million and 6.0 million for the three months ended June 2015 and June 2014, respectively, and 6.1 million and 6.0 million for the six months ended June 2015 and June 2014, respectively.

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Notes to Condensed Consolidated Financial Statements**(Unaudited)****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>	Three Months		Six Months	
	Ended June		Ended June	
	2015	2014	2015	2014
Fees earned from funds	\$917	\$718	\$1,802	\$1,610

<i>\$ in millions</i>	As of	
	June	December
	2015	2014
Fees receivable from funds	\$ 628	\$ 724

Aggregate carrying value of interests in funds	8,904	9,099
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As of June 2015 and December 2014, the firm had outstanding guarantees on behalf of its funds of \$300 million and \$304 million, respectively. This amount primarily related to a guarantee that the firm has voluntarily provided 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 June 2015 and December 2014, the firm had no outstanding loans or commitments to extend credit to affiliated funds.

The Volcker Rule will restrict 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.

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>	Three Months		Six Months	
	Ended June		Ended June	
	2015	2014	2015	2014
Interest income				
Deposits with banks	\$ 41	\$ 49	\$ 79	\$ 99
Securities borrowed, securities purchased under agreements to resell and federal funds sold ¹	29	19	(1)	37
Financial instruments owned, at fair value	1,474	1,968	2,948	4,013
Loans receivable	273	160	526	296
Other interest ²	333	383	633	728
Total interest income	2,150	2,579	4,185	5,173
Interest expense				
Deposits	98	82	183	167
Securities loaned and securities sold under agreements to repurchase	75	125	148	259
Financial instruments sold, but not yet purchased, at fair value	328	446	657	979
Short-term borrowings ³	126	104	251	199
Long-term borrowings ³	1,097	925	1,908	1,828
Other interest ⁴	(237)	(103)	(484)	(296)
Total interest expense	1,487	1,579	2,663	3,136
Net interest income	\$ 663	\$1,000	\$1,522	\$2,037

1. Includes rebates paid and interest income on securities borrowed.

2. Includes interest income on customer debit balances and other interest-earning assets.

3. Includes interest on unsecured borrowings and other secured financings.

4. Includes rebates received on other interest-bearing liabilities and interest expense on customer credit balances.

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Note 24.

Income Taxes

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.

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.

Unrecognized Tax Benefits

The firm recognizes 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. 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 financial statements.

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, Korea 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 June 2015
U.S. Federal	2008
New York State and City	2007
United Kingdom	2012
Japan	2010
Hong Kong	2006
Korea	2010

The U.S. Federal examinations of fiscal 2008 through calendar 2010 have been finalized, but the settlement is subject to review by the Joint Committee of Taxation. The examinations of 2011 and 2012 began in 2013.

New York State and City examinations of fiscal 2007 through 2010 began in 2013.

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.

In January 2013, the firm was accepted into the Compliance Assurance Process program by the IRS. 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 tax year is the first year that was examined under the program, and remains subject to post-filing review. The firm was also accepted into the program for the 2014 and 2015 tax years.

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Notes to Condensed Consolidated Financial Statements**(Unaudited)****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.

Management believes that the information in the table below provides a reasonable representation of each segment's contribution to consolidated pre-tax earnings and total assets.

<i>\$ in millions</i>	Three Months Ended or as of June		Six Months Ended June	
	2015	2014	2015	2014
Investment Banking				
Financial Advisory	\$ 821	\$ 506	\$ 1,782	\$ 1,188
Equity underwriting	595	545	1,128	982
Debt underwriting	603	730	1,014	1,390

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Total Underwriting	1,198	1,275	2,142	2,372
Total net revenues	2,019	1,781	3,924	3,560
Operating expenses	1,157	1,077	2,261	2,122
Pre-tax earnings	\$ 862	\$ 704	\$ 1,663	\$ 1,438
Segment assets	\$ 2,530	\$ 2,188		

Institutional Client Services

Fixed Income, Currency and Commodities Client

Execution	\$ 1,604	\$ 2,223	\$ 4,738	\$ 5,073
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Equities client execution	787	483	1,911	899
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Commissions and fees	767	751	1,575	1,579
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Securities services	443	373	836	725
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Total Equities	1,997	1,607	4,322	3,203
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Total net revenues	3,601	3,830	9,060	8,276
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Operating expenses ¹	4,008	3,045	7,579	6,139
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Pre-tax earnings/(loss) ¹	\$ (407)	\$ 785	\$ 1,481	\$ 2,137
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Segment assets	\$688,406	\$724,792		
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Investing & Lending

Equity securities	\$ 1,254	\$ 1,447	\$ 2,414	\$ 2,354
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Debt securities and loans	547	625	1,056	1,247
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Total net revenues ²	1,801	2,072	3,470	3,601
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Operating expenses	853	999	1,590	1,891
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Pre-tax earnings	\$ 948	\$ 1,073	\$ 1,880	\$ 1,710
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Segment assets	\$154,232	\$119,375		
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Investment Management

Management and other fees	\$ 1,245	\$ 1,203	\$ 2,439	\$ 2,355
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Incentive fees	263	139	517	443
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Transaction revenues	140	100	276	218
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Total net revenues	1,648	1,442	3,232	3,016
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Operating expenses	1,325	1,183	2,596	2,459
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Pre-tax earnings	\$ 323	\$ 259	\$ 636	\$ 557
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Segment assets	\$ 14,711	\$ 13,559		
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Total net revenues	\$ 9,069	\$ 9,125	\$19,686	\$18,453
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Total operating expenses ^{1, 3}	7,343	6,304	14,026	12,611
Total pre-tax earnings ¹	\$ 1,726	\$ 2,821	\$ 5,660	\$ 5,842
Total assets	\$859,879	\$859,914		

- Both the three and six months ended June 2015 include the net provision of \$1.45 billion for mortgage-related litigation and regulatory matters recorded during the second quarter ended June 2015.
- Net revenues related to the firm's consolidated investments, previously reported in other net revenues within Investing & Lending, are now reported in equity securities and debt securities and loans, as results from these activities (\$84 million and \$166 million for the three and six months ended June 2015, respectively) are no longer significant due to the sale of Metro in the fourth quarter of 2014. Reclassifications have been made to previously reported amounts to conform to the current presentation.
- Operating expenses related to real estate-related exit costs, previously not allocated to the firm's segments, have now been allocated. This allocation reflects the change in the manner in which management views the performance of the firm's segments. Reclassifications have been made to previously reported segment amounts to conform to the current presentation.

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The segment information presented in the table above is prepared according to the following methodologies:

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.

The tables below present the amounts of net interest income or interest expense included in net revenues, and the amounts of depreciation and amortization expense included in pre-tax earnings.

<i>\$ in millions</i>	Three Months		Six Months	
	Ended June		Ended June	
	2015	2014	2015	2014
Investment Banking	\$	\$	\$	\$
Institutional Client Services	525	894	1,251	1,873
Investing & Lending	94	77	191	103
Investment Management	44	29	80	61
Total net interest income	\$663	\$1,000	\$1,522	\$2,037

<i>\$ in millions</i>	Three Months		Six Months	
	Ended June		Ended June	
	2015	2014	2015	2014
Investment Banking	\$ 29	\$ 35	\$ 58	\$ 67
Institutional Client Services	121	124	222	238

Investing & Lending	79	97	132	304
Investment Management	36	38	72	75
Total depreciation and amortization¹	\$265	\$ 294	\$ 484	\$ 684

1. Depreciation and amortization related to real estate-related exit costs, previously not allocated to the firm's segments, have now been allocated. This allocation reflects the change in the manner in which management views the performance of the firm's segments. Reclassifications have been made to previously reported segment amounts to conform to the current presentation.

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: Fixed Income, Currency and Commodities 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 tables below present the total net revenues and pre-tax earnings of the firm by geographic region allocated based on the methodology referred to above, as well as the percentage of total net revenues and pre-tax earnings for each geographic region. In the tables below, Asia includes Australia and New Zealand.

<i>\$ in millions</i>	Three Months Ended June			
	2015		2014	
Net revenues				
Americas	\$ 5,141	56%	\$ 5,202	57%
Europe, Middle East and Africa	2,230	25%	2,737	30%
Asia	1,698	19%	1,186	13%
Total net revenues	\$ 9,069	100%	\$ 9,125	100%
Pre-tax earnings				
Americas ¹	\$ 363	21%	\$ 1,452	51%

Europe, Middle East and Africa	716	41%	1,011	36%
Asia	647	38%	358	13%
Total pre-tax earnings ^{1,2}	\$ 1,726	100%	\$ 2,821	100%

<i>\$ in millions</i>	Six Months Ended June			
	2015		2014	
Net revenues				
Americas	\$11,013	56%	\$10,699	58%
Europe, Middle East and Africa	5,115	26%	5,376	29%
Asia	3,558	18%	2,378	13%
Total net revenues	\$19,686	100%	\$18,453	100%
Pre-tax earnings				
Americas ¹	\$ 2,436	43%	\$ 3,142	54%
Europe, Middle East and Africa	1,813	32%	1,983	34%
Asia	1,411	25%	717	12%
Total pre-tax earnings ^{1,2}	\$ 5,660	100%	\$ 5,842	100%

1. Both the three and six months ended June 2015 include the net provision of \$1.45 billion for mortgage-related litigation and regulatory matters recorded during the second quarter ended June 2015.

2. Operating expenses related to real estate-related exit costs, previously not allocated to the firm's geographic regions, have now been allocated. This allocation reflects the change in the manner in which management views the performance of the geographic regions. Reclassifications have been made to previously reported geographic region amounts to conform to the current presentation.

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Credit concentrations may arise from market making, client facilitation, investing, underwriting, lending and collateralized transactions and may be impacted by changes in economic, industry or political factors. The firm seeks to mitigate credit risk by actively monitoring exposures and obtaining collateral from counterparties as deemed appropriate.

While the firm's activities expose it to many different industries and counterparties, the firm routinely executes a high volume of transactions with asset managers, investment funds, commercial banks, brokers and dealers, clearing houses and exchanges, which results in significant credit concentrations.

In the ordinary course of business, the firm may also be subject to a concentration of credit risk to a particular counterparty, borrower or issuer, including sovereign issuers, or to a particular clearing house or exchange.

The table below presents the credit concentrations in cash instruments held by the firm.

<i>\$ in millions</i>	June 2015	As of December 2014
U.S. government and federal agency obligations ¹	\$64,724	\$69,170
% of total assets	7.5%	8.1%
Non-U.S. government and agency obligations ¹	\$34,006	\$37,059
% of total assets	4.0%	4.3%

1. Included in Financial instruments owned, at fair value and Cash and securities segregated for regulatory and other purposes.

As of June 2015 and December 2014, the firm did not have credit exposure to any other counterparty that exceeded 2% of total assets.

To reduce credit exposures, the firm may enter into agreements with counterparties that 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. 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 federal 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 federal agency obligations, and non-U.S. government and agency obligations, that collateralize resale agreements and securities borrowed transactions (including those in Cash and securities segregated for regulatory and other purposes). Because 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.

<i>\$ in millions</i>	As of June 2015	December 2014
U.S. government and federal agency obligations	\$80,766	\$103,263
Non-U.S. government and agency obligations ¹	84,968	71,302

1. Principally consists of securities issued by the governments of France, the United Kingdom, Japan and Germany.

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(Unaudited)

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 an underwriting and is not being indemnified by a party that the firm believes will pay 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 underwriting and the estimated lowest subsequent price of such securities and (c) in the case of (iii), the price that purchasers paid for the securities less the estimated value, if any, as of June 2015 of the relevant securities, in each of cases (i), (ii) and (iii), taking into account any 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 \$5.9 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 and the action filed by the Libyan Investment Authority discussed 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 discussed below under 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.

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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, the firm's conflict of interest management, and the SEC investigation that led to GS&Co. entering into a consent agreement with the SEC, settling all claims made against GS&Co. by the SEC in connection with the ABACUS 2007-AC1 CDO offering (ABACUS 2007-AC1 transaction), pursuant to which GS&Co. paid \$550 million of disgorgement and civil penalties. The consolidated amended complaint filed on July 25, 2011, which names as defendants Group Inc. and certain 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 June 21, 2012, the district court dismissed the claims based on Group Inc.'s not disclosing that it had received a Wells notice from the staff of the SEC related to the ABACUS 2007-AC1 transaction, but permitted the plaintiffs' other claims to proceed. On January 30, 2015, the plaintiffs moved for class certification.

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.

GS&Co., Goldman Sachs Mortgage Company and GS Mortgage Securities Corp. and three current or former Goldman Sachs employees are defendants in a putative class action commenced on December 11, 2008 in the U.S. District Court for the Southern District of New York brought on behalf of purchasers of various mortgage pass-through certificates and asset-backed certificates issued by various securitization trusts established by the firm and underwritten by GS&Co. in 2007. The complaint generally alleges that the registration statement and prospectus supplements for the certificates violated the federal securities laws, and seeks unspecified compensatory damages and rescission or rescissory damages. By a decision dated September 6, 2012, the U.S. Court of Appeals for the Second Circuit affirmed the district court's dismissal of plaintiff's claims with respect to 10 of the 17 offerings included in plaintiff's original complaint but vacated the dismissal and remanded the case to the district court with instructions to reinstate the plaintiff's claims with respect to the other seven offerings. On October 31, 2012, the plaintiff served an amended complaint relating to those seven offerings, plus seven additional offerings (additional offerings). On

July 10, 2014, the court granted the defendants' motion to dismiss as to the additional offerings. On March 23, 2015, the plaintiff moved for class certification. On June 5, 2015, the plaintiff and the defendants agreed to a settlement in principle, subject to definitive documentation and court approval, which would resolve the claims of the plaintiff and the separate plaintiff discussed below. The firm has reserved the full amount of the proposed settlement. On June 3, 2010, another investor filed a separate putative class action asserting substantively similar allegations relating to one of the additional offerings and thereafter moved to further amend its amended complaint to add claims with respect to two of the additional offerings. On March 27, 2014, the district court largely denied defendants' motion to dismiss as to the original offering, but denied the separate plaintiff's motion to add the two additional offerings through an amendment. On March 20, 2015, the separate plaintiff moved for class certification. The securitization trusts issued, and GS&Co. underwrote, approximately \$11 billion principal amount of certificates to all purchasers in the offerings at issue in the complaints.

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On September 30, 2010, a class action was filed in the U.S. District Court for the Southern District of New York against GS&Co., Group Inc. and two former GS&Co. employees on behalf of investors in \$823 million of notes issued in 2006 and 2007 by two synthetic CDOs (Hudson Mezzanine 2006-1 and 2006-2). The amended complaint asserts federal securities law and common law claims, and seeks unspecified compensatory, punitive and other damages. The defendants' motion to dismiss was granted as to plaintiff's claim of market manipulation and denied as to the remainder of plaintiff's claims by a decision dated March 21, 2012. On May 21, 2012, the defendants counterclaimed for breach of contract and fraud. On June 27, 2014, the appellate court denied defendants' petition for leave to appeal from the district court's January 22, 2014 order granting class certification. On January 30, 2015, defendants moved for summary judgment.

Various alleged purchasers of, and counterparties and providers of credit enhancement involved in transactions relating to, mortgage pass-through certificates, CDOs and other mortgage-related products (including ACA Financial Guaranty Corp., Aozora Bank, Ltd., Basis Yield Alpha Fund (Master), the Charles Schwab Corporation, CIFG Assurance of North America, Inc., Deutsche Zentral-Genossenschaftsbank, the FDIC (as receiver for Guaranty Bank), the Federal Home Loan Banks of Chicago and Seattle, IKB Deutsche Industriebank AG, Massachusetts Mutual Life Insurance Company, the National Credit Union Administration (as conservator or liquidating agent for several failed credit unions), Phoenix Light SF Limited and related parties, Royal Park Investments SA/NV, Watertown Savings Bank, Commerzbank, Texas County & District Retirement System, the Commonwealth of Virginia (on behalf of the Virginia Retirement System) and the Tennessee Consolidated Retirement System) have filed complaints or summonses with notice in state and federal court or initiated arbitration proceedings against firm affiliates, generally alleging that the offering documents for the securities that they purchased contained untrue statements of material fact and material omissions and generally seeking rescission and/or damages. Certain of these complaints allege fraud and seek punitive damages. Certain of these complaints also name other firms as defendants.

Norges Bank Investment Management, Selective Insurance Company and the State of Illinois (on behalf of Illinois state retirement systems) have threatened to assert claims of various types against the firm in connection with the sale of mortgage-related securities. The firm has entered into agreements with one of these entities to toll the relevant statute of limitations.

As of the date hereof, the aggregate amount of mortgage-related securities sold to plaintiffs in active and threatened cases described in the preceding two paragraphs where those plaintiffs are seeking rescission of such securities was approximately \$6.6 billion (which does not reflect adjustment for any subsequent paydowns or distributions or any residual value of such securities, statutory interest or any other adjustments that may be claimed). This amount does not include the potential claims by these or other purchasers in the same or other mortgage-related offerings that have not been described above, or claims that have been dismissed.

The firm has entered into agreements with Deutsche Bank National Trust Company and 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 \$11.1 billion original notional face amount of securitizations issued by trusts for which they act as trustees.

Group Inc., Litton, Ocwen and Arrow Corporate Member Holdings LLC, a former subsidiary of Group Inc., are defendants in a putative class action pending since January 23, 2013 in the U.S. District Court for the Southern District of New York generally challenging the procurement manner and scope of force-placed hazard insurance arranged by Litton when homeowners failed to arrange for insurance as required by their mortgages. The complaint asserts claims for breach of contract, breach of fiduciary duty, misappropriation, conversion, unjust enrichment and violation of Florida unfair practices law, and seeks unspecified compensatory and punitive damages as well as declaratory and injunctive relief. An amended complaint, filed on November 19, 2013, added an additional plaintiff and RICO claims. On September 29, 2014, the court denied without prejudice and with leave to renew at a later date Group Inc.'s motion to sever the claims against it and certain other defendants. On February 20, 2015, the defendants moved to dismiss.

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The firm has also received, and continues to receive, requests for information and/or subpoenas from, and is engaged in discussions with, the U.S. Department of Justice, other members of the Residential Mortgage-Backed Securities Working Group of the U.S. Financial Fraud Enforcement Task Force (RMBS Working Group) and other federal, state and local regulators and law enforcement authorities as part of inquiries or investigations relating to the mortgage-related securitization process, subprime mortgages, CDOs, synthetic mortgage-related products, sales communications and particular transactions involving these products, and servicing and foreclosure activities, which may subject the firm to actions, including litigation, penalties and fines. As part of the RMBS Working Group investigation, the U.S. Attorney for the Eastern District of California, in connection with potentially bringing a civil action, has concluded that the firm violated federal law in connection with its underwriting, securitization and sale of residential mortgage-backed securities. The firm is in discussions with the RMBS Working Group with respect to potential resolution of this matter and were it to be resolved, of which there can be no assurance, such resolution may result in significant penalties and other costs. The firm is cooperating with these regulators and other authorities, including in some cases agreeing to the tolling of the relevant statute of limitations. See also **Regulatory Investigations and Reviews and Related Litigation** below.

The firm expects to be the subject of additional putative shareholder derivative actions, purported class actions, rescission and put back claims and other litigation, additional investor and shareholder demands, and additional regulatory and other investigations and actions with respect to mortgage-related offerings, loan sales, CDOs, and servicing and foreclosure activities. See Note 18 for information regarding mortgage-related contingencies not described in this Note 27.

RALI Pass-Through Certificates Litigation. GS&Co. is among numerous underwriters named as defendants in a securities class action initially filed in September 2008 in New York Supreme Court, and subsequently removed to the U.S. District Court for the Southern District of New York. As to the underwriters, plaintiffs allege that the offering documents in connection with various offerings of mortgage-backed pass-through certificates violated the disclosure requirements of the federal securities laws. In addition to the underwriters, the defendants include Residential Capital, LLC (ResCap), Residential Accredited Loans, Inc. (RALI), Residential Funding Corporation (RFC), Residential Funding Securities Corporation (RFSC), and certain of their officers and directors. On January 3, 2013, the district court certified a class in connection with one offering underwritten by GS&Co. which includes only initial purchasers who bought the securities directly from the underwriters or their agents no later than ten trading days after the offering date. On April 30, 2013, the district court granted in part plaintiffs' request to reinstate a number of the previously dismissed claims relating to an additional nine offerings underwritten by GS&Co. On May 10, 2013, the plaintiffs filed an amended complaint incorporating those nine additional offerings. On December 27, 2013, the court granted the plaintiffs' motion for class certification as to the nine additional offerings but denied the plaintiffs' motion to expand the time period and scope covered by the previous class definition. On October 17, 2014, the plaintiffs and defendants moved for summary judgment. On February 19, 2015, the court preliminarily approved the settlement among GS&Co., the other underwriter defendants and the plaintiffs. The firm has paid the full amount of its contribution to the settlement.

GS&Co. underwrote approximately \$5.57 billion principal amount of securities to all purchasers in the offerings included in the amended complaint. On May 14, 2012, ResCap, RALI and RFC filed for Chapter 11 bankruptcy in the U.S. Bankruptcy Court for the Southern District of New York. On June 28, 2013, the district court entered a final order and judgment approving a settlement between plaintiffs and ResCap, RALI, RFC, RFSC and their officers and directors named as defendants in the action.

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GT Advanced Technologies Securities Litigation. GS&Co. is among the underwriters named as defendants in several putative securities class actions filed in October 2014 in the U.S. District Court for the District of New Hampshire. In addition to the underwriters, the defendants include certain directors and officers of GT Advanced Technologies Inc. (GT Advanced Technologies). As to the underwriters, the complaints generally allege misstatements and omissions in connection with the December 2013 offerings by GT Advanced Technologies of approximately \$86 million of common stock and \$214 million principal amount of convertible senior notes, assert claims under the federal securities laws, and seek compensatory damages in an unspecified amount and rescission. On July 20, 2015, the plaintiffs filed a consolidated amended complaint. GS&Co. underwrote 3,479,769 shares of common stock and \$75 million principal amount of notes for an aggregate offering price of approximately \$105 million. On October 6, 2014, GT Advanced Technologies filed for Chapter 11 bankruptcy.

FireEye Securities Litigation. GS&Co. is among the underwriters named as defendants in several putative securities class actions, filed beginning in June 2014 in the California Superior Court, County of Santa Clara. In addition to the underwriters, the defendants include FireEye, Inc. (FireEye) and certain of its directors and officers. The complaints generally allege misstatements and omissions in connection with the offering materials for the March 2014 offering of approximately \$1.15 billion of FireEye common stock, assert claims under the federal securities laws, and seek compensatory damages in an unspecified amount and rescission. On July 9, 2015, the court overruled the defendants demurrers, which sought to have the consolidated amended complaint dismissed. GS&Co. underwrote 2,100,000 shares for a total offering price of approximately \$172 million.

Cobalt International Energy Securities Litigation. 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 underwriters (including GS&Co.) for certain offerings of Cobalt 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 consolidated amended complaint, filed on May 1, 2015, asserts claims under the federal securities laws, seeks compensatory and rescissory damages in unspecified amounts and alleges material misstatements and omissions concerning Cobalt in connection with a \$1.67 billion February 2012 offering of Cobalt common stock, a \$1.38 billion December 2012 offering of Cobalt convertible notes, a \$1.00 billion January 2013 offering of Cobalt common stock, a \$1.33 billion May 2013 offering of Cobalt common stock, and a \$1.30 billion May 2014 offering of Cobalt 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. The consolidated amended complaint also seeks damages from GS&Co. in connection with its acting as an underwriter of 14,430,000 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 June 30, 2015, all defendants moved to dismiss the consolidated amended complaint.

Solazyme, Inc. Securities Litigation. GS&Co. is among the underwriters named as defendants in a putative securities class action filed on June 24, 2015 in the U.S. District Court for the Northern District of California. In addition to the underwriters, the defendants include Solazyme, Inc. (Solazyme) and certain of its directors and officers. As to the

underwriters, the complaints generally allege misstatements and omissions in connection with March 2014 offerings by Solazyme of approximately \$63 million of common stock and \$150 million principal amount of convertible senior subordinated notes, assert claims under the federal securities laws, and seek compensatory damages in an unspecified amount and rescission. GS&Co. underwrote 3,450,000 shares of common stock and \$150 million principal amount of notes for an aggregate offering price of approximately \$187 million.

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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 March 24, 2015, plaintiffs moved for reconsideration of that recommendation. On April 13, 2015, plaintiffs' counsel requested that two female individuals, one of whom was employed by the firm as of September 2010 and the other of whom is a current employee of the firm, be permitted to intervene as plaintiffs.

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.

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.

Credit Derivatives Antitrust Matters. The European Commission announced in April 2011 that it was initiating proceedings to investigate further numerous financial services companies, including Group Inc., in connection with the supply of data related to credit default swaps and in connection with profit sharing and fee arrangements for clearing of credit default swaps, including potential anti-competitive practices. On July 1, 2013, the European Commission issued to those financial services companies a Statement of Objections alleging that they colluded to limit competition in the trading of exchange-traded unfunded credit derivatives and exchange trading of credit default swaps more generally, and setting out its process for determining fines and other remedies. Group Inc.'s current understanding is that the proceedings related to profit sharing and fee arrangements for clearing of credit default swaps have been suspended indefinitely. The firm has received civil investigative demands from the U.S. Department of Justice for information on similar matters. Goldman Sachs is cooperating with the investigations and reviews.

GS&Co. and Group Inc. are among the numerous defendants in putative antitrust class actions relating to credit derivatives, filed beginning in May 2013 and consolidated in the U.S. District Court for the Southern District of New York. The complaints generally allege that defendants violated federal antitrust laws by conspiring to forestall the development of alternatives to OTC trading of credit derivatives and to maintain inflated bid-ask spreads for credit derivatives trading. The complaints seek declaratory and injunctive relief as well as treble damages in an unspecified amount. On September 4, 2014, the court granted in part and denied in part the defendants' motion to dismiss, permitting the claim alleging an antitrust conspiracy to proceed but confining it to a period after the fall of 2008.

Libya-Related Litigation. GSI is the defendant in an action filed on January 21, 2014 with the High Court of Justice in London by the Libyan Investment Authority, relating to nine derivative transactions between the plaintiff and GSI and seeking, among other things, rescission of the transactions and unspecified equitable compensation and damages exceeding \$1 billion. On August 4, 2014, GSI withdrew its April 10, 2014 motion for summary judgment, and on December 4, 2014, the Libyan Investment Authority filed an amended statement of claim.

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Municipal Securities Matters. GS&Co. (along with, in some cases, other financial services firms) is named by municipalities, municipal-owned entities, state-owned agencies or instrumentalities and non-profit entities in a number of FINRA arbitrations and federal court cases based on GS&Co.'s role as underwriter of the claimants' issuances of an aggregate of approximately \$2 billion of auction rate securities from 2003 through 2007 and as a broker-dealer with respect to auctions for these securities. The claimants generally allege that GS&Co. failed to disclose that it had a practice of placing cover bids in auctions, and/or failed to inform the claimant of the deterioration of the auction rate market beginning in the fall of 2007, and that, as a result, the claimant was forced to engage in a series of expensive refinancing and conversion transactions after the failure of the auction market in February 2008. Certain claimants also allege that GS&Co. advised them to enter into interest rate swaps in connection with their auction rate securities issuances, causing them to incur additional losses. The claims include breach of fiduciary duty, fraudulent concealment, negligent misrepresentation, breach of contract, violations of the Exchange Act and state securities laws, and breach of duties under the rules of the Municipal Securities Rulemaking Board and the NASD. Certain of the arbitrations have been enjoined in accordance with the exclusive forum selection clauses in the transaction documents. In addition, GS&Co. has filed motions with the FINRA Panels to dismiss the arbitrations, one of which has been granted, and has filed a motion to dismiss one of the proceedings pending in federal court. GS&Co. has also reached settlements in two actions and settlements in principle in two actions.

U.S. Treasury Securities-Related 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, in the U.S. District Court for the Southern District of New York. The complaints generally allege that the defendants violated the federal antitrust laws and the Commodity Exchange Act in connection with an alleged conspiracy to manipulate the when-issued market and auctions for U.S. Treasury securities, as well as related futures and options, and seek declaratory and injunctive relief, treble damages in an unspecified amount and restitution.

Commodities-Related Litigation. GS&Co., GSI, J. Aron & Company and Metro, a previously consolidated subsidiary of Group Inc. that was sold in the fourth quarter of 2014, are among the defendants in a number of putative class actions filed beginning on August 1, 2013 and consolidated in the U.S. District Court for the Southern District of New York. The complaints generally allege violation of federal antitrust laws and other federal and state laws in connection with the management of aluminum storage facilities. The complaints seek declaratory, injunctive and other equitable relief as well as unspecified monetary damages, including treble damages. On August 29, 2014, the court granted the Goldman Sachs defendants' motion to dismiss. Certain plaintiffs appealed on September 24, 2014, and the remaining plaintiffs filed proposed amended complaints on October 9 and 10, 2014. On March 26, 2015, the court granted in part and denied in part plaintiffs' motions for leave to amend their complaints, rejecting their monopolization claims and most state law claims but permitting their antitrust conspiracy claims and certain parallel state law and unjust enrichment claims to proceed, and the remaining plaintiffs filed amended complaints on April 9, 2015.

GS Power, Metro and GSI are among the defendants named in putative class actions, filed beginning on May 23, 2014 in the U.S. District Court for the Southern District of New York, based on similar alleged violations of the federal antitrust laws in connection with the management of zinc storage facilities. On June 17, 2015, the plaintiffs filed a

consolidated amended complaint.

GSI is among the defendants named in putative class actions relating to trading in platinum and palladium, filed beginning on November 25, 2014, in the U.S. District Court for the Southern District of New York. The complaints generally allege 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. On April 21, 2015, the plaintiffs filed a consolidated amended complaint. On June 22, 2015, the defendants moved to dismiss. On July 27, 2015, the plaintiffs filed a second amended consolidated complaint.

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ISDAFIX-Related Litigation. Group Inc. is among the defendants named in several putative class actions relating to trading in interest rate derivatives, filed beginning in September 2014 in the U.S. District Court for the Southern District of New York. The second consolidated amended complaint, filed on February 12, 2015, asserts claims under the federal antitrust laws and state common law in connection with an alleged conspiracy to manipulate the ISDAFIX benchmark and seeks declaratory and injunctive relief as well as treble damages in an unspecified amount. Defendants moved to dismiss the second consolidated amended complaint on April 13, 2015.

Currencies-Related Litigation. GS&Co. and Group Inc. are among the defendants named in several putative antitrust class actions relating to trading in the foreign exchange markets, filed beginning in December 2013 in the U.S. District Court for the Southern District of New York. The complaints generally allege that defendants violated federal antitrust laws in connection with an alleged conspiracy to manipulate the foreign currency exchange markets and seek declaratory and injunctive relief as well as treble damages in an unspecified amount. On February 13, 2014, the cases were consolidated into one action, and a consolidated amended complaint was filed on March 31, 2014. On January 28, 2015, the court denied defendants' motion to dismiss the consolidated action. On July 16, 2015, the plaintiffs filed a second consolidated amended complaint.

On May 8, 2015, GS&Co. and Group Inc. agreed to a settlement in principle with plaintiffs in the action discussed above, subject to definitive documentation and court approval. The firm has reserved the full amount of the proposed settlement.

Beginning in February 2015, GS&Co. and Group Inc. were named as defendants in separate putative class actions filed in the U.S. District Court for the Southern District of New York. The complaints generally allege that defendants violated federal antitrust laws and the Commodity Exchange Act in connection with an alleged conspiracy to manipulate foreign exchange benchmark rates, which caused artificial foreign exchange futures prices. Plaintiffs seek declaratory and injunctive relief and treble damages in an unspecified amount.

On June 3, 2015, GS&Co. and Group Inc. were among the defendants named in a putative class action filed in the U.S. District Court for the Southern District of New York on behalf of certain ERISA employee benefit plans. As to the claims brought against GS&Co. and Group Inc., the complaint generally alleges that the defendants violated ERISA in connection with an alleged conspiracy to manipulate the foreign currency exchange markets, which caused losses to ERISA plans for which the defendants provided foreign exchange services or otherwise authorized the execution of foreign exchange services. Plaintiffs seek declaratory and injunctive relief as well as restitution and disgorgement in an unspecified amount.

Compensation-Related Litigation. On June 9, 2015, Group Inc. and certain of its current and former directors were named as defendants in a purported shareholder derivative action in the Court of Chancery of the State of Delaware. The derivative complaint alleges that excessive compensation has been paid to such directors since 2012. The derivative complaint includes allegations of breach of fiduciary duty and unjust enrichment and seeks, among other things, unspecified monetary damages, disgorgement of director compensation and reform of the firm's stock incentive plan.

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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 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 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, underwriting of Build America Bonds, municipal advisory services and the possible impact of credit default swap transactions on municipal issuers;

The sales, trading and clearance of corporate and government securities, currencies, commodities and other financial products and related sales and other communications and activities, including compliance with the SEC's short sale rule, algorithmic, high-frequency and quantitative trading, the firm's U.S. alternative trading system, futures trading, options trading, transaction reporting, technology systems and controls, securities lending practices, trading and clearance of credit derivative instruments, 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 and the ISDAFIX benchmark rates;

Compliance with the U.S. Foreign Corrupt Practices Act, including with respect to the firm's hiring 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. Goldman Sachs is cooperating with all such regulatory investigations and reviews.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and the Shareholders of

The Goldman Sachs Group, Inc.:

We have reviewed the accompanying condensed consolidated statement of financial condition of The Goldman Sachs Group, Inc. and its subsidiaries (the Company) as of June 30, 2015, the related condensed consolidated statements of earnings for the three and six months ended June 30, 2015 and 2014, the condensed consolidated statements of comprehensive income for the three and six months ended June 30, 2015 and 2014, the condensed consolidated statement of changes in shareholders' equity for the six months ended June 30, 2015, and the condensed consolidated statements of cash flows for the six months ended June 30, 2015 and 2014. These condensed consolidated interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial condition as of December 31, 2014, and the related consolidated statements of earnings, comprehensive income, changes in shareholders' equity and cash flows for the year then ended (not presented herein), and in our report dated February 20, 2015, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated statement of financial condition as of December 31, 2014, and the condensed consolidated statement of changes in shareholders' equity for the year ended December 31, 2014, 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

July 31, 2015

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Statistical Disclosures**Distribution of Assets, Liabilities and Shareholders****Equity**

The tables below present a summary of consolidated average balances and interest rates. Assets, liabilities and interest are

classified as U.S. and non-U.S. based on the location of the legal entity in which the assets and liabilities are held.

<i>\$ in millions</i>	2015			Three Months Ended June 2014		
	Average balance	Interest	Average rate (annualized)	Average balance	Interest	Average rate (annualized)
Assets						
U.S.	\$ 56,492	\$ 36	0.26%	\$ 49,688	\$ 44	0.36%
Non-U.S.	4,559	5	0.44%	5,079		