GOLDMAN SACHS GROUP INC
Form 10-Q
November 03, 2016
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 2016

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)	13-4019460 (I.R.S. Employer Identification No.)
200 West Street, New York, N.Y. (Address of principal executive offices)	10282 (Zip Code)

(212) 902-1000

(Registrant s telephone number, including area code)

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. x 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). x 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 x 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 x No

APPLICABLE ONLY TO CORPORATE ISSUERS

As of October 21, 2016, there were 397,649,217 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 SEPTEMBER 30, 2016

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Earnings

(Unaudited)

	Three Months Ended September		Nine Months Ended September	
in millions, except per share amounts	**2016**	2015	**2016**	2015
Revenues				
Investment banking	**$1,537**	$1,556	**$ 4,787**	$ 5,480
Investment management	**1,386**	1,331	**3,908**	4,400
Commissions and fees	**753**	859	**2,447**	2,517
Market making	**2,715**	1,730	**7,067**	7,964
Other principal transactions	**1,163**	543	**1,978**	3,822
Total non-interest revenues	**7,554**	6,019	**20,187**	24,183
Interest income	**2,389**	2,119	**7,267**	6,304
Interest expense	**1,775**	1,277	**5,016**	3,940
Net interest income	**614**	842	**2,251**	2,364
Net revenues, including net interest income	**8,168**	6,861	**22,438**	26,547
Operating expenses				
Compensation and benefits	**3,207**	2,351	**9,200**	10,619
Brokerage, clearing, exchange and distribution fees	**613**	665	**1,929**	1,950
Market development	**92**	123	**326**	409
Communications and technology	**207**	200	**609**	601

Depreciation and amortization	**247**	222	**731**	706
Occupancy	**245**	182	**609**	572
Professional fees	**222**	253	**673**	714
Other expenses	**467**	819	**1,454**	3,270
Total non-compensation expenses	**2,093**	2,464	**6,331**	8,222
Total operating expenses	**5,300**	4,815	**15,531**	18,841
Pre-tax earnings	**2,868**	2,046	**6,907**	7,706
Provision for taxes	**774**	620	**1,856**	2,388
Net earnings	**2,094**	1,426	**5,051**	5,318
Preferred stock dividends	**(6)**	96	**117**	324
Net earnings applicable to common shareholders	**$2,100**	$1,330	**$ 4,934**	$ 4,994
Earnings per common share				
Basic	**$ 4.96**	$ 2.95	**$ 11.40**	$ 11.03
Diluted	**4.88**	2.90	**11.24**	10.84
Dividends declared per common share	**$ 0.65**	$ 0.65	**$ 1.95**	$ 1.90
Average common shares				
Basic	**422.4**	449.0	**431.5**	451.2
Diluted	**430.2**	458.6	**438.8**	460.9

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 Ended September		Nine Months Ended September	
$ in millions	**2016**	2015	**2016**	2015
Net earnings	**$2,094**	$1,426	**$5,051**	$5,318
Other comprehensive income/(loss) adjustments, net of tax:				
Currency translation	**(19)**	(39)	**(58)**	(94)
Debt valuation adjustment	**(13)**		**(75)**	
Pension and postretirement liabilities	**1**	36	**(36)**	(74)
Other comprehensive loss	**(31)**	(3)	**(169)**	(168)
Comprehensive income	**$2,063**	$1,423	**$4,882**	$5,150

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	
$ in millions, except per share amounts	**September 2016**	December 2015
Assets		
Cash and cash equivalents	**$ 99,535**	$ 75,105
Cash and securities segregated for regulatory and other purposes (includes $36,058 and $38,504 at fair value as of September 2016 and December 2015, respectively)	**54,526**	56,838
Collateralized agreements:		
Securities purchased under agreements to resell and federal funds sold (includes $93,352 and $119,450 at fair value as of September 2016 and December 2015, respectively)	**94,220**	120,905
Securities borrowed (includes $78,788 and $69,801 at fair value as of September 2016 and December 2015, respectively)	**185,468**	172,099
Receivables:		
Brokers, dealers and clearing organizations	**25,681**	25,453
Customers and counterparties (includes $3,297 and $4,992 at fair value as of September 2016 and December 2015, respectively)	**53,855**	46,430
Loans receivable	**49,064**	45,407
Financial instruments owned, at fair value (includes $55,800 and $54,426 pledged as collateral as of September 2016 and December 2015, respectively)	**292,420**	293,940
Other assets	**25,218**	25,218
Total assets	**$879,987**	$861,395
Liabilities and shareholders equity		
Deposits (includes $14,096 and $14,680 at fair value as of September 2016 and December 2015, respectively)	**$124,550**	$ 97,519
Collateralized financings:		
Securities sold under agreements to repurchase, at fair value	**73,905**	86,069
Securities loaned (includes $1,969 and $466 at fair value as of September 2016 and December 2015, respectively)	**5,256**	3,614

Other secured financings (includes $22,006 and $23,207 at fair value as of September 2016 and December 2015, respectively)	**22,478**	24,753
Payables:		
Brokers, dealers and clearing organizations	**8,862**	5,406
Customers and counterparties	**195,625**	204,956
Financial instruments sold, but not yet purchased, at fair value	**115,154**	115,248
Unsecured short-term borrowings, including the current portion of unsecured long-term borrowings (includes $16,741 and $17,743 at fair value as of September 2016 and December 2015, respectively)	**42,825**	42,787
Unsecured long-term borrowings (includes $30,266 and $22,273 at fair value as of September 2016 and December 2015, respectively)	**190,586**	175,422
Other liabilities and accrued expenses (includes $665 and $1,253 at fair value as of September 2016 and December 2015, respectively)	**13,636**	18,893
Total liabilities	**792,877**	774,667
Commitments, contingencies and guarantees		
Shareholders equity		
Preferred stock, par value $0.01 per share; aggregate liquidation preference of $11,203 and $11,200 as of September 2016 and December 2015, respectively	**11,203**	11,200
Common stock, par value $0.01 per share; 4,000,000,000 shares authorized, 872,612,590 and 863,976,731 shares issued as of September 2016 and December 2015, respectively, and 399,211,902 and 419,480,736 shares outstanding as of September 2016 and December 2015, respectively	**9**	9
Share-based awards	**3,974**	4,151
Nonvoting common stock, par value $0.01 per share; 200,000,000 shares authorized, no shares issued and outstanding		
Additional paid-in capital	**52,541**	51,340
Retained earnings	**87,160**	83,386
Accumulated other comprehensive loss	**(582)**	(718)
Stock held in treasury, at cost, par value $0.01 per share; 473,400,690 and 444,495,997 shares as of September 2016 and December 2015, respectively	**(67,195)**	(62,640)
Total shareholders equity	**87,110**	86,728
Total liabilities and shareholders equity	**$879,987**	$861,395

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)

$ in millions	**Nine Months Ended September 2016**	Year Ended December 2015
Preferred stock		
Balance, beginning of year	**$ 11,200**	$ 9,200
Issued	**1,325**	2,000
Redeemed	**(1,322)**	
Balance, end of period	**11,203**	11,200
Common stock		
Balance, beginning of year	**9**	9
Issued		
Balance, end of period	**9**	9
Share-based awards		
Balance, beginning of year	**4,151**	3,766
Issuance and amortization of share-based awards	**1,981**	2,308
Delivery of common stock underlying share-based awards	**(2,065)**	(1,742)
Forfeiture of share-based awards	**(80)**	(72)
Exercise of share-based awards	**(13)**	(109)
Balance, end of period	**3,974**	4,151
Additional paid-in capital		
Balance, beginning of year	**51,340**	50,049
Delivery of common stock underlying share-based awards	**2,077**	2,092
Cancellation of share-based awards in satisfaction of withholding tax requirements	**(954)**	(1,198)
Preferred stock issuance costs, net	**(10)**	(7)
Excess net tax benefit related to share-based awards	**88**	406

Cash settlement of share-based awards		(2)
Balance, end of period	**52,541**	51,340
Retained earnings		
Balance, beginning of year, as previously reported	**83,386**	78,984
Reclassification of cumulative debt valuation adjustment, net of tax, to accumulated other comprehensive loss	**(305)**	
Balance, beginning of year, adjusted	**83,081**	78,984
Net earnings	**5,051**	6,083
Dividends and dividend equivalents declared on common stock and share-based awards	**(855)**	(1,166)
Dividends declared on preferred stock	**(383)**	(515)
Preferred stock redemption discount	**266**	
Balance, end of period	**87,160**	83,386
Accumulated other comprehensive loss		
Balance, beginning of year, as previously reported	**(718)**	(743)
Reclassification of cumulative debt valuation adjustment, net of tax, from retained earnings	**305**	
Balance, beginning of year, adjusted	**(413)**	(743)
Other comprehensive income/(loss)	**(169)**	25
Balance, end of period	**(582)**	(718)
Stock held in treasury, at cost		
Balance, beginning of year	**(62,640)**	(58,468)
Repurchased	**(4,569)**	(4,195)
Reissued	**21**	32
Other	**(7)**	(9)
Balance, end of period	**(67,195)**	(62,640)
Total shareholders equity	**$ 87,110**	$ 86,728

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)

	Nine Months Ended September	
$ in millions	**2016**	2015
Cash flows from operating activities		
Net earnings	**$ 5,051**	$ 5,318
Adjustments to reconcile net earnings to net cash provided by/(used for) operating activities		
Depreciation and amortization	**731**	706
Share-based compensation	**1,943**	2,107
Gain related to extinguishment of junior subordinated debt		(34)
Changes in operating assets and liabilities		
Cash and securities segregated for regulatory and other purposes	**2,312**	(6,452)
Receivables and payables (excluding loans receivable), net	**(13,524)**	4,524
Collateralized transactions (excluding other secured financings), net	**2,794**	(12,902)
Financial instruments owned, at fair value	**5,386**	18,366
Financial instruments sold, but not yet purchased, at fair value	**(29)**	(6,753)
Other, net	**(2,891)**	(4,714)
Net cash provided by operating activities	**1,773**	166
Cash flows from investing activities		
Purchase of property, leasehold improvements and equipment	**(2,063)**	(1,205)
Proceeds from sales of property, leasehold improvements and equipment	**332**	120
Net cash acquired in/(used for) business acquisitions	**15,754**	(1,684)
Proceeds from sales of investments	**1,209**	714
Loans receivable, net	**(3,930)**	(12,692)
Net cash provided by/(used for) investing activities	**11,302**	(14,747)

Cash flows from financing activities		
Unsecured short-term borrowings, net	**140**	(1,228)
Other secured financings (short-term), net	**395**	(492)
Proceeds from issuance of other secured financings (long-term)	**2,377**	10,772
Repayment of other secured financings (long-term), including the current portion	**(6,486)**	(7,360)
Purchase of APEX, senior guaranteed securities and trust preferred securities	**(1,171)**	(1)
Proceeds from issuance of unsecured long-term borrowings	**39,134**	36,031
Repayment of unsecured long-term borrowings, including the current portion	**(29,198)**	(22,513)
Derivative contracts with a financing element, net	**81**	(89)
Deposits, net	**10,510**	8,578
Common stock repurchased	**(4,590)**	(2,545)
Dividends and dividend equivalents paid on common stock, preferred stock and share-based awards	**(1,238)**	(1,197)
Proceeds from issuance of preferred stock, net of issuance costs	**1,303**	1,993
Proceeds from issuance of common stock, including exercise of share-based awards	**1**	220
Excess tax benefit related to share-based awards	**97**	388
Cash settlement of share-based awards		(1)
Net cash provided by financing activities	**11,355**	22,556
Net increase in cash and cash equivalents	**24,430**	7,975
Cash and cash equivalents, beginning of year	**75,105**	57,600
Cash and cash equivalents, end of period	**$ 99,535**	$ 65,575

SUPPLEMENTAL DISCLOSURES:

Cash payments for interest, net of capitalized interest, were $5.40 billion and $4.09 billion, and cash payments for income taxes, net of refunds, were $767 million and $2.20 billion during the nine months ended September 2016 and September 2015, respectively.

Non-cash activities during the nine months ended September 2016:

The impact of adoption of ASU No. 2015-02 was a net reduction to both total assets and liabilities of approximately $200 million. See Note 3 for further information.

The firm sold assets and liabilities of $1.81 billion and $697 million, respectively, that were previously classified as held for sale, in exchange for $1.11 billion of financial instruments. See Notes 13 and 17 for further information.

The firm exchanged $1.04 billion of APEX for $1.31 billion of Series E and Series F Preferred Stock. See Note 19 for further information.

Cash flows related to common stock repurchased includes common stock repurchased in the prior period for which settlement occurred during the current period and excludes common stock repurchased during the current period for which settlement occurred in the following period.

Non-cash activities during the nine months ended September 2015:

The firm exchanged $262 million of Trust Preferred Securities and common beneficial interests for $296 million of certain of the firm s junior subordinated debt.

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 individuals. Founded in 1869, the firm is headquartered in New York and maintains offices in all major financial centers around the world.

The firm reports its activities in the following four business segments:

Investment Banking

The firm provides a broad range of investment banking services to a diverse group of corporations, financial institutions, investment funds and governments. Services include strategic advisory assignments with respect to mergers and acquisitions, divestitures, corporate defense activities, restructurings, spin-offs and risk management, and debt and equity underwriting of public offerings and private placements, including local and cross-border transactions and acquisition financing, as well as derivative transactions directly related to these activities.

Institutional Client Services

The firm facilitates client transactions and makes markets in fixed income, equity, currency and commodity products, primarily with institutional clients such as corporations, financial institutions, investment funds and governments. The firm also makes markets in and clears client transactions on major stock, options and futures exchanges worldwide and provides financing, securities lending and other prime brokerage services to institutional clients.

Investing & Lending

The firm invests in and originates loans to provide financing to clients. These investments and loans are typically longer-term in nature. The firm makes investments, some of which are consolidated, directly and indirectly through funds and separate accounts 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, 2015. References to the 2015 Form 10-K are to the firm s Annual Report on Form 10-K for the year ended December 31, 2015. The condensed consolidated financial information as of December 31, 2015 has been derived from audited consolidated financial statements not included in these financial statements.

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 September 2016, June 2016 and September 2015 refer to the firm s periods ended, or the dates, as the context requires, September 30, 2016, June 30, 2016 and September 30, 2015, respectively. All references to December 2015 refer to the date December 31, 2015. 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 described 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
Fair Value Option	Note 8
Loans Receivable	Note 9
Collateralized Agreements and Financings	Note 10
Securitization Activities	Note 11
Variable Interest Entities	Note 12
Other Assets	Note 13
Deposits	Note 14
Short-Term Borrowings	Note 15
Long-Term Borrowings	Note 16
Other Liabilities and Accrued Expenses	Note 17
Commitments, Contingencies and Guarantees	Note 18
Shareholders Equity	Note 19

Consolidation

The firm consolidates entities in which the firm has a controlling financial interest. The firm determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity (VIE).

Voting Interest Entities. Voting interest entities are entities in which (i) the total equity investment at risk is sufficient to enable the entity to finance its activities independently and (ii) the equity holders have the power to direct the activities of the entity that most significantly impact its economic performance, the obligation to absorb the losses of the entity and the right to receive the residual returns of the entity. The usual condition for a controlling financial interest in a voting interest entity is ownership of a majority voting interest. If the firm has a controlling majority voting interest in a voting interest entity, the entity is consolidated.

Variable Interest Entities. A VIE is an entity that lacks one or more of the characteristics of a voting interest entity. The firm has a controlling financial interest in a VIE when the firm has a variable interest or interests that provide it with (i) the power to direct the activities of the VIE that most significantly impact the VIE s economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. See Note 12 for further information about VIEs.

Equity-Method Investments. When the firm does not have a controlling financial interest in an entity but can exert significant influence over the entity s operating and financial policies, the investment is accounted for either (i) under the equity method of accounting or (ii) at fair value by electing the fair value option available under U.S. GAAP. Significant influence generally exists when the firm owns 20% to 50% of the entity s common stock or in-substance common stock.

In general, the firm accounts for investments acquired after the fair value option became available, at fair value. In certain cases, the firm applies the equity method of accounting to new investments that are strategic in nature or closely related to the firm s principal business activities, when the firm has a significant degree of involvement in the cash flows or operations of the investee or when cost-benefit considerations are less significant. See Note 13 for further information about equity-method investments.

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 generally measured at net asset value (NAV) and 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, the provisions for losses that may arise from litigation, regulatory proceedings and tax audits, and the allowance for losses on loans and lending commitments held for investment. 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 calculated based on either a percentage of the management fee or the investment fund s net asset value. Where the firm is principal to the arrangement, such costs are recorded on a gross basis and included in Brokerage, clearing, exchange and distribution fees, and where the firm is agent to the arrangement, such costs are recorded on a net basis in Investment management revenues.

THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

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 gains or losses are recognized in net revenues. Assets or liabilities that arise from the firm s continuing involvement with transferred assets are initially recognized at fair value. For transfers of assets that are not accounted for as sales, the assets generally 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 September 2016 and December 2015, Cash and cash equivalents included $6.85 billion and $6.47 billion, respectively, of cash and due from banks, and $92.69 billion and $68.64 billion, respectively, of interest-bearing deposits with banks.

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 September 2016 and December 2015.

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 September 2016 and December 2015, the firm s receivables from customers and counterparties included $3.12 billion and $2.35 billion, respectively, of loans held for sale, accounted for at the lower of cost or fair value. See Note 5 for an overview of the firm s fair value measurement policies.

As of September 2016 and December 2015, 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 September 2016 and December 2015. Interest on receivables from customers and counterparties is recognized over the life of the transaction and included in Interest income.

Payables to Customers and Counterparties

Payables to customers and counterparties primarily consist of customer credit balances related to the firm s prime brokerage activities. Payables to customers and counterparties are accounted for at cost plus accrued interest, which generally approximates fair value. While these payables are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm s fair value hierarchy in Notes 6 through 8. Had these payables been included in the firm s fair value hierarchy, substantially all would have been classified in level 2 as of September 2016 and December 2015. Interest on payables to customers and counterparties is recognized over the life of the transaction and included in Interest expense.

THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

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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

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, as amended by ASU No. 2015-14, ASU No. 2016-08, ASU No. 2016-10 and ASU No. 2016-12, is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period under a modified retrospective approach or retrospectively to all periods presented. Early adoption is 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.

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 was effective for interim and annual periods beginning after December 15, 2015. Adoption of ASU No. 2014-13 did not materially affect the firm s financial condition, results of operations, or cash flows.

Amendments to the Consolidation Analysis (ASC 810). In February 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810) Amendments to the Consolidation Analysis. 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 was effective for interim and annual reporting periods beginning after December 15, 2015 and was required to be adopted under a modified retrospective approach or retrospectively to all periods presented.

The firm adopted ASU No. 2015-02 as of January 1, 2016, using a modified retrospective approach. The impact of adoption was a net reduction to both total assets and total liabilities of approximately $200 million, substantially all included in Financial instruments owned, at fair value and in Other liabilities and accrued expenses, respectively. Adoption of ASU No. 2015-02 did not have an impact on the firm s results of operations. See Note 12 for further information about the adoption of ASU No. 2015-02.

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 statements of financial condition as a direct reduction from the carrying amount of that liability. ASU No. 2015-03 was effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. ASU No. 2015-03 was required to be applied retrospectively to all periods presented beginning in the year of adoption. Early adoption was permitted. The firm early adopted ASU No. 2015-03 in September 2015.

Improvements to Employee Share-Based Payment Accounting (ASC 718). In March 2016, the FASB issued ASU No. 2016-09, Compensation Stock Compensation (Topic 718) Improvements to Employee Share-Based Payment Accounting. ASU No. 2016-09 includes provisions to simplify certain aspects related to the accounting for share-based awards and the related financial statement presentation. This ASU includes a requirement that the tax effect related to the settlement of share-based awards be recorded in income tax benefit or expense in the statements of earnings. This change is required to be adopted prospectively in the period of adoption. In addition, the ASU modifies the classification of certain share-based payment activities within the statements of cash flows and these changes are generally required to be applied retrospectively to all periods presented beginning in the period of adoption. ASU No. 2016-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is permitted. The impact of ASU No. 2016-09 could be material to the firm s results of operations and cash flows in future periods depending upon, among other things, the level of earnings and stock price of the firm.

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Simplifying the Accounting for Measurement-Period Adjustments (ASC 805). In September 2015, the FASB issued ASU No. 2015-16, Business Combinations (Topic 805) Simplifying the Accounting for Measurement-Period Adjustments. ASU No. 2015-16 eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. ASU No. 2015-16 was effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. Adoption of ASU No. 2015-16 did not materially affect the firm s financial condition, results of operations, or cash flows.

Recognition and Measurement of Financial Assets and Financial Liabilities (ASC 825). In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments (Topic 825) Recognition and Measurement of Financial Assets and Financial Liabilities. ASU No. 2016-01 amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments. This guidance includes a requirement to present separately in other comprehensive income changes in fair value attributable to a firm s own credit spreads (debt valuation adjustment or DVA), net of tax, on financial liabilities for which the fair value option was elected. ASU No. 2016-01 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted under a modified retrospective approach for the requirements related to DVA. In the first quarter of 2016, the firm early adopted ASU No. 2016-01 for the requirements related to DVA, and reclassified the cumulative DVA, a gain of $305 million (net of tax), from retained earnings to accumulated other comprehensive loss.

Leases (ASC 842). In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). ASU No. 2016-02 requires that, at lease inception, a lessee recognize in the statements of financial condition a right-of-use asset, representing the right to use the underlying asset for the lease term, and a lease liability, representing the liability to make lease payments. The ASU also requires that for finance leases, a lessee recognize interest expense on the lease liability, separately from the amortization of the right-of-use asset in the statements of earnings, while for operating leases, such amounts should be recognized as a combined expense in the statements of earnings. In addition, ASU No. 2016-02 requires expanded disclosures about the nature and terms of lease agreements and is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period under a modified retrospective approach. Early adoption is permitted. The firm is still evaluating the effect of the ASU on its financial condition, results of operations, and cash flows.

Measurement of Credit Losses on Financial Instruments (ASC 326). In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments. ASU No. 2016-13 requires financial assets that are measured at amortized cost to be presented, net of an allowance for credit losses, at the amount expected to be collected over their estimated life. Expected credit losses for newly recognized financial assets, as well as changes to credit losses during the period, are recognized in earnings. For certain purchased financial assets with deterioration in credit quality since origination, the initial allowance for expected credit losses will be recorded as an increase to the purchase price. Expected credit losses, including losses on off-balance-sheet exposures such as lending commitments, will be measured based on historical experience, current conditions and forecasts that affect the collectability of the reported amount. ASU No. 2016-13 is effective for annual reporting periods beginning after December 15, 2019, including interim periods within that reporting period under a modified retrospective approach. Early adoption is permitted for periods beginning after December 15, 2018. The firm is still evaluating the effect of the ASU on its financial condition, results of operations, and cash flows.

Classification of Certain Cash Receipts and Cash Payments (ASC 230). In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments. ASU No. 2016-15 provides guidance on the disclosure and classification of certain items within the statement of cash flows, including beneficial interests obtained in a securitization of financial assets, cash payments for settlements of zero-coupon debt instruments and debt prepayment or extinguishment costs, and distributions received from equity-method investees. ASU No. 2016-15 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, and is required to be applied retrospectively to all periods presented beginning in the year of adoption. Early adoption is permitted. Since the ASU only impacts classification on the statements of cash flows, adoption will not affect the firm s cash and cash equivalents.

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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.

The table below presents the firm s financial instruments owned, at fair value, and financial instruments sold, but not yet purchased, at fair value.

$ in millions	Financial Instruments Owned	Financial Instruments Sold, But Not Yet Purchased
As of September 2016		
Commercial paper, certificates of deposit, time deposits and other money market instruments	**$ 2,463**	**$**
U.S. government and federal agency obligations	**45,306**	**14,751**
Non-U.S. government and agency obligations	**38,036**	**19,589**
Loans and securities backed by:		
Commercial real estate	**4,523**	**6**
Residential real estate	**9,411**	

Bank loans and bridge loans	**9,859**	**468**
Corporate debt securities	**21,128**	**6,313**
State and municipal obligations	**1,705**	
Other debt obligations	**1,163**	**2**
Equities and convertible debentures	**91,280**	**29,586**
Commodities	**5,943**	
Investments in funds at NAV	**6,859**	
Subtotal	**237,676**	**70,715**
Derivatives	**54,744**	**44,439**
Total	**$292,420**	**$115,154**
As of December 2015		
Commercial paper, certificates of deposit, time deposits and other money market instruments	$ 2,583	$
U.S. government and federal agency obligations	46,382	15,516
Non-U.S. government and agency obligations	31,772	14,973
Loans and securities backed by:		
Commercial real estate	4,975	4
Residential real estate	13,183	2
Bank loans and bridge loans	12,164	461
Corporate debt securities	16,640	6,123
State and municipal obligations	992	2
Other debt obligations	1,595	2
Equities and convertible debentures	98,072	31,394
Commodities	3,935	
Investments in funds at NAV	7,757	
Subtotal	240,050	68,477
Derivatives	53,890	46,771
Total	$293,940	$115,248

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.

	Three Months Ended September		Nine Months Ended September	
$ in millions	**2016**	2015	**2016**	2015
Product Type				
Interest rates	**$ 821**	$ (132)	**$1,091**	$ 146
Credit	**440**	298	**1,688**	1,218
Currencies	**544**	(656)	**1,254**	1,135
Equities	**663**	1,968	**2,215**	4,671
Commodities	**247**	252	**819**	794
Market making	**2,715**	1,730	**7,067**	7,964
Other principal transactions	**1,163**	543	**1,978**	3,822
Total	**$3,878**	$2,273	**$9,045**	$11,786

In the table above:

Gains/(losses) include both realized and unrealized gains and losses, and are primarily related to the firm s financial instruments owned, at fair value and financial instruments sold, but not yet purchased, at fair value, including both derivative and non-derivative financial instruments.

Gains/(losses) exclude related interest income and interest expense. See Note 23 for further information about interest income and interest expense.

Gains/(losses) on other principal transactions are included in the firm s Investing & Lending segment. See Note 25 for net revenues, including net interest income, by product type for Investing & Lending, as well as the amount of net interest income included in Investing & Lending.

Gains/(losses) are not representative of the manner in which the firm manages its business activities because many of the firm s market-making and client facilitation strategies utilize financial instruments across various product types. Accordingly, gains or losses in one product type frequently offset gains or losses in other product types. For example, most of the firm s longer-term derivatives across product types are sensitive to changes in interest rates and may be economically hedged with interest rate swaps. Similarly, a significant portion of the firm s cash instruments and derivatives across product types has exposure to foreign currencies and may be economically hedged with foreign currency contracts.

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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.

	As of		
	September	June	December
$ in millions	**2016**	2016	2015
Total level 1 financial assets	**$ 146,775**	$ 129,627	$153,051
Total level 2 financial assets	**426,203**	451,127	432,445
Total level 3 financial assets	**24,289**	24,732	24,046
Investments in funds at NAV	**6,859**	7,008	7,757
Counterparty and cash collateral netting	**(100,211)**	(102,715)	(90,612)
Total financial assets at fair value	**$ 503,915**	$ 509,779	$526,687
Total assets	**$ 879,987**	$ 896,843	$861,395
Total level 3 financial assets divided by:			
Total assets	**2.8%**	2.8%	2.8%
Total financial assets at fair value	**4.8%**	4.9%	4.6%
Total level 1 financial liabilities	**$ 62,631**	$ 62,841	$ 59,798
Total level 2 financial liabilities	**243,800**	256,973	245,759
Total level 3 financial liabilities	**19,021**	19,335	16,812
Counterparty and cash collateral netting	**(50,650)**	(51,496)	(41,430)
Total financial liabilities at fair value	**$ 274,802**	$ 287,653	$280,939
Total level 3 financial liabilities divided by:			
Total financial liabilities at fair value	**6.9%**	6.7%	6.0%

In the table above, Total assets includes $855 billion, $872 billion and $836 billion as of September 2016, June 2016 and December 2015, 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.

	As of		
	September	June	December
$ in millions	**2016**	2016	2015
Cash instruments	**$ 18,141**	$ 18,131	$ 18,131

Derivatives	**6,093**	6,553	5,870
Other financial assets	**55**	48	45
Total	**$ 24,289**	$ 24,732	$ 24,046

Level 3 financial assets as of September 2016 were essentially unchanged compared with June 2016 and December 2015. See Notes 6 through 8 for further information about level 3 financial assets.

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Note 6.

Cash Instruments

Cash instruments include U.S. government and federal agency obligations, non-U.S. government and agency obligations, mortgage-backed loans and securities, bank loans and bridge loans, corporate debt securities, equities and convertible debentures, investments in funds at NAV, and other non-derivative financial instruments owned and financial instruments sold, but not yet purchased. See below for the types of cash instruments included in each level of the fair value hierarchy and the valuation techniques and significant inputs used to determine their fair values. See Note 5 for an overview of the firm s fair value measurement policies.

Level 1 Cash Instruments

Level 1 cash instruments include 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.

Valuation Techniques and Significant Inputs of Level 3 Cash Instruments

Valuation techniques of level 3 cash instruments vary by instrument, but are generally based on discounted cash flow techniques. The valuation techniques and the nature of significant inputs used to determine the fair values of each type of level 3 cash instrument are described below:

Loans and Securities Backed by Commercial Real Estate. Loans and securities backed by commercial real estate are directly or indirectly collateralized by a single commercial real estate property or a portfolio of properties, and may include tranches of varying levels of subordination. Significant inputs are generally determined based on relative value analyses and include:

- 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;

- 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);

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A measure of expected future cash flows in a default scenario (recovery rates) implied by the value of the underlying collateral, which is mainly driven by current performance of the underlying collateral, capitalization rates and multiples. Recovery rates are expressed as a percentage of notional or face value of the instrument and reflect the benefit of credit enhancements on certain instruments; and

Timing of expected future cash flows (duration) which, in certain cases, may incorporate the impact of other unobservable inputs (e.g., prepayment speeds).

Loans and Securities Backed by Residential Real Estate. Loans and securities backed by residential real estate are directly or indirectly collateralized by portfolios of residential real estate and may include tranches of varying levels of subordination. Significant inputs are generally determined based on relative value analyses, which incorporate comparisons to instruments with similar collateral and risk profiles. Significant inputs include:

Transaction prices in both the underlying collateral and instruments with the same or similar underlying collateral;

Market yields implied by transactions of similar or related assets;

Cumulative loss expectations, driven by default rates, home price projections, residential property liquidation timelines, related costs and subsequent recoveries; and

Duration, driven by underlying loan prepayment speeds and residential property liquidation timelines.

Bank Loans and Bridge Loans. Significant inputs are generally determined based on relative value analyses, which incorporate comparisons both to prices of credit default swaps that reference the same or similar underlying instrument or entity and to other debt instruments for the same issuer for which observable prices or broker quotations are available. Significant inputs include:

Market yields implied by transactions of similar or related assets and/or current levels and trends of market indices such as CDX and LCDX (indices that track the performance of corporate credit and loans, respectively);

Current performance and recovery assumptions and, where the firm uses credit default swaps to value the related cash instrument, the cost of borrowing the underlying reference obligation; and

- Duration.

Equities and Convertible Debentures (Including Private Equity Investments and Investments in Real Estate Entities). Recent third-party completed or pending transactions (e.g., merger proposals, tender offers, debt restructurings) are considered to be the best evidence for any change in fair value. When these are not available, the following valuation methodologies are used, as appropriate:

- Industry multiples (primarily EBITDA multiples) and public comparables;
- Transactions in similar instruments;
- Discounted cash flow techniques; and
- Third-party appraisals.

The firm also considers changes in the outlook for the relevant industry and financial performance of the issuer as compared to projected performance. Significant inputs include:

- Market and transaction multiples;
- Discount rates, growth rates and capitalization rates; and
- For equity instruments with debt-like features, market yields implied by transactions of similar or related assets, current performance and recovery assumptions, and duration.

Other Cash Instruments. Other cash instruments consists of commercial paper, certificates of deposit, time deposits and other money market instruments; non-U.S. government and agency obligations; corporate debt securities; state and municipal obligations; and other debt obligations. Significant inputs are generally determined based on relative value analyses, which incorporate comparisons both to prices of credit default swaps that reference the same or similar underlying instrument or entity and to other debt instruments for the same issuer for which observable prices or broker quotations are available. Significant inputs include:

- Market yields implied by transactions of similar or related assets and/or current levels and trends of market indices such as CDX and LCDX;
- Current performance and recovery assumptions and, where the firm uses credit default swaps to value the related cash instrument, the cost of borrowing the underlying reference obligation; and
- Duration.

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Fair Value of Cash Instruments by Level

The tables below present cash instrument assets and liabilities at fair value by level within the fair value hierarchy. In the tables below:

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.

Cash instrument assets are shown as positive amounts and cash instrument liabilities are shown as negative amounts.

		As of September 2016		
$ in millions	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Commercial paper, certificates of deposit, time deposits and other money market instruments	**$ 616**	**$ 1,847**	**$**	**$ 2,463**
U.S. government and federal agency obligations	**21,999**	**23,307**		**45,306**
Non-U.S. government and agency obligations	**29,947**	**8,029**	**60**	**38,036**
Loans and securities backed by:				
Commercial real estate		**2,532**	**1,991**	**4,523**
Residential real estate		**8,416**	**995**	**9,411**
Bank loans and bridge loans		**7,154**	**2,705**	**9,859**
Corporate debt securities	**766**	**18,005**	**2,357**	**21,128**
State and municipal obligations		**1,613**	**92**	**1,705**
Other debt obligations		**599**	**564**	**1,163**
Equities and convertible debentures	**74,242**	**7,661**	**9,377**	**91,280**

Commodities		**5,943**		**5,943**
Subtotal	**$127,570**	**$85,106**	**$18,141**	**$230,817**
Investments in funds at NAV				**6,859**
Total cash instrument assets				**$237,676**
Liabilities				
U.S. government and federal agency obligations	**$ (14,388)**	**$ (363)**	**$**	**$ (14,751)**
Non-U.S. government and agency obligations	**(18,462)**	**(1,127)**		**(19,589)**
Loans and securities backed by commercial real estate		**(5)**	**(1)**	**(6)**
Bank loans and bridge loans		**(401)**	**(67)**	**(468)**
Corporate debt securities	**(19)**	**(6,280)**	**(14)**	**(6,313)**
Other debt obligations		**(1)**	**(1)**	**(2)**
Equities and convertible debentures	**(29,187)**	**(390)**	**(9)**	**(29,586)**
Total cash instrument liabilities	**$ (62,056)**	**$ (8,567)**	**$ (92)**	**$ (70,715)**

	As of December 2015			
$ in millions	Level 1	Level 2	Level 3	Total
Assets				
Commercial paper, certificates of deposit, time deposits and other money market instruments	$ 625	$ 1,958	$	$ 2,583
U.S. government and federal agency obligations	24,844	21,538		46,382
Non-U.S. government and agency obligations	26,500	5,260	12	31,772
Loans and securities backed by:				
Commercial real estate		3,051	1,924	4,975
Residential real estate		11,418	1,765	13,183
Bank loans and bridge loans		9,014	3,150	12,164
Corporate debt securities	218	14,330	2,092	16,640
State and municipal obligations		891	101	992
Other debt obligations		1,057	538	1,595
Equities and convertible debentures	81,252	8,271	8,549	98,072
Commodities		3,935		3,935
Subtotal	$133,439	$80,723	$18,131	$232,293
Investments in funds at NAV				7,757

Total cash instrument assets				$240,050
Liabilities				
U.S. government and federal agency obligations	$ (15,455)	$ (61)	$	$ (15,516)
Non-U.S. government and agency obligations	(13,522)	(1,451)		(14,973)
Loans and securities backed by:				
Commercial real estate		(4)		(4)
Residential real estate		(2)		(2)
Bank loans and bridge loans		(337)	(124)	(461)
Corporate debt securities	(2)	(6,119)	(2)	(6,123)
State and municipal obligations		(2)		(2)
Other debt obligations		(1)	(1)	(2)
Equities and convertible debentures	(30,790)	(538)	(66)	(31,394)
Total cash instrument liabilities	$ (59,769)	$ (8,515)	$ (193)	$ (68,477)

In the tables above:

Total cash instrument assets include collateralized debt obligations (CDOs) and collateralized loan obligations (CLOs) backed by real estate and corporate obligations of $374 million in level 2 and $754 million in level 3 as of September 2016, and $405 million in level 2 and $774 million in level 3 as of December 2015, respectively.

Level 3 equities and convertible debenture assets include $8.55 billion of private equity investments, $377 million of investments in real estate entities and $449 million of convertible debentures as of September 2016, and $7.69 billion of private equity investments, $308 million of investments in real estate entities and $552 million of convertible debentures as of December 2015.

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Significant Unobservable Inputs

The table below presents the amount of level 3 assets, and ranges and weighted averages of significant unobservable inputs used to value the firm s level 3 cash instruments.

	Level 3 Assets and Range of Significant Unobservable Inputs (Weighted Average) as of	
$ in millions	**September 2016**	December 2015
Loans and securities backed by commercial real estate	**$1,991**	$1,924
Yield	**2.8% to 23.0% (12.1%)**	3.5% to 22.0% (11.8%)
Recovery rate	**9.3% to 95.0% (55.9%)**	19.6% to 96.5% (59.4%)
Duration (years)	**0.8 to 6.3 (2.5)**	0.3 to 5.3 (2.3)
Basis (points)	**N/A**	(11) to 4 ((2))
Loans and securities backed by residential real estate	**$ 995**	$1,765
Yield	**1.3% to 15.0% (8.3%)**	3.2% to 17.0% (7.9%)
Cumulative loss rate	**14.7% to 50.4% (28.8%)**	4.6% to 44.2% (27.3%)
Duration (years)	**1.3 to 16.6 (7.3)**	1.5 to 13.8 (7.0)
Bank loans and bridge loans	**$2,705**	$3,150
Yield	**2.1% to 20.6% (9.1%)**	1.9% to 36.6% (10.2%)
Recovery rate	**6.7% to 85.3% (44.4%)**	14.5% to 85.6% (51.2%)

Duration (years)	**0.8 to 5.3 (2.5)**	0.7 to 6.1 (2.2)
Equities and convertible debentures	**$9,377**	$8,549
Multiples	**0.6x to 18.0x (6.4x)**	0.7x to 21.4x (6.4x)
Discount rate/yield	**6.5% to 25.0% (14.9%)**	7.1% to 20.0% (14.8%)
Growth rate	**N/A**	3.0% to 5.2% (4.5%)
Capitalization rate	**5.0% to 12.0% (7.1%)**	5.5% to 12.5% (7.6%)
Other cash instruments	**$3,073**	$2,743
Yield	**1.5% to 18.0% (10.6%)**	0.9% to 25.6% (10.9%)
Recovery rate	**0.0% to 91.6% (63.1%)**	0.0% to 70.0% (59.7%)
Duration (years)	**0.3 to 13.4 (3.9)**	1.1 to 11.4 (4.5)

In the table above:

Ranges represent the significant unobservable inputs that were used in the valuation of each type of cash instrument.

Weighted averages are calculated by weighting each input by the relative fair value of the cash instruments.

The ranges and weighted averages of these inputs are not representative of the appropriate inputs to use when calculating the fair value of any one cash instrument. For example, the highest multiple for private equity 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 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 or 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.

Equities and convertible debentures include private equity investments and investments in real estate entities.

Growth rate includes long-term growth rate and compound annual growth rate.

Loans and securities backed by commercial and residential real estate, bank loans and bridge loans and other cash instruments are valued using discounted cash flows, and equities and convertible debentures are valued using market comparables and discounted cash flows.

The fair value of any one instrument may be determined using multiple valuation techniques. For example, market comparables and discounted cash flows may be used together to determine fair value. Therefore, the level 3 balance encompasses both of these techniques.

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 and nine months ended September 2016, transfers into level 2 from level 1 of cash instruments were $143 million and $88 million, respectively, reflecting transfers of public equity securities primarily due to decreased market activity in these instruments. Transfers into level 1 from level 2 of cash instruments during the three and nine months ended September 2016, were $200 million and $203 million, respectively, reflecting transfers of public equity securities, principally due to increased market activity in these instruments.

During the three and nine months ended September 2015, transfers into level 2 from level 1 of cash instruments were $95 million and $138 million, respectively, reflecting transfers of public equity securities primarily due to decreased market activity in these instruments. Transfers into level 1 from level 2 of cash instruments during the three and nine months ended September 2015, were $113 million and $264 million, respectively, reflecting transfers of public equity securities, principally 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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Level 3 Rollforward

The table below presents changes in fair value for all cash instrument assets and liabilities categorized as level 3 as of the end of the period. In the table 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. For level 3 cash instrument assets, increases are shown as positive amounts, while decreases are shown as negative amounts. For level 3 cash instrument liabilities, increases are shown as negative amounts, while decreases are shown as positive amounts.

Level 3 cash instruments are frequently economically hedged with level 1 and level 2 cash instruments and/or level 1, level 2 or level 3 derivatives. Accordingly, gains or losses that are 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.

Purchases include both originations and secondary market purchases.

Net unrealized gains/(losses) relate to instruments that were still held at period-end.

For the three months ended September 2016, the net realized and unrealized gains on level 3 cash instrument assets of $655 million (reflecting $194 million of realized gains and $461 million of unrealized gains) include gains/(losses) of approximately $(65) million, $487 million and $233 million reported in Market making, Other principal transactions and Interest income, respectively.

For the nine months ended September 2016, the net realized and unrealized gains on level 3 cash instrument assets of $861 million (reflecting $503 million of realized gains and $358 million of unrealized gains) include gains/(losses) of approximately $(394) million, $557 million and $698 million reported in Market making, Other principal transactions and Interest income, respectively.

For the three months ended September 2015, the net realized and unrealized gains on level 3 cash instrument assets of $179 million (reflecting $231 million of realized gains and $52 million of unrealized losses) include gains/(losses) of approximately $(39) million, $(18) million and $236 million reported in "Market making," "Other principal transactions" and "Interest income," respectively.

For the nine months ended September 2015, the net realized and unrealized gains on level 3 cash instrument assets of $1.67 billion (reflecting $821 million of realized gains and $844 million of unrealized gains) include gains/(losses) of approximately $(10) million, $1.13 billion and $547 million reported in "Market making," "Other principal transactions" and "Interest income," respectively.

See "Level 3 Rollforward Commentary" below for an explanation of the net unrealized gains/(losses) on level 3 cash instruments and the activity related to transfers into and out of level 3.

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	Level 3 Cash Instrument Assets and Liabilities at Fa					
$ in millions	Balance, beginning of period	Net realized gains/ (losses)	Net unrealized gains/ (losses)	Purchases	Sales	Settlements
Three Months Ended September 2016						
Non-U.S. government and agency obligations	**$ 61**	**$**	**$ 2**	**$**	**$ (5)**	**$ 1**
Loans and securities backed by:						
Commercial real estate	**2,112**	**12**	**59**	**46**	**(97)**	**(144)**
Residential real estate	**1,300**	**15**	**(5)**	**76**	**(123)**	**(85)**
Bank loans and bridge loans	**2,911**	**59**	**49**	**112**	**(37)**	**(432)**
Corporate debt securities	**2,422**	**48**	**58**	**166**	**(285)**	**(215)**
State and municipal obligations	**92**	**1**		**4**	**(12)**	**(2)**
Other debt obligations	**528**	**7**	**7**	**19**	**(7)**	**(39)**
Equities and convertible debentures	**8,705**	**52**	**291**	**96**	**(137)**	**(165)**
Total cash instrument assets	**$18,131**	**$194**	**$461**	**$ 519**	**$ (703)**	**$ (1,081)**
Total cash instrument liabilities	**$ (123)**	**$ 25**	**$ 18**	**$ 51**	**$ (38)**	**$ 1**
Nine Months Ended September 2016						
Non-U.S. government and agency obligations	**$ 12**	**$ (4)**	**$ 10**	**$ 17**	**$ (11)**	**$**
Loans and securities backed by:						
Commercial real estate	**1,924**	**58**	**14**	**491**	**(292)**	**(459)**
Residential real estate	**1,765**	**38**	**45**	**297**	**(780)**	**(233)**
Bank loans and bridge loans	**3,150**	**112**	**(18)**	**452**	**(148)**	**(1,090)**
Corporate debt securities	**2,092**	**132**	**82**	**501**	**(329)**	**(463)**

State and municipal obligations	**101**	**2**		**9**	**(31)**	**(2)**
Other debt obligations	**538**	**27**	**(27)**	**217**	**(110)**	**(120)**
Equities and convertible debentures	**8,549**	**138**	**252**	**957**	**(301)**	**(555)**
Total cash instrument assets	**$18,131**	**$503**	**$358**	**$2,941**	**$(2,002)**	**$ (2,922)**
Total cash instrument liabilities	**$ (193)**	**$ 27**	**$ 32**	**$ 88**	**$ (61)**	**$ (6)**
Three Months Ended September 2015						
Commercial paper, certificates of deposit, time deposits and other money market instruments	$ 11	$	$	$	$ (10)	$ (1)
Non-U.S. government and agency obligations	21					(9)
Loans and securities backed by:						
Commercial real estate	2,134	22	28	232	(100)	(131)
Residential real estate	2,717	24	29	91	(238)	(76)
Bank loans and bridge loans	5,377	55	(77)	243	(43)	(574)
Corporate debt securities	2,595	51	(34)	95	(153)	(19)
State and municipal obligations	143			7	(9)	
Other debt obligations	740	2	4	16	(63)	(102)
Equities and convertible debentures	12,457	77	(2)	177	(93)	(514)
Total cash instrument assets	$26,195	$231	$ (52)	$ 861	$ (709)	$ (1,426)
Total cash instrument liabilities	$ (178)	$ 13	$ (31)	$ 102	$ (35)	$ 3
Nine Months Ended September 2015						
Non-U.S. government and agency obligations	$ 136	$ 9	$	$ 1	$ (35)	$ (24)
Loans and securities backed by:						
Commercial real estate	3,275	120	91	429	(605)	(1,332)
Residential real estate	2,545	115	19	387	(639)	(255)
Bank loans and bridge loans	6,973	228	(177)	760	(833)	(1,481)
Corporate debt securities	3,633	128	(58)	455	(448)	(399)
State and municipal obligations	110	3	2	11	(21)	(2)
Other debt obligations	870	21	5	91	(192)	(82)

Equities and convertible debentures	11,108	197	962	676	(489)	(1,313)
Total cash instrument assets	$28,650	$821	$844	$2,810	$ (3,262)	$ (4,888)
Total cash instrument liabilities	$ (244)	$ 12	$ (26)	$ 170	$ (45)	$ (6)

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Level 3 Rollforward Commentary

Three Months Ended September 2016. The net unrealized gain on level 3 cash instruments of $479 million (reflecting $461 million on cash instrument assets and $18 million on cash instrument liabilities) for the three months ended September 2016 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 September 2016 primarily reflected transfers of private equity investments 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 September 2016 primarily reflected transfers of loans and securities backed by residential real estate and private equity investments to level 2, principally due to increased price transparency as a result of market evidence, including market transactions in these instruments.

Nine Months Ended September 2016. The net unrealized gain on level 3 cash instruments of $390 million (reflecting $358 million on cash instrument assets and $32 million on cash instrument liabilities) for the nine months ended September 2016 primarily reflected gains on private equity investments, principally driven by strong corporate performance and company-specific events.

Transfers into level 3 during the nine months ended September 2016 primarily reflected transfers of private equity investments, loans and securities backed by commercial real estate, corporate debt securities and bank loans and bridge loans 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 nine months ended September 2016 primarily reflected transfers of private equity investments, loans and securities backed by commercial and residential real estate and bank loans and bridge loans to level 2, principally due to increased price transparency as a result of market evidence, including market transactions in these instruments.

Three Months Ended September 2015. The net unrealized loss on level 3 cash instruments of $83 million (reflecting $52 million on cash instrument assets and $31 million on cash instrument liabilities) for the three months ended September 2015 primarily reflected losses on bank loans and bridge loans, principally reflecting the impact of wider credit spreads.

Transfers into level 3 during the three months ended September 2015 primarily reflected transfers of certain private equity investments, corporate debt securities and bank loans and bridge loans 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 September 2015 primarily reflected transfers of certain private equity investments and loans and securities backed by residential real estate to level 2 principally due to increased price transparency as a result of market evidence, including market transactions in these instruments, and transfers of certain bank loans and bridge loans to level 2 principally due to certain unobservable yield and duration inputs not being significant to the valuation of these instruments.

Nine Months Ended September 2015. The net unrealized gain on level 3 cash instruments of $818 million (reflecting $844 million of gains on cash instrument assets and $26 million of losses on cash instrument liabilities) for the nine months ended September 2015 primarily reflected gains on private equity investments principally driven by strong corporate performance and company-specific events.

Transfers into level 3 during the nine months ended September 2015 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 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 nine months ended September 2015 primarily reflected transfers of certain private equity investments, corporate debt securities and loans and securities backed by residential real estate to level 2 principally due to increased price transparency as a result of market evidence, including market transactions in these instruments, and transfers of certain bank loans and bridge loans to level 2 principally due to certain unobservable yield and duration inputs not being significant to the valuation of these instruments.

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Investments in Funds at Net Asset Value Per Share

Cash instruments at fair value include investments in funds that are measured at NAV of the investment fund. The firm uses NAV to measure the fair value of its fund investments when (i) the fund investment does not have a readily determinable fair value and (ii) the NAV of the investment fund is calculated in a manner consistent with the measurement principles of investment company accounting, including measurement of the investments at fair value.

The firm s investments in funds 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, including leveraged buyouts, recapitalizations, growth investments and distressed investments. Credit funds generally invest in loans and other fixed income instruments and are focused on providing private high-yield capital for leveraged and management buyout transactions, recapitalizations, financings, refinancings, acquisitions and restructurings for private equity firms, private family companies and corporate issuers. Real estate funds invest globally, primarily in real estate companies, loan portfolios, debt recapitalizations and property. 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. 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 2017 for investments in, and relationships with, covered funds that were in place prior to December 2013. To the extent that the underlying investments of particular funds are not sold within the conformance period, 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. 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 table below presents the fair value of the firm s investments in funds at NAV and related unfunded commitments.

$ in millions	Fair Value of Investments	Unfunded Commitments

As of September 2016		
Private equity funds	**$4,803**	**$1,398**
Credit funds	**478**	**214**
Hedge funds	**471**	
Real estate funds	**1,107**	**200**
Total	**$6,859**	**$1,812**

As of December 2015		
Private equity funds	$5,414	$2,057
Credit funds	611	344
Hedge funds	560	
Real estate funds	1,172	296
Total	$7,757	$2,697

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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 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.

Total gross fair value of derivatives includes derivative assets and derivative liabilities of $17.91 billion and $16.78 billion, respectively, as of September 2016, and derivative assets and derivative liabilities of $17.09 billion and $18.16 billion, respectively, as of December 2015, 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.

	As of September 2016			As of Dece	
	Derivative Assets	**Derivative Liabilities**	**Notional Amount**	Derivative Assets	Deriv Liabi
unted for as hedges					
	$ 376	**$ 425**	**$ 5,007,835**	$ 310	$
	299,669	**281,538**	**19,319,515**	211,272	192
	441,056	**415,105**	**11,870,373**	345,516	321
	741,101	**697,068**	**36,197,723**	557,098	514
	5,187	**5,071**	**412,498**	5,203	5
	25,464	**22,235**	**1,225,769**	35,679	31
	30,651	**27,306**	**1,638,267**	40,882	36
	13	**134**	**9,709**	183	

	228	**297**	**43,677**	165	
	82,437	**79,377**	**5,674,447**	96,660	99
	82,678	**79,808**	**5,727,833**	97,008	99
	4,674	**4,190**	**283,543**	2,997	3
	176	**214**	**2,846**	232	
	9,021	**10,579**	**198,855**	17,445	17
	13,871	**14,983**	**485,244**	20,674	21
	8,088	**8,391**	**624,544**	9,372	7
	39,169	**39,984**	**970,472**	37,788	38
	47,257	**48,375**	**1,595,016**	47,160	46
	915,558	**867,540**	**45,644,083**	762,822	717
d for as hedges					
	6,462	**30**	**57,947**	4,567	
	5,494	**1**	**42,065**	6,660	
	11,956	**31**	**100,012**	11,227	
	2	**46**	**1,538**	24	
	27	**60**	**8,947**	116	
	29	**106**	**10,485**	140	
	11,985	**137**	**110,497**	11,367	
/notional amount of derivatives	**$ 927,543**	**$ 867,677**	**$45,754,580**	$ 774,189	$ 717
e condensed consolidated statements of financial condition					
	$ (11,276)	**$ (11,276)**		$ (9,398)	$ (9
	(284,021)	**(284,021)**		(194,928)	(194
	(478,894)	**(478,894)**		(426,841)	(426
etting	**(774,191)**	**(774,191)**		(631,167)	(631
	(27,059)	**(2,542)**		(26,151)	(3
	(71,549)	**(46,505)**		(62,981)	(36
netting	**(98,608)**	**(49,047)**		(89,132)	(39
nd cash collateral netting	**$(872,799)**	**$(823,238)**		$(720,299)	$(671
ensed consolidated statements of financial condition					
	$ 1,875	**$ 1,864**		$ 3,464	$ 2
	644	**633**		384	
	52,225	**41,942**		50,042	43
condensed consolidated statements of financial condition	**$ 54,744**	**$ 44,439**		$ 53,890	$ 46
the condensed consolidated statements of financial condition					
ed/posted	**$ (522)**	**$ (2,016)**		$ (498)	$ (1
ceived/posted	**(17,910)**	**(14,193)**		(14,008)	(10
	$ 36,312	**$ 28,230**		$ 39,384	$ 34

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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, as described below.

Interest Rate. In general, the key inputs used to value interest rate derivatives are transparent, even for most long-dated contracts. Interest rate swaps and options denominated in the currencies of leading industrialized nations are characterized by high trading volumes and tight bid/offer spreads. Interest rate derivatives that reference indices, such as an inflation index, or the shape of the yield curve (e.g., 10-year swap rate vs. 2-year swap rate) are more complex, but the key inputs are generally observable.

Credit. Price transparency for credit default swaps, including both single names and baskets of credits, varies by market and underlying reference entity or obligation. Credit default swaps that reference indices, large corporates and major sovereigns generally exhibit the most price transparency. For credit default swaps with other underliers, price transparency varies based on credit rating, the cost of borrowing the underlying reference obligations, and the availability of the underlying reference obligations for delivery upon the default of the issuer. Credit default swaps that reference loans, asset-backed securities and emerging market debt instruments tend to have less price transparency than those that reference corporate bonds. In addition, more complex credit derivatives, such as those sensitive to the correlation between two or more underlying reference obligations, generally have less price transparency.

Currency. Prices for currency derivatives based on the exchange rates of leading industrialized nations, including those with longer tenors, are generally transparent. The primary difference between the price transparency of developed and emerging market currency derivatives is that emerging markets tend to be observable for contracts with shorter tenors.

Commodity. Commodity derivatives include transactions referenced to energy (e.g., oil and natural gas), metals (e.g., precious and base) and soft commodities (e.g., agricultural). Price transparency varies based on the underlying commodity, delivery location, tenor and product quality (e.g., diesel fuel compared to unleaded gasoline). In general, price transparency for commodity derivatives is greater for contracts with shorter tenors and contracts that are more closely aligned with major and/or benchmark commodity indices.

Equity. Price transparency for equity derivatives varies by market and underlier. Options on indices and the common stock of corporates included in major equity indices exhibit the most price transparency. Equity derivatives generally have observable market prices, except for contracts with long tenors or reference prices that differ significantly from current market prices. More complex equity derivatives, such as those sensitive to the correlation between two or more individual stocks, generally have less price transparency.

Liquidity is essential to observability of all product types. If transaction volumes decline, previously transparent prices and other inputs may become unobservable. Conversely, even highly structured products may at times have trading volumes large enough to provide observability of prices and other inputs. See Note 5 for an overview of the firm s fair value measurement policies.

Level 1 Derivatives

Level 1 derivatives include short-term contracts for future delivery of securities when the underlying security is a level 1 instrument, and exchange-traded derivatives if they are actively traded and are valued at their quoted market price.

Level 2 Derivatives

Level 2 derivatives include OTC derivatives for which all significant valuation inputs are corroborated by market evidence and exchange-traded derivatives that are not actively traded and/or that are valued using models that calibrate to market-clearing levels of OTC derivatives. 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. The significant unobservable inputs used to value the firm s level 3 derivatives are described below.

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

For level 3 commodity derivatives, significant unobservable inputs include volatilities for options with strike prices that differ significantly from current market prices and prices or spreads for certain products for which the product quality or physical location of the commodity is not aligned with benchmark indices.

For level 3 equity derivatives, significant unobservable inputs generally include equity volatility inputs for options that are long-dated and/or have strike prices that differ significantly from current market prices. In addition, the valuation of certain structured trades requires the use of level 3 correlation inputs, such as the correlation of the price performance of two or more individual stocks or the correlation of the price performance for a basket of stocks to another asset class such as commodities.

Subsequent to the initial valuation of a level 3 derivative, the firm updates the level 1 and level 2 inputs to reflect observable market changes and any resulting gains and losses are 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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Fair Value of Derivatives by Level

The tables below present the fair value of derivatives on a gross basis by level and major product type as well as the impact of netting, included in the condensed consolidated statements of financial condition.

	As of September 2016			
$ in millions	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Interest rates	**$ 9**	**$ 752,087**	**$ 961**	**$ 753,057**
Credit		**24,863**	**5,788**	**30,651**
Currencies		**82,474**	**233**	**82,707**
Commodities		**13,469**	**402**	**13,871**
Equities	**11**	**46,612**	**634**	**47,257**
Gross fair value	**20**	**919,505**	**8,018**	**927,543**
Counterparty netting within levels	**(1)**	**(770,662)**	**(1,925)**	**(772,588)**
Subtotal	**$ 19**	**$ 148,843**	**$ 6,093**	**$ 154,955**
Cross-level counterparty netting				**(1,603)**
Cash collateral netting				**(98,608)**
Net fair value				**$ 54,744**
Liabilities				
Interest rates	**$ (22)**	**$(696,170)**	**$ (907)**	**$(697,099)**
Credit		**(24,429)**	**(2,877)**	**(27,306)**
Currencies		**(79,713)**	**(201)**	**(79,914)**
Commodities		**(14,579)**	**(404)**	**(14,983)**
Equities	**(554)**	**(46,484)**	**(1,337)**	**(48,375)**

Gross fair value	**(576)**	**(861,375)**	**(5,726)**	**(867,677)**
Counterparty netting within levels	**1**	**770,662**	**1,925**	**772,588**
Subtotal	**$(575)**	**$ (90,713)**	**$(3,801)**	**$ (95,089)**
Cross-level counterparty netting				**1,603**
Cash collateral netting				**49,047**
Net fair value				**$ (44,439)**

		As of December 2015		
$ in millions	Level 1	Level 2	Level 3	Total
Assets				
Interest rates	$ 4	$ 567,761	$ 560	$ 568,325
Credit		34,832	6,050	40,882
Currencies		96,959	189	97,148
Commodities		20,087	587	20,674
Equities	46	46,491	623	47,160
Gross fair value	50	766,130	8,009	774,189
Counterparty netting within levels		(627,548)	(2,139)	(629,687)
Subtotal	$ 50	$ 138,582	$ 5,870	$ 144,502
Cross-level counterparty netting				(1,480)
Cash collateral netting				(89,132)
Net fair value				$ 53,890
Liabilities				
Interest rates	$ (11)	$(513,275)	$ (958)	$(514,244)
Credit		(33,518)	(3,257)	(36,775)
Currencies		(99,377)	(223)	(99,600)
Commodities		(20,222)	(849)	(21,071)
Equities	(18)	(43,953)	(2,227)	(46,198)
Gross fair value	(29)	(710,345)	(7,514)	(717,888)
Counterparty netting within levels		627,548	2,139	629,687
Subtotal	$ (29)	$ (82,797)	$(5,375)	$ (88,201)
Cross-level counterparty netting				1,480

Cash collateral netting	39,950
Net fair value	$ (46,771)

In the tables above:

The gross fair values exclude the effects of both counterparty netting and collateral netting, and therefore are not representative of the firm s exposure.

Counterparty netting is reflected in each level to the extent that receivable and payable balances are netted within the same level and is included in Counterparty netting within levels. Where the counterparty netting is across levels, the netting is reflected in Cross-level counterparty netting.

Derivative assets are shown as positive amounts and derivative liabilities are shown as negative amounts.

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Significant Unobservable Inputs

The table below presents the amount of level 3 assets (liabilities), and ranges, averages and medians of significant unobservable inputs used to value the firm s level 3 derivatives.

	Level 3 Assets (Liabilities) and Range of Significant Unobservable Inputs (Average / Median) as of	
$ in millions	**September 2016**	December 2015
Interest rates net	**$54**	$(398)
Correlation	**(10)% to 86% (56% / 60%)**	(25)% to 92% (53% / 55%)
Volatility (bps per annum)	**31 to 151 (84 / 57)**	31 to 152 (84 / 57)
Credit net	**$2,911**	$2,793
Correlation	**29% to 92% (60% / 59%)**	46% to 99% (68% / 66%)
Credit spreads (bps)	**1 to 960 (113 / 68)**	1 to 1,019 (129 / 86)
Upfront credit points	**0 to 100 (42 / 37)**	0 to 100 (41 / 40)
Recovery rates	**1% to 97% (61% / 70%)**	2% to 97% (58% / 70%)
Currencies net	**$32**	$(34)
Correlation	**25% to 70% (51% / 55%)**	25% to 70% (50% / 51%)
Commodities net	**$(2)**	$(262)
Volatility	**10% to 67% (34% / 34%)**	11% to 77% (35% / 34%)

Natural gas spread	**$(2.20) to $4.01 ($(0.06) / $(0.02))**	$(1.32) to $4.15 ($(0.05) / $(0.01))
Oil spread	**$(11.15) to $64.66 ($10.95 / $6.92)**	$(10.64) to $65.29 ($3.34 / $(3.31))
Equities net	**$(703)**	$(1,604)
Correlation	**(49)% to 87% (44% / 45%)**	(65)% to 94% (42% / 48%)
Volatility	**5% to 107% (25% / 24%)**	5% to 76% (24% / 23%)

In the table above:

Derivative assets are shown as positive amounts and derivative liabilities are shown as negative amounts.

Ranges represent the significant unobservable inputs that were used in the valuation of each type of derivative.

Averages represent the arithmetic average of the inputs and are not weighted by the relative fair value or notional of the respective financial instruments. An average greater than the median indicates that the majority of inputs are below the average. For example, the difference between the average and the median for credit spreads and oil spread inputs indicates that the majority of the inputs fall in the lower end of the range.
The ranges, averages and medians of these inputs are not representative of the appropriate inputs to use when calculating the fair value of any one derivative. For example, the highest correlation for interest rate derivatives is appropriate for valuing a specific interest rate derivative but may not be appropriate for valuing any other interest rate derivative. Accordingly, the ranges of inputs do not represent uncertainty in, or possible ranges of, fair value measurements of the firm s level 3 derivatives.

Interest rates, currencies and equities derivatives are valued using option pricing models, credit derivatives are valued using option pricing, correlation and discounted cash flow models, and commodities derivatives are valued using option pricing and discounted cash flow models.

The fair value of any one instrument may be determined using multiple valuation techniques. For example, option pricing models and discounted cash flows models are typically used together to determine fair value. Therefore, the level 3 balance encompasses both of these techniques.

Correlation within currencies and equities includes cross-product correlation. Natural gas spread represents the spread per million British thermal units of natural gas.

Oil spread represents the spread per barrel of oil and refined products.

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Range of Significant Unobservable Inputs

The following is information about the ranges of significant unobservable inputs used to value the firm s level 3 derivative instruments:

Correlation. Ranges for correlation cover a variety of underliers both within one 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-product correlation inputs are used to value more complex instruments and are lower than correlation inputs on assets within the same derivative product type.

Volatility. Ranges for volatility cover numerous underliers across a variety of markets, maturities and strike prices. For example, volatility of equity indices is generally lower than volatility of single stocks.

Credit spreads, upfront credit points and recovery rates. The ranges for credit spreads, upfront credit points and recovery rates cover a variety of underliers (index and single names), regions, sectors, maturities and credit qualities (high-yield and investment-grade). The broad range of this population gives rise to the width of the ranges of significant unobservable inputs.

Commodity prices and spreads. The ranges for commodity prices and spreads cover variability in products, maturities and delivery locations.

Sensitivity of Fair Value Measurement to Changes in Significant Unobservable Inputs

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

Correlation. In general, for contracts where the holder benefits from the convergence of the underlying asset or index prices (e.g., interest rates, credit spreads, foreign exchange rates, inflation rates and equity prices), an increase in correlation results in a higher fair value measurement.

Volatility. In general, for purchased options, an increase in volatility results in a higher fair value measurement.

Credit spreads, upfront credit points and recovery rates. In general, the fair value of purchased credit protection increases as credit spreads or upfront credit points increase or recovery rates decrease. Credit spreads, upfront credit points and recovery rates are strongly related to distinctive risk factors of the underlying reference obligations, which include reference entity-specific factors such as leverage, volatility and industry, market-based risk factors, such as borrowing costs or liquidity of the underlying reference obligation, and macroeconomic conditions.

Commodity prices and spreads. In general, for contracts where the holder is receiving a commodity, an increase in the spread (price difference from a benchmark index due to differences in quality or delivery location) or price results in a higher fair value measurement.

Due to the distinctive nature of each of the firm s level 3 derivatives, the interrelationship of inputs is not necessarily uniform within each product type.

Level 3 Rollforward

The table below presents changes in fair value for all derivatives categorized as level 3 as of the end of the period. In the table 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.

Positive amounts for transfers into level 3 and negative amounts for transfers out of level 3 represent net transfers of derivative assets. Negative amounts for transfers into level 3 and positive amounts for transfers out of level 3 represent net transfers of derivative liabilities.

A derivative with level 1 and/or level 2 inputs is classified in level 3 in its entirety if it has at least one significant level 3 input.

If there is one significant level 3 input, the entire gain or loss from adjusting only observable inputs (i.e., level 1 and level 2 inputs) is classified 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.

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Net unrealized gains/(losses) relate to instruments that were still held at period-end.

For the three months ended September 2016, the net realized and unrealized losses on level 3 derivative assets and liabilities of $154 million (reflecting $17 million of realized gains and $171 million of unrealized losses) include losses of $16 million and $138 million reported in Market making and Other principal transactions, respectively.

For the nine months ended September 2016, the net realized and unrealized gains on level 3 derivative assets and liabilities of $510 million (reflecting $110 million of realized losses and $620 million of unrealized gains) include gains/(losses) of $686 million and $(176) million reported in Market making and Other principal transactions, respectively.

For the three months ended September 2015, the net realized and unrealized gains on level 3 derivative assets and liabilities of $869 million (reflecting $22 million of realized losses and $891 million of unrealized gains) include gains of $647 million and $222 million reported in Market making and Other principal transactions, respectively.

For the nine months ended September 2015, the net realized and unrealized gains on level 3 derivative assets and liabilities of $1.13 billion (reflecting $158 million of realized gains and $967 million of unrealized gains) include gains of $945 million and $180 million reported in Market making and Other principal transactions, respectively.

See Level 3 Rollforward Commentary below for an explanation of the net unrealized gains/(losses) on level 3 derivative assets and liabilities and the activity related to transfers into and out of level 3.

	Level 3 Derivative Assets and Liabilities at Fair Value							
$ in millions	Asset/ (liability) balance, beginning of period	Net realized gains/ (losses)	Net unrealized gains/ (losses)	Purchases	Sales	Settlements	Transfers into level 3	Transfers out of level 3
Three Months Ended September 2016								

Interest rates net	**$ 56**	**$ (23)**	**$ (48)**	**$**	**$ (2)**	**$ 61**	**$ 9**	**$ 1**
Credit net	**2,942**	**7**	**(31)**	**12**	**(6)**	**(110)**	**101**	**(4)**
Currencies net	**17**	**(12)**	**(14)**	**1**		**39**		**1**
Commodities net	**(222)**	**(2)**	**(25)**	**1**	**(4)**	**34**	**6**	**210**
Equities net	**(363)**	**47**	**(53)**	**29**	**(26)**	**(218)**	**3**	**(122)**
Total derivatives net	**$ 2,430**	**$ 17**	**$(171)**	**$ 43**	**$ (38)**	**$ (194)**	**$ 119**	**$ 86**
Nine Months Ended September 2016								
Interest rates net	**$ (398)**	**$ (43)**	**$ 129**	**$ 3**	**$ (5)**	**$ 95**	**$ 304**	**$ (31)**
Credit net	**2,793**	**(50)**	**359**	**68**	**(38)**	**(393)**	**191**	**(19)**
Currencies net	**(34)**	**(39)**	**2**	**15**	**(4)**	**84**	**1**	**7**
Commodities net	**(262)**	**22**	**34**	**27**	**(118)**	**12**	**10**	**273**
Equities net	**(1,604)**		**96**	**78**	**(114)**	**824**	**(6)**	**23**
Total derivatives net	**$ 495**	**$(110)**	**$ 620**	**$191**	**$(279)**	**$ 622**	**$ 500**	**$ 253**
Three Months Ended September 2015								
Interest rates net	$ (78)	$ (27)	$ 1	$ 2	$ (1)	$ 10	$(112)	$ 5
Credit net	2,968	39	416	32	(46)	109	(5)	(219)
Currencies net	(149)	(18)	183	4		37	(4)	107
Commodities net	(54)	1	(27)	2	(56)	(4)	7	154
Equities net	(2,349)	(17)	318	39	(407)	1,513	(88)	107
Total derivatives net	$ 338	$ (22)	$ 891	$ 79	$(510)	$1,665	$(202)	$ 154
Nine Months Ended September 2015								
Interest rates net	$ (40)	$ (10)	$ (4)	$ 5	$ (32)	$ 31	$(105)	$ (45)
Credit net	3,530	147	553	56	(151)	(700)	127	(268)

Currencies net	(267)	(71)	301	31	(8)	108	(19)	85
Commodities net	(1,142)	9	(68)		(87)	(95)	(20)	1,426
Equities net	(1,375)	83	185	105	(694)	942	(148)	18
Total derivatives net	$ 706	$ 158	$ 967	$197	$(972)	$ 286	$(165)	$1,216

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Level 3 Rollforward Commentary

Three Months Ended September 2016. The net unrealized loss on level 3 derivatives of $171 million for the three months ended September 2016 was primarily attributable to losses on certain equity derivatives reflecting the impact of an increase in equity prices, and losses on certain interest rate derivatives reflecting the impact of a decrease in interest rates.

Transfers into level 3 derivatives during the three months ended September 2016 primarily reflected transfers of certain credit derivative assets from level 2, principally due to unobservable credit spread inputs becoming significant to the net risk of certain portfolios.

Transfers out of level 3 derivatives during the three months ended September 2016 primarily reflected transfers of certain commodity derivative liabilities to level 2, principally due to unobservable volatility inputs no longer being significant to the valuation of these derivatives and transfers of certain equity derivative assets to level 2, primarily due to increased transparency of unobservable correlation and volatility inputs used to value these derivatives.

Nine Months Ended September 2016. The net unrealized gain on level 3 derivatives of $620 million for the nine months ended September 2016 was primarily attributable to gains on certain credit and interest rate derivatives, principally reflecting the impact of a decrease in interest rates.

Transfers into level 3 derivatives during the nine months ended September 2016 primarily reflected transfers of certain interest rate derivative assets from level 2, principally due to reduced transparency of certain unobservable inputs used to value these derivatives, and transfers of certain credit derivative assets from level 2 primarily due to unobservable credit spread inputs becoming significant to the net risk of certain portfolios.

Transfers out of level 3 derivatives during the nine months ended September 2016 primarily reflected transfers of certain commodity derivative liabilities to level 2, principally due to unobservable volatility inputs no longer being significant to the valuation of these derivatives.

Three Months Ended September 2015. The net unrealized gain on level 3 derivatives of $891 million for the three months ended September 2015 was primarily attributable to gains on certain credit derivatives, reflecting the impact of a decrease in interest rates, wider credit spreads, and changes in foreign exchange rates, and gains on certain equity derivatives, reflecting the impact of decreases in global equity prices.

Transfers into level 3 derivatives during the three months ended September 2015 primarily reflected transfers of certain interest rate liabilities from level 2, principally due to certain unobservable inputs becoming significant to the valuation of these derivatives, and transfers of certain equity derivative liabilities from level 2, primarily due to unobservable volatility inputs becoming significant to the valuation of these derivatives.

Transfers out of level 3 derivatives during the three months ended September 2015 primarily reflected transfers of certain commodity derivative liabilities to level 2, principally due to increased transparency of volatility inputs used to value these derivatives, transfers of certain equity derivative liabilities and currency derivative liabilities to level 2, primarily due to certain unobservable inputs no longer being significant to the valuation of these derivatives, and transfers of certain credit derivative assets to level 2, principally due to unobservable credit spread inputs not being significant to the net risk of certain portfolios.

Nine Months Ended September 2015. The net unrealized gain on level 3 derivatives of $967 million for the nine months ended September 2015 was primarily attributable to gains on certain credit derivatives, principally reflecting the impact of wider credit spreads and a decrease in interest rates, and gains on certain currency derivatives, reflecting the impact of changes in foreign exchange rates.

Transfers into level 3 derivatives during the nine months ended September 2015 primarily reflected transfers of certain equity derivative liabilities from level 2, primarily due to reduced transparency of volatility inputs used to value these derivatives, transfers of certain interest rate derivative liabilities from level 2, primarily due to unobservable inputs becoming significant to the valuations of these derivatives, and transfers of certain credit derivative assets from level 2, principally due to unobservable credit spread inputs becoming significant to the valuation of these derivatives.

Transfers out of level 3 derivatives during the nine months ended September 2015 primarily reflected transfers of certain commodity derivative liabilities to level 2, principally due to increased transparency of oil and refined product spread inputs used to value these derivatives, and transfers of certain credit derivative assets to level 2, principally due to unobservable credit spread inputs not being significant to the net risk of certain portfolios.

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OTC Derivatives

The table below presents the fair values of OTC derivative assets and liabilities by tenor and major product type.

$ in millions	Less than 1 Year	1 - 5 Years	Greater than 5 Years	Total
As of September 2016				
Assets				
Interest rates	**$ 6,008**	**$22,669**	**$100,614**	**$129,291**
Credit	**1,646**	**3,264**	**6,587**	**11,497**
Currencies	**11,981**	**6,832**	**9,093**	**27,906**
Commodities	**3,094**	**2,024**	**222**	**5,340**
Equities	**3,551**	**8,478**	**1,645**	**13,674**
Counterparty netting within tenors	**(3,787)**	**(5,350)**	**(5,114)**	**(14,251)**
Subtotal	**$22,493**	**$37,917**	**$113,047**	**$173,457**
Cross-tenor counterparty netting				**(21,980)**
Cash collateral netting				**(98,608)**
Total				**$52,869**
Liabilities				
Interest rates	**$ 7,662**	**$12,921**	**$ 52,702**	**$ 73,285**
Credit	**2,513**	**3,548**	**2,091**	**8,152**
Currencies	**10,623**	**7,262**	**7,107**	**24,992**
Commodities	**2,922**	**1,351**	**2,663**	**6,936**
Equities	**4,707**	**7,070**	**2,711**	**14,488**

Counterparty netting within tenors	**(3,787)**	**(5,350)**	**(5,114)**	**(14,251)**
Subtotal	**$24,640**	**$26,802**	**$ 62,160**	**$113,602**
Cross-tenor counterparty netting				**(21,980)**
Cash collateral netting				**(49,047)**
Total				**$ 42,575**

As of December 2015

Assets				
Interest rates	$ 4,231	$23,278	$ 81,401	$108,910
Credit	1,664	4,547	5,842	12,053
Currencies	14,646	8,936	6,353	29,935
Commodities	6,228	3,897	231	10,356
Equities	4,806	7,091	1,550	13,447
Counterparty netting within tenors	(3,660)	(5,751)	(5,270)	(14,681)
Subtotal	$27,915	$41,998	$ 90,107	$160,020
Cross-tenor counterparty netting				(20,462)
Cash collateral netting				(89,132)
Total				$ 50,426
Liabilities				
Interest rates	$ 5,323	$13,945	$ 35,592	$ 54,860
Credit	1,804	4,704	1,437	7,945
Currencies	12,378	9,940	10,048	32,366
Commodities	4,464	3,136	2,526	10,126
Equities	5,154	5,802	2,994	13,950
Counterparty netting within tenors	(3,660)	(5,751)	(5,270)	(14,681)
Subtotal	$25,463	$31,776	$ 47,327	$104,566
Cross-tenor counterparty netting				(20,462)
Cash collateral netting				(39,950)
Total				$ 44,154

In the table above:

Tenor is based on expected duration for mortgage-related credit derivatives and generally on remaining contractual maturity for other derivatives.

Counterparty netting within the same product type and tenor category is included within such product type and tenor category.

Counterparty netting across product types within the same tenor category is included in Counterparty netting within tenors. Where the counterparty netting is across tenor categories, the netting is reflected in Cross-tenor counterparty netting.

Credit Derivatives

The firm enters into a broad array of credit derivatives in locations around the world to facilitate client transactions and to manage the credit risk associated with market-making and investing and lending activities. Credit derivatives are actively managed based on the firm s net risk position.

Credit derivatives are individually negotiated contracts and can have various settlement and payment conventions. Credit events include failure to pay, bankruptcy, acceleration of indebtedness, restructuring, repudiation and dissolution of the reference entity.

The firm enters into the following types of credit derivatives:

Credit Default Swaps. Single-name credit default swaps protect the buyer against the loss of principal on one or more bonds, loans or mortgages (reference obligations) in the event the issuer (reference entity) of the reference obligations suffers a credit event. The buyer of protection pays an initial or periodic premium to the seller and receives protection for the period of the contract. If there is no credit event, as defined in the contract, the seller of protection makes no payments to the buyer of protection. However, if a credit event occurs, the seller of protection is required to make a payment to the buyer of protection, which is calculated in accordance with the terms of the contract.

Credit Options. In a credit option, the option writer assumes the obligation to purchase or sell a reference obligation at a specified price or credit spread. The option purchaser buys the right, but does not assume the obligation, to sell the reference obligation to, or purchase it from, the option writer. The payments on credit options depend either on a particular credit spread or the price of the reference obligation.

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Credit Indices, Baskets and Tranches. Credit derivatives may reference a basket of single-name credit default swaps or a broad-based index. If a credit event occurs in one of the underlying reference obligations, the protection seller pays the protection buyer. The payment is typically a pro-rata portion of the transaction s total notional amount based on the underlying defaulted reference obligation. In certain transactions, the credit risk of a basket or index is separated into various portions (tranches), each having different levels of subordination. The most junior tranches cover initial defaults and once losses exceed the notional amount of these junior tranches, any excess loss is covered by the next most senior tranche in the capital structure.

Total Return Swaps. A total return swap transfers the risks relating to economic performance of a reference obligation from the protection buyer to the protection seller. Typically, the protection buyer receives from the protection seller a floating rate of interest and protection against any reduction in fair value of the reference obligation, and in return the protection seller receives the cash flows associated with the reference obligation, plus any increase in the fair value of the reference obligation.

The firm economically hedges its exposure to written credit derivatives primarily by entering into offsetting purchased credit derivatives with identical underliers. Substantially all of the firm s purchased credit derivative transactions are with financial institutions and are subject to stringent collateral thresholds. In addition, upon the occurrence of a specified trigger event, the firm may take possession of the reference obligations underlying a particular written credit derivative, and consequently may, upon liquidation of the reference obligations, recover amounts on the underlying reference obligations in the event of default.

As of September 2016, written and purchased credit derivatives had total gross notional amounts of $798.19 billion and $840.18 billion, respectively, for total net notional purchased protection of $41.99 billion. As of December 2015, written and purchased credit derivatives had total gross notional amounts of $923.48 billion and $968.68 billion, respectively, for total net notional purchased protection of $45.20 billion. Substantially all of the firm s written and purchased credit derivatives are credit default swaps.

The table below presents certain information about credit derivatives.

	Credit Spread on Underlier (basis points)				
$ in millions	0 - 250	251 - 500	501 - 1,000	Greater than 1,000	Total
As of September 2016					
Maximum Payout/Notional Amount of Written Credit Derivatives by Tenor					
Less than 1 year	**$228,332**	**$ 6,064**	**$ 2,188**	**$ 8,167**	**$244,751**

1 5 years	**407,671**	**19,029**	**10,016**	**12,324**	**449,040**
Greater than 5 years	**90,292**	**9,836**	**2,831**	**1,444**	**104,403**
Total	**$726,295**	**$34,929**	**$15,035**	**$ 21,935**	**$798,194**
Maximum Payout/Notional Amount of Purchased Credit Derivatives					
Offsetting	**$631,589**	**$26,543**	**$14,590**	**$ 19,321**	**$692,043**
Other	**134,755**	**9,281**	**1,635**	**2,468**	**148,139**
Fair Value of Written Credit Derivatives					
Asset	**$ 15,280**	**$ 947**	**$ 269**	**$ 197**	**$ 16,693**
Liability	**2,978**	**1,037**	**1,048**	**6,597**	**11,660**
Net asset/(liability)	**$ 12,302**	**$ (90)**	**$ (779)**	**$ (6,400)**	**$ 5,033**

As of December 2015

Maximum Payout/Notional Amount of Written Credit Derivatives by Tenor					
Less than 1 year	$240,468	$ 2,859	$ 2,881	$ 10,533	$256,741
1 5 years	514,986	42,399	16,327	26,271	599,983
Greater than 5 years	57,054	6,481	1,567	1,651	66,753
Total	$812,508	$51,739	$20,775	$ 38,455	$923,477
Maximum Payout/Notional Amount of Purchased Credit Derivatives					
Offsetting	$722,436	$46,313	$19,556	$ 33,266	$821,571
Other	132,757	6,383	3,372	4,598	147,110
Fair Value of Written Credit Derivatives					
Asset	$ 17,110	$ 924	$ 108	$ 190	$ 18,332
Liability	2,756	2,596	1,942	12,485	19,779
Net asset/(liability)	$ 14,354	$ (1,672)	$ (1,834)	$(12,295)	$ (1,447)

In the table above:

Fair values exclude the effects of both netting of receivable balances with payable balances under enforceable netting agreements, and netting of cash received or posted under enforceable credit support agreements, and therefore are not representative of the firm s credit exposure.

Tenor is based on expected duration for mortgage-related credit derivatives and on remaining contractual maturity for other credit derivatives.

The credit spread on the underlier, together with the tenor of the contract, are indicators of payment/performance risk. The firm is less likely to pay or otherwise be required to perform where the credit spread and the tenor are lower.

Offsetting purchased credit derivatives represent the notional amount of purchased credit derivatives that economically hedge written credit derivatives with identical underliers and are included in Offsetting.

Other purchased credit derivatives represent the notional amount of all other purchased credit derivatives not included in Offsetting.

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Impact of Credit Spreads on Derivatives

On an ongoing basis, the firm realizes gains or losses relating to changes in credit risk through the unwind of derivative contracts and changes in credit mitigants.

The net gain, including hedges, attributable to the impact of changes in credit exposure and credit spreads (counterparty and the firm s) on derivatives was $44 million and $89 million for the three months ended September 2016 and September 2015, respectively, and $155 million and $68 million for the nine months ended September 2016 and September 2015, 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.

	As of	
	September	December
$ in millions	**2016**	2015
Fair value of assets	**$ 697**	$ 466
Fair value of liabilities	**702**	794
Net liability	**$ 5**	$ 328
Notional amount	**$8,849**	$7,869

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.

	As of	
	September	December
$ in millions	**2016**	2015
Net derivative liabilities under bilateral agreements	**$35,906**	$29,836
Collateral posted	**33,847**	26,075
Additional collateral or termination payments:		
One-notch downgrade	**774**	1,061
Two-notch downgrade	**2,076**	2,689

Hedge Accounting

The firm applies hedge accounting for (i) certain interest rate swaps used to manage the interest rate exposure of certain fixed-rate unsecured long-term and short-term borrowings and certain fixed-rate certificates of deposit and (ii) certain foreign currency forward contracts and foreign currency-denominated debt used to manage foreign currency exposures on the firm s net investment in certain non-U.S. operations.

To qualify for hedge accounting, the hedging instrument must be highly effective at reducing the risk from the exposure being hedged. Additionally, the firm must formally document the hedging relationship at inception and test the hedging relationship at least on a quarterly basis to ensure the hedging instrument continues to be highly effective over the life of the hedging relationship.

Fair Value Hedges

The firm designates certain interest rate swaps as fair value hedges. 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%.

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For qualifying fair value hedges, gains or losses on derivatives are included in Interest expense. The change in fair value of the hedged item attributable to the risk being hedged is reported as an adjustment to its carrying value and is subsequently amortized into interest expense over its remaining life. Gains or losses resulting from hedge ineffectiveness are included in Interest expense. When a derivative is no longer designated as a hedge, any remaining difference between the carrying value and par value of the hedged item is amortized to interest expense over the remaining life of the hedged item using the effective interest method. See Note 23 for further information about interest income and interest expense.

The table below presents the gains/(losses) from interest rate derivatives accounted for as hedges, the related hedged borrowings and deposits, and the hedge ineffectiveness on these derivatives, which primarily consists of amortization of prepaid credit spreads resulting from the passage of time.

	Three Months Ended September		Nine Months Ended September	
$ in millions	**2016**	2015	**2016**	2015
Interest rate hedges	**$(984)**	$ 1,277	**$ 1,865**	$(246)
Hedged borrowings and deposits	**823**	(1,363)	**(2,169)**	(273)
Hedge ineffectiveness	**$(161)**	$ (86)	**$ (304)**	$(519)

Net Investment Hedges

The firm seeks to reduce the impact of fluctuations in foreign exchange rates on its net investments in certain non-U.S. operations through the use of foreign currency forward contracts and foreign currency-denominated debt. For foreign currency forward contracts designated as hedges, the effectiveness of the hedge is assessed based on the overall changes in the fair value of the forward contracts (i.e., based on changes in forward rates). For foreign currency-denominated debt designated as a hedge, the effectiveness of the hedge is assessed based on changes in spot rates.

For qualifying net investment hedges, the gains or losses on the hedging instruments, to the extent effective, are included in Currency translation in the condensed consolidated statements of comprehensive income.

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

	Three Months	Nine Months

	Ended September		Ended September	
$ in millions	**2016**	2015	**2016**	2015
Foreign currency forward contract hedges	**$(74)**	$380	**$(382)**	$627
Foreign currency-denominated debt hedges	**(47)**	(45)	**(408)**	(14)

The gain/(loss) related to ineffectiveness and the gain/(loss) reclassified to earnings from accumulated other comprehensive loss were not material for the three and nine months ended September 2016 or September 2015.

As of September 2016 and December 2015, the firm had designated $2.61 billion and $2.20 billion, respectively, of foreign currency-denominated debt, included in Unsecured long-term borrowings and Unsecured short-term borrowings, as hedges of net investments in non-U.S. subsidiaries.

Note 8.

Fair Value Option

Other Financial Assets and Financial Liabilities at Fair Value

In addition to all cash and derivative instruments included in Financial instruments owned, 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).

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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.

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 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 of consolidated VIEs.

Fair Value of Other Financial Assets and Financial Liabilities by Level

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

$ in millions	Level 1	Level 2	Level 3	Total
As of September 2016				
Assets				
Securities segregated for regulatory and other purposes	**$19,186**	**$ 16,872**	**$**	**$ 36,058**
Securities purchased under agreements to resell		**93,352**		**93,352**
Securities borrowed		**78,788**		**78,788**
Receivables from customers and counterparties		**3,242**	**55**	**3,297**
Total	**$19,186**	**$ 192,254**	**$ 55**	**$ 211,495**
Liabilities				
Deposits	**$**	**$ (10,878)**	**$ (3,218)**	**$ (14,096)**
Securities sold under agreements to repurchase		**(73,830)**	**(75)**	**(73,905)**
Securities loaned		**(1,969)**		**(1,969)**
Other secured financings		**(21,390)**	**(616)**	**(22,006)**
Unsecured borrowings:				
Short-term		**(13,069)**	**(3,672)**	**(16,741)**
Long-term		**(22,828)**	**(7,438)**	**(30,266)**
Other liabilities and accrued expenses		**(556)**	**(109)**	**(665)**
Total	**$**	**$(144,520)**	**$(15,128)**	**$(159,648)**
As of December 2015				
Assets				
Securities segregated for regulatory and other purposes	$19,562	$ 18,942	$	$ 38,504
Securities purchased under agreements to resell		119,450		119,450
Securities borrowed		69,801		69,801
Receivables from customers and counterparties		4,947	45	4,992
Total	$19,562	$ 213,140	$ 45	$ 232,747
Liabilities				
Deposits	$	$ (12,465)	$ (2,215)	$ (14,680)
Securities sold under agreements to repurchase		(85,998)	(71)	(86,069)

Securities loaned		(466)		(466)
Other secured financings		(22,658)	(549)	(23,207)
Unsecured borrowings:				
Short-term		(13,610)	(4,133)	(17,743)
Long-term		(18,049)	(4,224)	(22,273)
Other liabilities and accrued expenses		(1,201)	(52)	(1,253)
Total	$	$(154,447)	$(11,244)	$(165,691)

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In the table above:

Securities segregated for regulatory and other purposes include segregated securities accounted for at fair value under the fair value option and includes securities borrowed and resale agreements.

Level 1 other financial assets at fair value include U.S. Treasury securities segregated for regulatory and other purposes accounted for at fair value under other U.S. GAAP.

Other financial assets are shown as positive amounts and other financial liabilities are shown as negative amounts.

Valuation Techniques and Significant Inputs

Other financial assets and financial liabilities at fair value are generally valued based on discounted cash flow techniques, which incorporate inputs with reasonable levels of price transparency, and are generally classified 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 September 2016 and December 2015, the firm had no level 3 resale agreements, securities borrowed or securities loaned. As of both September 2016 and December 2015, the firm s level 3 repurchase agreements were not material. See Note 10 for further information about collateralized agreements and financings.

Other Secured Financings. The significant inputs to the valuation of other secured financings at fair value are the amount and timing of expected future cash flows, interest rates, funding spreads, the fair value of the collateral delivered by the firm (which is determined using the amount and timing of expected future cash flows, market prices, market yields and recovery assumptions) and the frequency of additional collateral calls. The ranges of significant unobservable inputs used to value level 3 other secured financings are as follows:

As of September 2016:

- Yield: 0.5% to 12.8% (weighted average: 3.1%)
- Duration: 1.3 to 8.1 years (weighted average: 3.0 years)

As of December 2015:

- Yield: 0.6% to 10.0% (weighted average: 2.7%)
- Duration: 1.6 to 8.8 years (weighted average: 2.8 years)

Generally, increases in funding spreads, yield or duration, in isolation, would result in a lower fair value measurement. Due to the distinctive nature of each of the firm s level 3 other secured financings, the interrelationship of inputs is not necessarily uniform across such financings. See Note 10 for further information about collateralized agreements and financings.

Unsecured Short-term and Long-term Borrowings. The significant inputs to the valuation of unsecured short-term and long-term borrowings at fair value are the amount and timing of expected future cash flows, interest rates, the credit spreads of the firm, as well as commodity prices in the case of prepaid commodity transactions. The inputs used to value the embedded derivative component of hybrid financial instruments are consistent with the inputs used to value the firm s other derivative instruments. See Note 7 for further information about derivatives. See Notes 15 and 16 for further information about unsecured short-term and long-term borrowings, respectively.

Certain of the firm s unsecured short-term and long-term borrowings are 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.

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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 September 2016 and December 2015, 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.

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 nine months ended September 2016 and September 2015. The table below presents information about transfers between level 2 and level 3.

Level 3 Rollforward

The table below presents 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 table 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. For level 3 other financial assets, increases are shown as positive amounts, while decreases are shown as negative amounts. For level 3 other financial liabilities, increases are shown as negative amounts, while decreases are shown as positive amounts.

Level 3 other financial assets and 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.

Net unrealized gains/(losses) relate to instruments that were still held at period-end.

For the three months ended September 2016, the net realized and unrealized losses on level 3 other financial liabilities of $329 million (reflecting $23 million of realized losses and $306 million of unrealized losses) include losses of approximately $302 million, $18 million and $2 million reported in Market making, Other principal transactions and Interest expense, respectively, in the condensed consolidated statements of earnings and losses of $7 million reported in Debt valuation adjustment in the condensed consolidated statements of comprehensive income.

For the nine months ended September 2016, the net realized and unrealized losses on level 3 other financial liabilities of $411 million (reflecting $76 million of realized losses and $335 million of unrealized losses) include losses of approximately $332 million, $32 million and $7 million reported in Market making, Other principal transactions and Interest expense, respectively, in the condensed consolidated statements of earnings and losses of $40 million reported in Debt valuation adjustment in the condensed consolidated statements of comprehensive income.

For the three months ended September 2015, the net realized and unrealized gains on level 3 other financial liabilities of $828 million (reflecting $58 million of realized gains and $770 million of unrealized gains) include gains/(losses) of approximately $786 million, $46 million and $(4) million reported in Market making, Other principal transactions and Interest expense, respectively.

For the nine months ended September 2015, the net realized and unrealized gains on level 3 other financial liabilities of $823 million (reflecting $36 million of realized gains and $787 million of unrealized gains) include gains/(losses) of approximately $977 million, $(134) million and $(20) million reported in Market making, Other principal transactions and Interest expense, respectively.

See Level 3 Rollforward Commentary below for an explanation of the net unrealized gains/(losses) on level 3 other financial assets and liabilities and the activity related to transfers into and out of level 3.

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	Level 3 Other Financial Assets and Liabilities at Fa						
$ in millions	Balance, beginning of period	Net realized gains/ (losses)	Net unrealized gains/ (losses)	Purchases	Sales	Issuances	Settlemer
Three Months Ended September 2016							
Receivables from customers and counterparties	**$ 48**	**$ 1**	**$ 1**	**$ 6**	**$**	**$**	**$**
Total other financial assets	**$ 48**	**$ 1**	**$ 1**	**$ 6**	**$**	**$**	**$**
Deposits	**$ (2,936)**	**$ (7)**	**$**	**$**	**$**	**$ (284)**	**$**
Securities sold under agreements to repurchase	**(76)**						
Other secured financings	**(688)**	**(1)**	**(9)**	**(3)**		**(1)**	**19**
Unsecured short-term borrowings	**(4,654)**		**(218)**			**(692)**	**1,20**
Unsecured long-term borrowings	**(6,626)**	**(19)**	**(88)**			**(1,160)**	**37**
Other liabilities and accrued expenses	**(109)**	**4**	**9**			**(13)**	
Total other financial liabilities	**$(15,089)**	**$(23)**	**$(306)**	**$ (3)**	**$**	**$(2,150)**	**$1,78**
Nine Months Ended September 2016							
Receivables from customers and counterparties	**$ 45**	**$ 2**	**$ 1**	**$ 10**	**$**	**$**	**$**
Total other financial assets	**$ 45**	**$ 2**	**$ 1**	**$ 10**	**$**	**$**	**$**
Deposits	**$ (2,215)**	**$(20)**	**$(208)**	**$**	**$**	**$ (797)**	**$ 2**
Securities sold under agreements to repurchase	**(71)**		**(6)**				
Other secured financings	**(549)**	**(4)**	**(33)**	**(8)**	**6**	**(141)**	**22**
Unsecured short-term borrowings	**(4,133)**	**(33)**	**(98)**			**(3,327)**	**3,52**

Unsecured long-term borrowings	**(4,224)**	**(27)**	**21**	**(2)**		**(4,676)**	**1,4**
Other liabilities and accrued expenses	**(52)**	**8**	**(11)**			**(55)**	
Total other financial liabilities	**$(11,244)**	**$(76)**	**$(335)**	**$(10)**	**$ 6**	**$(8,996)**	**$5,1**
Three Months Ended September 2015							
Receivables from customers and counterparties	$ 42	$	$	$ 2	$ (3)	$	$
Total other financial assets	$ 42	$	$	$ 2	$ (3)	$	$
Deposits	$ (1,680)	$ (3)	$ 11	$	$	$ (295)	$
Securities sold under agreements to repurchase	(82)						
Other secured financings	(1,479)	(4)	64	(10)		(125)	8
Unsecured short-term borrowings	(4,490)	66	548			(1,023)	5
Unsecured long-term borrowings	(3,462)	(2)	155			(586)	9
Other liabilities and accrued expenses	(1,145)	1	(8)			(1)	
Total other financial liabilities	$(12,338)	$ 58	$ 770	$(10)	$	$(2,030)	$ 7
Nine Months Ended September 2015							
Receivables from customers and counterparties	$ 56	$ 1	$ (4)	$ 6	$ (3)	$	$ (
Total other financial assets	$ 56	$ 1	$ (4)	$ 6	$ (3)	$	$ (
Deposits	$ (1,065)	$ (6)	$ 64	$	$	$ (997)	$ 4
Securities sold under agreements to repurchase	(124)		(1)				[illegible]
Other secured financings	(1,091)	(20)	84	(10)	32	(630)	2
Unsecured short-term borrowings	(3,712)	62	356			(2,735)	1,8
Unsecured long-term borrowings	(2,585)	(4)	292			(2,364)	7
Other liabilities and accrued expenses	(715)	4	(8)			(1)	
Total other financial liabilities	$ (9,292)	$ 36	$ 787	$(10)	$32	$(6,727)	$3,0

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Level 3 Rollforward Commentary

Three Months Ended September 2016. The net unrealized loss on level 3 other financial assets and liabilities of $305 million (reflecting $1 million of gains on other financial assets and $306 million of losses on other financial liabilities) for the three months ended September 2016 primarily consisted of losses on certain hybrid financial instruments included in unsecured short-term borrowings, principally due to changes in foreign exchange rates and an increase in global equity prices.

Transfers into level 3 of other financial liabilities during the three months ended September 2016 primarily reflected transfers of certain hybrid financial instruments included in other secured financings, principally due to reduced transparency of certain yield inputs used to value these instruments and transfers of certain hybrid financial instruments included in unsecured short-term borrowings, principally due to reduced transparency of certain correlation and volatility inputs used to value these instruments.

Transfers out of level 3 of other financial liabilities during the three months ended September 2016 primarily reflected transfers of certain hybrid financial instruments included in unsecured short-term borrowings, principally due to increased transparency of certain inputs, including correlation and volatility inputs used to value these instruments.

Nine Months Ended September 2016. The net unrealized loss on level 3 other financial assets and liabilities of $334 million (reflecting $1 million of gains on other financial assets and $335 million of losses on other financial liabilities) for the nine months ended September 2016 primarily consisted of losses on certain hybrid financial instruments included in deposits, principally due to the impact of an increase in the market value of the underlying assets.

Transfers into level 3 of other financial liabilities during the nine months ended September 2016 primarily reflected transfers of certain hybrid financial instruments included in unsecured short-term and long-term borrowings, principally due to reduced transparency of certain correlation and volatility inputs used to value these instruments.

Transfers out of level 3 of other financial liabilities during the nine months ended September 2016 primarily reflected transfers of certain hybrid financial instruments included in unsecured short-term borrowings, principally due to increased transparency of certain inputs, including correlation and volatility inputs used to value these instruments.

Three Months Ended September 2015. The net unrealized gain on level 3 other financial liabilities of $770 million for the three months ended September 2015 primarily reflected gains on certain hybrid financial instruments included in unsecured short-term borrowings and unsecured long-term borrowings, principally due to a decrease in global equity prices and the impact of wider credit spreads.

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

Transfers out of level 3 of other financial liabilities during the three months ended September 2015 primarily reflected transfers of certain subordinated liabilities included in other liabilities and accrued expenses to level 2, principally due to increased price transparency as a result of market transactions in the related underlying investments.

Nine Months Ended September 2015. The net unrealized gain on level 3 other financial assets and liabilities of $783 million (reflecting $4 million of losses on other financial assets and $787 million of gains on other financial liabilities) for the nine months ended September 2015 primarily reflected gains on certain hybrid financial instruments included in unsecured short-term borrowings and long-term borrowings, principally due to a decrease in global equity prices and the impact of wider credit spreads.

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

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Transfers out of level 3 of other financial liabilities during the nine months ended September 2015 primarily reflected transfers of certain subordinated liabilities included in other liabilities and accrued expenses to level 2, principally due to increased price transparency as a result of market transactions in the related underlying investments, 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.

Gains and Losses on Financial Assets and Financial Liabilities Accounted for at Fair Value Under the Fair Value Option

The table below presents the gains and losses recognized in earnings as a result of the firm electing to apply the fair value option to certain financial assets and financial liabilities. 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.

	Three Months Ended September		Nine Months Ended September	
$ in millions	**2016**	2015	**2016**	2015
Unsecured short-term borrowings	**$(832)**	$1,845	**$ (773)**	$ 947
Unsecured long-term borrowings	**(19)**	273	**(608)**	746
Other liabilities and accrued expenses	**1**	(237)	**(86)**	(676)
Other	**(85)**	34	**(629)**	(28)
Total	**$(935)**	$1,915	**$(2,096)**	$ 989

In the table above:

Gains/(losses) exclude contractual interest, which is included in Interest income and Interest expense, for all instruments other than hybrid financial instruments. See Note 23 for further information about interest income and interest expense.

Unsecured short-term borrowings includes gains/(losses) on the embedded derivative component of hybrid financial instruments of $(850) million and $1.84 billion for the three months ended September 2016 and September 2015, respectively, and $(782) million and $925 million for the nine months ended September 2016 and September 2015, respectively.

Unsecured long-term borrowings includes gains/(losses) on the embedded derivative component of hybrid financial instruments of $28 million and $112 million for the three months ended September 2016 and September 2015, respectively, and $(420) million and $645 million for the nine months ended September 2016 and September 2015, respectively.

Other liabilities and accrued expenses includes gains/(losses) on certain subordinated liabilities of consolidated VIEs.

Other primarily consists of gains/(losses) on receivables from customers and counterparties, deposits and other secured financings.

Excluding the gains and losses on the instruments accounted for under the fair value option described above, Market making and Other principal transactions primarily represent gains and losses on Financial instruments owned, 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. In the table below, the aggregate contractual principal amount of loans on non-accrual status and/or more than 90 days past due (which excludes loans carried at zero fair value and considered uncollectible) exceeds the related fair value primarily because the firm regularly purchases loans, such as distressed loans, at values significantly below the contractual principal amounts.

	As of	
$ in millions	**September 2016**	December 2015
Performing loans and long-term receivables		
Aggregate contractual principal in excess of fair value	**$ 869**	$1,330
Loans on non-accrual status and/or more than 90 days past due		
Aggregate contractual principal in excess of fair value	**9,132**	9,600
Aggregate fair value of loans on non-accrual status and/or more than 90 days past due	**2,454**	2,391

As of September 2016 and December 2015, the fair value of unfunded lending commitments for which the fair value option was elected was a liability of $88 million and $211 million, respectively, and the related total contractual amount of these lending commitments was $7.55 billion and $14.01 billion, respectively. See Note 18 for further information about lending commitments.

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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 $500 million and $362 million as of September 2016 and December 2015, 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 $740 million and $1.12 billion as of September 2016 and December 2015, 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 $157 million and $165 million for the three months ended September 2016 and September 2015, respectively, and $270 million and $835 million for the nine months ended September 2016 and September 2015, respectively. The firm generally calculates the fair value of loans and lending commitments for which the fair value option is elected by discounting future cash flows at a rate which incorporates the instrument-specific credit spreads. For floating-rate loans and lending commitments, substantially all changes in fair value are attributable to changes in instrument-specific credit spreads, whereas for fixed-rate loans and lending commitments, changes in fair value are also attributable to changes in interest rates.

Debt Valuation Adjustment

The firm calculates the fair value of financial liabilities for which the fair value option is elected by discounting future cash flows at a rate which incorporates the firm s credit spreads. The net DVA on such financial liabilities was a loss of $13 million (both gross and net of tax) for the three months ended September 2016 and $116 million ($75 million, net of tax) for the nine months ended September 2016, and was included in Debt valuation adjustment in the condensed consolidated statements of comprehensive income. The gains/(losses) reclassified to earnings from accumulated other comprehensive loss upon extinguishment of such financial liabilities were not material for both the three and nine months ended September 2016.

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 loans receivable is recognized over the life of the loan and is recorded on an accrual basis.

The table below presents details about loans receivable.

	As of	
$ in millions	**September 2016**	December 2015
Corporate loans	**$24,936**	$20,740
Loans to private wealth management clients	**14,374**	13,961
Loans backed by commercial real estate	**4,550**	5,271
Loans backed by residential real estate	**3,248**	2,316
Other loans	**2,447**	3,533
Total loans receivable, gross	**49,555**	45,821
Allowance for loan losses	**(491)**	(414)
Total loans receivable	**$49,064**	$45,407

As of September 2016 and December 2015, the fair value of loans receivable was $49.20 billion and $45.19 billion, respectively. As of September 2016, had these loans been carried at fair value and included in the fair value hierarchy, $24.23 billion and $24.97 billion would have been classified in level 2 and level 3, respectively. As of December 2015, had these loans been carried at fair value and included in the fair value hierarchy, $23.91 billion and $21.28 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 September 2016 and December 2015, such lending commitments were $91.15 billion and $93.92 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 $306 million and $2.69 billion, respectively, as of September 2016, and $291 million and $3.32 billion, respectively, as of December 2015. As of September 2016, had these lending commitments been carried at fair value and included in the fair value hierarchy, $1.19 billion and $1.50 billion would have been classified in level 2 and level 3, respectively. As of December 2015, had these lending commitments been carried at fair value and included in the fair value hierarchy, $1.35 billion and $1.97 billion would have been classified in level 2 and level 3, respectively.

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The following 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.

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.

Loans Backed by Commercial Real Estate. Loans backed by commercial real estate include loans extended by the firm that are directly or indirectly secured by hotels, retail stores, multifamily housing complexes and commercial and industrial properties. Loans backed by commercial real estate also include loans purchased by the firm.

Loans Backed by Residential Real Estate. Loans backed by residential real estate include loans extended by the firm to clients who warehouse assets that are directly or indirectly secured by residential real estate. Loans backed by residential real estate also include loans purchased by the firm.

Other Loans. Other loans primarily include loans extended to clients who warehouse assets that are directly or indirectly secured by consumer loans, including auto loans, and private student loans and other assets.

Loans receivable includes Purchased Credit Impaired (PCI) loans. PCI loans represent acquired loans or pools of loans with evidence of credit deterioration subsequent to their origination and where it is probable, at acquisition, that the firm will not be able to collect all contractually required payments. Loans acquired within the same reporting period, which have at least two common risk characteristics, one of which relates to their credit risk, are eligible to be pooled together and considered a single unit of account. PCI loans are initially recorded at acquisition price and the difference between the acquisition price and the expected cash flows (accretable yield) is recognized over the life of such loans or pools of loans on an effective yield method. Expected cash flows on PCI loans are determined using various inputs and assumptions, including default rates, loss severities, recoveries, amount and timing of prepayments and other macroeconomic indicators.

As of September 2016, the gross carrying value of PCI loans was $3.09 billion (including $1.14 billion, $1.93 billion and $21 million related to loans backed by commercial real estate, loans backed by residential real estate and other consumer loans, respectively). The outstanding principal balance and accretable yield related to such loans was $7.47 billion and $500 million, respectively, as of September 2016. At the time of acquisition, the fair value, related expected cash flows, and the contractually required cash flows of PCI loans acquired during the three months ended September 2016 were $507 million, $556 million and $1.17 billion, and during the nine months ended September 2016 were $1.36 billion, $1.55 billion and $3.41 billion, respectively. As of December 2015, the gross carrying value of PCI loans was $2.12 billion (including $1.16 billion, $941 million and $23 million related to loans backed by commercial real estate, loans backed by residential real estate and other consumer loans, respectively). The outstanding principal balance and accretable yield related to such loans was $5.54 billion and $234 million, respectively, as of December 2015.

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Credit Quality

The firm s risk assessment process includes evaluating the credit quality of its loans receivable. For loans receivable (excluding PCI loans), 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. Such loans are determined to be impaired when it is probable that the firm will not be able to collect all principal and interest due under the contractual terms of the loan. At that time, loans are generally placed on 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.

In certain circumstances, the firm may also modify the original terms of a loan agreement by granting a concession to a borrower experiencing financial difficulty. Such modifications are considered troubled debt restructurings and typically include interest rate reductions, payment extensions, and modification of loan covenants. Loans modified in a troubled debt restructuring are considered impaired and are subject to specific loan-level reserves.

As of September 2016 and December 2015, impaired loans receivable (excluding PCI loans) on non-accrual status were $455 million and $223 million, respectively. As of September 2016, such loans included $154 million of corporate loans that were modified in a troubled debt restructuring, and the firm had $153 million in lending commitments related to these loans. There were no such loans as of December 2015.

For PCI loans, the firm s risk assessment process includes reviewing certain key metrics, such as delinquency status, collateral values, credit scores and other risk factors. When it is determined that the firm cannot reasonably estimate expected cash flows on the PCI loans or pools of loans, such loans are placed on non-accrual status.

The table below presents gross loans receivable (excluding PCI loans of $3.09 billion and $2.12 billion as of September 2016 and December 2015, respectively, which are not assigned a credit rating equivalent) and related lending commitments by the firm s internally determined public rating agency equivalent and by regulatory risk rating. Non-criticized/pass loans and lending commitments represent loans and lending commitments that are performing and/or do not demonstrate adverse characteristics that are likely to result in a credit loss.

$ in millions	Loans	Lending Commitments	Total
Credit Rating Equivalent			

As of September 2016			
Investment-grade	**$19,155**	**$65,819**	**$ 84,974**
Non-investment-grade	**27,312**	**25,336**	**52,648**
Total	**$46,467**	**$91,155**	**$137,622**
As of December 2015			
Investment-grade	$19,459	$64,898	$ 84,357
Non-investment-grade	24,241	29,021	53,262
Total	$43,700	$93,919	$137,619
Regulatory Risk Rating			
As of September 2016			
Non-criticized/pass	**$43,419**	**$87,830**	**$131,249**
Criticized	**3,048**	**3,325**	**6,373**
Total	**$46,467**	**$91,155**	**$137,622**
As of December 2015			
Non-criticized/pass	$40,967	$92,021	$132,988
Criticized	2,733	1,898	4,631
Total	$43,700	$93,919	$137,619

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Allowance for Losses on Loans and Lending Commitments

The firm s allowance for loan losses is comprised of specific loan-level reserves, portfolio level reserves, and reserves on PCI loans as described below:

Specific loan-level reserves are determined on loans (excluding PCI loans) that exhibit credit quality weakness and are therefore individually evaluated for impairment.

Portfolio level reserves are determined on loans (excluding PCI loans) not deemed impaired by aggregating groups of loans with similar risk characteristics and estimating the probable loss inherent in the portfolio.

Reserves on PCI loans are recorded when it is determined that the expected cash flows, which are reassessed on a quarterly basis, will be lower than those used to establish the current effective yield for such loans or pools of loans. If the expected cash flows are determined to be significantly higher than those used to establish the current effective yield, such increases are initially recognized as a reduction to any previously recorded allowances for loan losses and any remaining increases are recognized as interest income prospectively over the life of the loan or pools of loans as an increase to the effective yield.

The allowance for loan losses is determined using various 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 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. As of September 2016 and December 2015, substantially all of the firm s loans receivable were evaluated for impairment at the portfolio level.

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. As of September 2016 and December 2015, substantially all of such lending commitments were evaluated for impairment at the portfolio level.

The table below presents changes in the allowance for loan losses and the allowance for losses on lending commitments. In the table below, Other represents the reduction to the allowance related to loans and lending commitments transferred to held for sale.

$ in millions	**Nine Months Ended September 2016**	Year Ended December 2015
Allowance for loan losses		
Balance, beginning of period	**$414**	$228
Charge-offs	**(8)**	(1)
Provision	**113**	187
Other	**(28)**	
Balance, end of period	**$491**	$414
Allowance for losses on lending commitments		
Balance, beginning of period	**$188**	$ 86
Provision	**35**	102
Other	**(16)**	
Balance, end of period	**$207**	$188

The provision for losses on loans and lending commitments is included in Other principal transactions. As of September 2016 and December 2015, substantially all of the allowance for loan losses and allowance for losses on lending commitments were related to corporate loans and corporate lending commitments and were primarily determined at the portfolio level. The firm s allowance for losses on PCI loans as of September 2016 was not material. There was no allowance for losses on PCI loans as of December 2015.

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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.

	As of	
	September	December
$ in millions	**2016**	2015
Securities purchased under agreements to resell	**$ 94,220**	$120,905
Securities borrowed	**185,468**	172,099
Securities sold under agreements to repurchase	**73,905**	86,069
Securities loaned	**5,256**	3,614

In the table above:

Substantially all resale agreements and all repurchase agreements are carried at fair value under the fair value option. See Note 8 for further information about the valuation techniques and significant inputs used to determine fair value.

As of September 2016 and December 2015, $78.79 billion and $69.80 billion of securities borrowed, and $1.97 billion and $466 million of securities loaned were at fair value, respectively.

Resale and Repurchase Agreements

A resale agreement is a transaction in which the firm purchases financial instruments from a seller, typically in exchange for cash, and simultaneously enters into an agreement to resell the same or substantially the same financial instruments to the seller at a stated price plus accrued interest at a future date.

A repurchase agreement is a transaction in which the firm sells financial instruments to a buyer, typically in exchange for cash, and simultaneously enters into an agreement to repurchase the same or substantially the same financial instruments from the buyer at a stated price plus accrued interest at a future date.

Even though repurchase and resale agreements (including repos- and reverses-to-maturity) involve the legal transfer of ownership of financial instruments, they are accounted for as financing arrangements because they require the financial instruments to be repurchased or resold before or at the maturity of the agreement. The financial instruments purchased or sold in resale and repurchase agreements typically include U.S. government and 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.

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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 September 2016 and December 2015.

Offsetting Arrangements

The table below presents the gross and net resale and repurchase agreements and securities borrowed and loaned transactions, and the related amount of counterparty netting included in the condensed consolidated statements of financial condition. The table below also presents 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.

	Assets		Liabilities	
$ in millions	Resale	Securities	Repurchase	Securities

	agreements	borrowed	agreements	loaned
As of September 2016				
Included in the condensed consolidated statements of financial condition				
Gross carrying value	**$ 149,386**	**$ 190,897**	**$114,013**	**$ 8,871**
Counterparty netting	**(40,108)**	**(3,615)**	**(40,108)**	**(3,615)**
Total	**109,278**	**187,282**	**73,905**	**5,256**
Amounts not offset				
Counterparty netting	**(8,440)**	**(2,908)**	**(8,440)**	**(2,908)**
Collateral	**(98,884)**	**(173,473)**	**(63,714)**	**(2,089)**
Total	**$ 1,954**	**$ 10,901**	**$ 1,751**	**$ 259**
As of December 2015				
Included in the condensed consolidated statements of financial condition				
Gross carrying value	$ 163,199	$ 180,203	$114,960	$ 6,179
Counterparty netting	(28,891)	(2,565)	(28,891)	(2,565)
Total	134,308	177,638	86,069	3,614
Amounts not offset				
Counterparty netting	(4,979)	(1,732)	(4,979)	(1,732)
Collateral	(125,561)	(167,061)	(78,958)	(1,721)
Total	$ 3,768	$ 8,845	$ 2,132	$ 161

In the table above:

Substantially all of the gross carrying values of these arrangements are subject to enforceable netting agreements.

Where the firm has received or posted collateral under credit support agreements, but has not yet determined such agreements are enforceable, the related collateral has not been netted.

As of September 2016 and December 2015, the firm had $15.06 billion and $13.40 billion, respectively, of securities received under resale agreements, and $1.81 billion and $5.54 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.

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Gross Carrying Value of Repurchase Agreements and Securities Loaned

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

$ in millions	Repurchase agreements	Securities loaned
As of September 2016		
Commercial paper, certificates of deposit, time deposits and other money market instruments	**$ 671**	**$**
U.S. government and federal agency obligations	**45,401**	
Non-U.S. government and agency obligations	**39,929**	**1,070**
Securities backed by commercial real estate	**9**	
Securities backed by residential real estate	**116**	
Corporate debt securities	**9,859**	**14**
State and municipal obligations	**111**	
Other debt obligations	**14**	
Equities and convertible debentures	**17,903**	**7,787**
Total	**$ 114,013**	**$8,871**
As of December 2015		
Commercial paper, certificates of deposit, time deposits and other money market instruments	$ 806	$
U.S. government and federal agency obligations	54,856	101
Non-U.S. government and agency obligations	31,547	2,465
Securities backed by commercial real estate	269	

Securities backed by residential real estate	2,059	
Corporate debt securities	6,877	30
State and municipal obligations	609	
Other debt obligations	101	
Equities and convertible debentures	17,836	3,583
Total	$ 114,960	$6,179

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

	As of September 2016	
$ in millions	**Repurchase agreements**	**Securities loaned**
No stated maturity and overnight	**$ 33,885**	**$4,350**
2 - 30 days	**37,689**	**2,546**
31 - 90 days	**10,647**	**725**
91 days - 1 year	**23,091**	**1,250**
Greater than 1 year	**8,701**	
Total	**$114,013**	**$8,871**

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 September 2016 and December 2015, nonrecourse other secured financings were $2.62 billion and $2.20 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 September 2016 and December 2015.

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The table below presents information about other secured financings.

$ in millions	U.S. Dollar	Non-U.S. Dollar	Total
As of September 2016			
Other secured financings (short-term):			
At fair value	**$10,417**	**$ 4,768**	**$15,185**
At amortized cost	**3**		**3**
Weighted average interest rates	***4.33%***	***%***	
Other secured financings (long-term):			
At fair value	**5,689**	**1,132**	**6,821**
At amortized cost	**145**	**324**	**469**
Weighted average interest rates	***3.98%***	***1.96%***	
Total	**$16,254**	**$ 6,224**	**$22,478**
Other secured financings collateralized by:			
Financial instruments	**$15,198**	**$ 5,733**	**$20,931**
Other assets	**1,056**	**491**	**1,547**
As of December 2015			
Other secured financings (short-term):			
At fair value	$ 7,952	$ 5,448	$13,400
At amortized cost	514	319	833
Weighted average interest rates	*2.93%*	*3.83%*	
Other secured financings (long-term):			
At fair value	6,702	3,105	9,807
At amortized cost	370	343	713

Weighted average interest rates	*2.87%*	*1.54%*	
Total	$15,538	$ 9,215	$24,753
Other secured financings collateralized by:			
Financial instruments	$14,862	$ 8,872	$23,734
Other assets	676	343	1,019

In the table 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.

Total other secured financings includes $478 million and $334 million related to transfers of financial assets accounted for as financings rather than sales as of September 2016 and December 2015, respectively. Such financings were collateralized by financial assets of $478 million and $336 million as of September 2016 and December 2015, respectively, primarily included in Financial instruments owned, at fair value.

Other secured financings collateralized by financial instruments includes $14.06 billion and $14.98 billion of other secured financings collateralized by financial instruments owned, at fair value as of September 2016 and December 2015, respectively, and includes $6.87 billion and $8.76 billion of other secured financings collateralized by financial instruments received as collateral and repledged as of September 2016 and December 2015, respectively.

The table below presents other secured financings by maturity date.

$ in millions	**As of September 2016**
Other secured financings (short-term)	**$15,188**
Other secured financings (long-term):	
2017	**1,080**
2018	**3,394**
2019	**697**
2020	**1,185**
2021	**249**
2022 - thereafter	**685**
Total other secured financings (long-term)	**7,290**
Total other secured financings	**$22,478**

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.

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 (substantially all real estate and cash) in connection with other secured financings to counterparties who may or may not have the right to deliver or repledge them.

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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.

	As of	
	September	December
$ in millions	**2016**	2015
Collateral available to be delivered or repledged	**$623,720**	$636,684
Collateral that was delivered or repledged	**494,028**	496,240

In the table above, as of September 2016 and December 2015, collateral available to be delivered or repledged excludes $15.06 billion and $13.40 billion, respectively, of securities received under resale agreements, and $1.81 billion and $5.54 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.

	As of	
	September	December
$ in millions	**2016**	2015
Financial instruments owned, at fair value pledged to counterparties that:		
Had the right to deliver or repledge	**$ 55,800**	$ 54,426
Did not have the right to deliver or repledge	**66,390**	63,880
Other assets pledged to counterparties that did not have the right to deliver or repledge	**2,986**	1,841

Note 11.

Securitization Activities

The firm securitizes residential and commercial mortgages, corporate bonds, loans and other types of financial assets by selling these assets to securitization vehicles (e.g., trusts, corporate entities and limited liability companies) or through a resecuritization. The firm acts as underwriter of the beneficial interests that are sold to investors. The firm s residential mortgage securitizations are primarily in connection with government agency securitizations.

Beneficial interests issued by securitization entities are debt or equity 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.

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 primarily accounted for at fair value and are classified in level 2 of the fair value hierarchy. Beneficial interests and other interests not accounted for at fair value are carried at amounts that approximate fair value. See Notes 5 through 8 for further information about fair value measurements.

The table below presents the amount of financial assets securitized and the cash flows received on retained interests in securitization entities in which the firm had continuing involvement as of the end of the period.

	Three Months Ended September		Nine Months Ended September	
$ in millions	**2016**	2015	**2016**	2015
Residential mortgages	**$4,254**	$2,056	**$ 9,152**	$11,258
Commercial mortgages	**1,123**	3,506	**1,873**	8,255
Other financial assets	**175**	478	**175**	478
Total	**$5,552**	$6,040	**$11,200**	$19,991
Cash flows on retained interests	**$ 115**	$ 64	**$ 168**	$ 142

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The table below presents the firm s continuing involvement in nonconsolidated securitization entities to which the firm sold assets, as well as the total outstanding principal amount of transferred assets in which the firm has continuing involvement.

$ in millions	Outstanding Principal Amount	Retained Interests	Purchased Interests
As of September 2016			
U.S. government agency-issued collateralized mortgage obligations	**$26,735**	**$1,060**	**$ 5**
Other residential mortgage-backed	**3,179**	**731**	
Other commercial mortgage-backed	**3,255**	**26**	
CDOs, CLOs and other	**2,664**	**63**	**11**
Total	**$35,833**	**$1,880**	**$16**
As of December 2015			
U.S. government agency-issued collateralized mortgage obligations	$39,088	$ 846	$20
Other residential mortgage-backed	2,195	154	17