

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 2023

or

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

For the transition period from

to

Commission File Number: 001-14965

The Goldman Sachs Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

200 West Street, New York, NY

(Address of principal executive offices)

13-4019460

(I.R.S. Employer
Identification No.)

10282

(Zip Code)

(212) 902-1000

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Exchange on which registered
Common stock, par value \$.01 per share	GS	NYSE
Depositary Shares, Each Representing 1/1,000th Interest in a Share of Floating Rate Non-Cumulative Preferred Stock, Series A	GS PrA	NYSE
Depositary Shares, Each Representing 1/1,000th Interest in a Share of Floating Rate Non-Cumulative Preferred Stock, Series C	GS PrC	NYSE
Depositary Shares, Each Representing 1/1,000th Interest in a Share of Floating Rate Non-Cumulative Preferred Stock, Series D	GS PrD	NYSE
Depositary Shares, Each Representing 1/1,000th Interest in a Share of 6.375% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series K	GS PrK	NYSE
5.793% Fixed-to-Floating Rate Normal Automatic Preferred Enhanced Capital Securities of Goldman Sachs Capital II	GS/43PE	NYSE
Floating Rate Normal Automatic Preferred Enhanced Capital Securities of Goldman Sachs Capital III	GS/43PF	NYSE
Medium-Term Notes, Series F, Callable Fixed and Floating Rate Notes due March 2031 of GS Finance Corp.	GS/31B	NYSE
Medium-Term Notes, Series F, Callable Fixed and Floating Rate Notes due May 2031 of GS Finance Corp.	GS/31X	NYSE

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). ☒ Yes ☐ No

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

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

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

As of October 20, 2023, there were 326,112,464 shares of the registrant's common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Earnings (Unaudited)

	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
<i>in millions, except per share amounts</i>				
Revenues				
Investment banking	\$ 1,555	\$ 1,544	\$ 4,565	\$ 5,487
Investment management	2,409	2,283	7,054	6,747
Commissions and fees	883	992	2,864	3,066
Market making	4,958	4,641	14,742	15,583
Other principal transactions	465	472	699	285
Total non-interest revenues	10,270	9,932	29,924	31,168
Interest income	18,257	8,550	50,031	16,613
Interest expense	16,710	6,507	45,019	11,009
Net interest income	1,547	2,043	5,012	5,604
Total net revenues	11,817	11,975	34,936	36,772
Provision for credit losses	7	515	451	1,743
Operating expenses				
Compensation and benefits	4,188	3,606	11,897	11,384
Transaction based	1,452	1,317	4,242	3,878
Market development	136	199	454	596
Communications and technology	468	459	1,416	1,327
Depreciation and amortization	1,512	666	4,076	1,728
Occupancy	267	255	785	765
Professional fees	377	465	1,152	1,392
Other expenses	654	737	1,978	2,003
Total operating expenses	9,054	7,704	26,000	23,073
Pre-tax earnings	2,756	3,756	8,485	11,956
Provision for taxes	698	687	1,977	2,021
Net earnings	2,058	3,069	6,508	9,935
Preferred stock dividends	176	107	468	356
Net earnings applicable to common shareholders	\$ 1,882	\$ 2,962	\$ 6,040	\$ 9,579
Earnings per common share				
Basic	\$ 5.52	\$ 8.35	\$ 17.52	\$ 27.03
Diluted	\$ 5.47	\$ 8.25	\$ 17.39	\$ 26.71
Average common shares				
Basic	338.7	352.8	342.5	353.0
Diluted	343.9	359.2	347.4	358.6

Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
<i>\$ in millions</i>				
Net earnings	\$ 2,058	\$ 3,069	\$ 6,508	\$ 9,935
Other comprehensive income/(loss) adjustments, net of tax:				
Currency translation	(16)	26	(59)	(5)
Debt valuation adjustment	328	673	(283)	2,601
Pension and postretirement liabilities	9	(2)	33	10
Available-for-sale securities	317	(615)	720	(2,410)
Other comprehensive income	638	82	411	196
Comprehensive income	\$ 2,696	\$ 3,151	\$ 6,919	\$ 10,131

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

Consolidated Balance Sheets

(Unaudited)

	As of	
	September 2023	December 2022
<i>\$ in millions</i>		
Assets		
Cash and cash equivalents	\$ 239,879	\$ 241,825
Collateralized agreements:		
Securities purchased under agreements to resell (includes \$190,446 and \$225,117 at fair value)	190,695	225,117
Securities borrowed (includes \$36,792 and \$38,578 at fair value)	196,925	189,041
Customer and other receivables (includes \$23 and \$25 at fair value)	140,866	135,448
Trading assets (at fair value and includes \$97,406 and \$40,143 pledged as collateral)	448,060	301,245
Investments (includes \$76,307 and \$78,201 at fair value, and \$8,463 and \$9,818 pledged as collateral)	145,530	130,629
Loans (net of allowance of \$4,895 and \$5,543, and includes \$6,448 and \$7,655 at fair value)	178,257	179,286
Other assets (includes \$324 and \$145 at fair value)	36,941	39,208
Total assets	\$ 1,577,153	\$ 1,441,799
Liabilities and shareholders' equity		
Deposits (includes \$28,557 and \$15,746 at fair value)	\$ 402,962	\$ 386,665
Collateralized financings:		
Securities sold under agreements to repurchase (at fair value)	225,679	110,349
Securities loaned (includes \$8,178 and \$4,372 at fair value)	54,926	30,727
Other secured financings (includes \$14,114 and \$12,756 at fair value)	14,728	13,946
Customer and other payables	252,342	262,045
Trading liabilities (at fair value)	195,123	191,324
Unsecured short-term borrowings (includes \$42,351 and \$39,731 at fair value)	70,009	60,961
Unsecured long-term borrowings (includes \$73,916 and \$73,147 at fair value)	224,024	247,138
Other liabilities (includes \$614 and \$159 at fair value)	20,083	21,455
Total liabilities	1,459,876	1,324,610
Commitments, contingencies and guarantees		
Shareholders' equity		
Preferred stock; aggregate liquidation preference of \$11,203 and \$10,703	11,203	10,703
Common stock; 922,889,392 and 917,815,030 shares issued, and 326,604,718 and 334,918,639 shares outstanding	9	9
Share-based awards	5,117	5,696
Nonvoting common stock; no shares issued and outstanding	—	—
Additional paid-in capital	60,233	59,050
Retained earnings	142,743	139,372
Accumulated other comprehensive loss	(2,599)	(3,010)
Stock held in treasury, at cost; 596,284,676 and 582,896,393 shares	(99,429)	(94,631)
Total shareholders' equity	117,277	117,189
Total liabilities and shareholders' equity	\$ 1,577,153	\$ 1,441,799

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

Consolidated Statements of Changes in Shareholders' Equity

(Unaudited)

	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
<i>\$ in millions</i>				
Preferred stock				
Beginning balance	\$ 10,703	\$ 10,703	\$ 10,703	\$ 10,703
Issued	1,500	–	1,500	–
Redeemed	(1,000)	–	(1,000)	–
Ending balance	11,203	10,703	11,203	10,703
Common stock				
Beginning balance	9	9	9	9
Issued	–	–	–	–
Ending balance	9	9	9	9
Share-based awards				
Beginning balance	4,931	5,245	5,696	4,211
Issuance and amortization of share-based awards	242	311	2,001	3,811
Delivery of common stock underlying share-based awards	(15)	(44)	(2,501)	(2,463)
Forfeiture of share-based awards	(41)	(33)	(79)	(80)
Ending balance	5,117	5,479	5,117	5,479
Additional paid-in capital				
Beginning balance	60,206	58,993	59,050	56,396
Delivery of common stock underlying share-based awards	30	61	2,527	2,494
Cancellation of share-based awards in satisfaction of withholding tax requirements	(5)	(23)	(1,344)	(1,587)
Preferred stock issuance costs	5	–	5	–
Issuance of common stock in connection with acquisition	–	–	–	1,730
Other	(3)	–	(5)	(2)
Ending balance	60,233	59,031	60,233	59,031
Retained earnings				
Beginning balance	141,798	136,998	139,372	131,811
Net earnings	2,058	3,069	6,508	9,935
Dividends and dividend equivalents declared on common stock and share-based awards	(937)	(893)	(2,669)	(2,323)
Dividends declared on preferred stock	(166)	(107)	(458)	(356)
Preferred stock redemption premium	(10)	–	(10)	–
Ending balance	142,743	139,067	142,743	139,067
Accumulated other comprehensive income/(loss)				
Beginning balance	(3,237)	(1,954)	(3,010)	(2,068)
Other comprehensive income	638	82	411	196
Ending balance	(2,599)	(1,872)	(2,599)	(1,872)
Stock held in treasury, at cost				
Beginning balance	(97,917)	(92,123)	(94,631)	(91,136)
Repurchased	(1,500)	(1,000)	(4,796)	(2,000)
Reissued	–	1	28	20
Other	(12)	(5)	(30)	(11)
Ending balance	(99,429)	(93,127)	(99,429)	(93,127)
Total shareholders' equity	\$117,277	\$119,290	\$117,277	\$119,290

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

Consolidated Statements of Cash Flows

(Unaudited)

	Nine Months Ended September	
	2023	2022
<i>\$ in millions</i>		
Cash flows from operating activities		
Net earnings	\$ 6,508	\$ 9,935
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	4,076	1,728
Share-based compensation	2,008	3,811
Provision for credit losses	451	1,743
Changes in operating assets and liabilities:		
Customer and other receivables and payables, net	(14,042)	21,453
Collateralized transactions (excluding other secured financings), net	166,067	(3,872)
Trading assets	(146,672)	(39,764)
Trading liabilities	1,654	48,411
Loans held for sale, net	48	2,041
Other, net	(4,327)	(3,616)
Net cash provided by operating activities	15,771	41,870
Cash flows from investing activities		
Purchase of property, leasehold improvements and equipment	(1,770)	(2,994)
Proceeds from sales of property, leasehold improvements and equipment	1,151	1,272
Net cash used for business acquisitions	(8)	(2,113)
Purchase of investments	(27,776)	(52,989)
Proceeds from sales and paydowns of investments	13,834	8,080
Loans (excluding loans held for sale), net	599	(20,924)
Net cash used for investing activities	(13,970)	(69,668)
Cash flows from financing activities		
Unsecured short-term borrowings, net	246	2,451
Other secured financings (short-term), net	1,459	(1,415)
Proceeds from issuance of other secured financings (long-term)	2,137	1,499
Repayment of other secured financings (long-term), including the current portion	(2,221)	(2,677)
Proceeds from issuance of unsecured long-term borrowings	28,854	69,620
Repayment of unsecured long-term borrowings, including the current portion	(40,286)	(35,328)
Derivative contracts with a financing element, net	2,145	1,749
Deposits, net	15,870	39,174
Preferred stock redemption	(1,000)	–
Common stock repurchased	(4,796)	(2,000)
Settlement of share-based awards in satisfaction of withholding tax requirements	(1,344)	(1,591)
Dividends and dividend equivalents paid on common stock, preferred stock and share-based awards	(3,124)	(2,669)
Proceeds from issuance of preferred stock, net of issuance costs	1,496	–
Other financing, net	348	365
Net cash provided by/(used for) financing activities	(216)	69,178
Effect of exchange rate changes on cash and cash equivalents	(3,531)	(18,165)
Net increase/(decrease) in cash and cash equivalents	(1,946)	23,215
Cash and cash equivalents, beginning balance	241,825	261,036
Cash and cash equivalents, ending balance	\$ 239,879	\$ 284,251
Supplemental disclosures:		
Cash payments for interest, net of capitalized interest	\$ 43,186	\$ 9,882
Cash payments for income taxes, net	\$ 1,815	\$ 3,046

See Notes 9, 12 and 16 for information about non-cash activities.

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

Notes to 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 financial institution that delivers a broad range of financial services to a large 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 manages and reports its activities in the following three business segments:

Global Banking & Markets

The firm provides a broad range of 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 and spin-offs, and equity and debt underwriting of public offerings and private placements. The firm facilitates client transactions and makes markets in fixed income, equity, currency and commodity products. In addition, the firm makes markets in and clears institutional client transactions on major stock, options and futures exchanges worldwide and provides prime financing (including securities lending, margin lending and swaps), portfolio financing and other types of equity financing (including securities-based loans to individuals). The firm also provides lending to corporate clients, including through relationship lending and acquisition financing, and secured lending, through structured credit and asset-backed lending. In addition, the firm provides commodity financing to clients through structured transactions and also provides financing through securities purchased under agreements to resell (resale agreements). The firm also makes equity and debt investments related to Global Banking & Markets activities.

Asset & Wealth Management

The firm manages assets and offers investment products across all major asset classes to a diverse set of clients, both institutional and individuals, including through a network of third-party distributors around the world. The firm also provides investing and wealth advisory solutions, including financial planning and counseling, and executing brokerage transactions for wealth management clients. During the third quarter of 2023, the firm announced an agreement to sell its Personal Financial Management (PFM) business, which is expected to close in the fourth quarter of 2023. The firm issues loans to wealth management clients, accepts deposits through its consumer banking digital platform, *Marcus by Goldman Sachs* (Marcus), and through its private bank, and provides investing services through *Marcus Invest* to U.S. customers. The firm has also issued unsecured loans to consumers through Marcus. During the first half of 2023, the firm completed the sale of substantially all of this portfolio. The firm makes equity investments, which include investing activities related to public and private equity investments in corporate, real estate and infrastructure assets, as well as investments through consolidated investment entities, substantially all of which are engaged in real estate investment activities. The firm also invests in debt instruments and engages in lending activities to middle-market clients, and provides financing for real estate and other assets.

Platform Solutions

The firm issues credit cards through partnership arrangements and provides point-of-sale financing through GreenSky, Inc. (GreenSky) to consumers. In October 2023, the firm announced an agreement to sell GreenSky, which is expected to close in the first quarter of 2024. The firm also accepts deposits from Apple Card customers. In addition, the firm provides transaction banking and other services, including cash management services, such as deposit-taking and payment solutions for corporate and institutional clients.

Notes to Consolidated Financial Statements (Unaudited)

Note 2.

Basis of Presentation

These consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) and include the accounts of Group Inc. and all other entities in which the firm has a controlling financial interest. Intercompany transactions and balances have been eliminated.

These 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, 2022. References to "the 2022 Form 10-K" are to the firm's Annual Report on Form 10-K for the year ended December 31, 2022. Certain disclosures included in the annual financial statements have been condensed or omitted from these financial statements as they are not required for interim financial statements under U.S. GAAP and the rules of the SEC.

These unaudited 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 2023, June 2023 and September 2022 refer to the firm's periods ended, or the dates, as the context requires, September 30, 2023, June 30, 2023 and September 30, 2022, respectively. All references to December 2022 refer to the date December 31, 2022. Any reference to a future year refers to a year ending on December 31 of that year. Certain reclassifications have been made to previously reported amounts to conform to the current presentation.

Note 3.

Significant Accounting Policies

The firm's significant accounting policies include when and how to measure the fair value of assets and liabilities, measuring the allowance for credit losses on loans and lending commitments accounted for at amortized cost, and when to consolidate an entity. See Note 4 for policies on fair value measurements, Note 9 for policies on the allowance for credit losses, and below and Note 17 for policies on consolidation accounting. All other significant accounting policies are either described below or included in the following footnotes:

Fair Value Measurements	Note 4
Fair Value Hierarchy	Note 5
Trading Assets and Liabilities	Note 6
Derivatives and Hedging Activities	Note 7
Investments	Note 8
Loans	Note 9
Fair Value Option	Note 10
Collateralized Agreements and Financings	Note 11
Other Assets	Note 12
Deposits	Note 13
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Notes to Consolidated Financial Statements (Unaudited)

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 17 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 generally accounted for 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 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 8 for further information about equity-method investments.

Investment Funds. The firm has formed 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 investments. See Notes 8, 18 and 22 for further information about investments in funds.

Use of Estimates

Preparation of these consolidated financial statements requires management to make certain estimates and assumptions, the most important of which relate to fair value measurements, the allowance for credit losses on loans and lending commitments accounted for at amortized cost, discretionary compensation accruals, accounting for goodwill and identifiable intangible assets, provisions for losses that may arise from litigation and regulatory proceedings (including governmental investigations), and accounting for income taxes. These estimates and assumptions are based on the best available information, but actual results could be materially different.

Revenue Recognition

Financial Assets and Liabilities at Fair Value. Trading assets and liabilities and certain investments are carried 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 loans and other financial assets and 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 or other principal transactions. See Note 4 for further information about fair value measurements.

Notes to Consolidated Financial Statements (Unaudited)

Revenue from Contracts with Clients. The firm recognizes revenue earned from contracts with clients for services, such as investment banking, investment management, and execution and clearing (contracts with clients), when the performance obligations related to the underlying transaction are completed.

Revenues from contracts with clients represent approximately 45% of total non-interest revenues for both the three and nine months ended September 2023 (including approximately 85% of investment banking revenues, approximately 95% of investment management revenues and all commissions and fees), and approximately 45% of total non-interest revenues for the three months ended September 2022 (including approximately 90% of investment banking revenues, approximately 95% of investment management revenues and all commissions and fees) and approximately 45% of total non-interest revenues for the nine months ended September 2022 (including approximately 85% of investment banking revenues, approximately 95% of investment management revenues and all commissions and fees). See Note 25 for information about net revenues by business segment.

Investment Banking

Advisory. Fees from financial advisory assignments are recognized in revenues when the services related to the underlying transaction are completed under the terms of the assignment. Non-refundable deposits and milestone payments in connection with financial advisory assignments are recognized in revenues upon completion of the underlying transaction or when the assignment is otherwise concluded.

Expenses associated with financial advisory assignments are recognized when incurred and are included in transaction based expenses. Client reimbursements for such expenses are included in investment banking revenues.

Underwriting. Fees from underwriting assignments are recognized in revenues upon completion of the underlying transaction based on the terms of the assignment.

Expenses associated with underwriting assignments are generally deferred until the related revenue is recognized or the assignment is otherwise concluded. Such expenses are included in transaction based expenses for completed assignments.

Investment Management

The firm earns management fees and incentive fees for investment management services, which are included in investment management revenues. The firm makes payments to brokers and advisors related to the placement of the firm's investment funds (distribution fees), which are included in transaction based expenses.

Management Fees. 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 committed capital and are received quarterly, semi-annually or annually, depending on the fund. Management fees are recognized over time in the period the services are provided.

Distribution fees paid by the firm are calculated based on either a percentage of the management fee, the investment fund's net asset value or the committed capital. Such fees are included in transaction based expenses.

Incentive Fees. 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 twelve-month period or over the life of a fund. Fees that are based on performance over a twelve-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 earned from a fund or separately managed account are recognized when it is probable that a significant reversal of such fees will not occur, which is generally when such fees are no longer subject to fluctuations in the market value of investments held by the fund or separately managed account. Therefore, incentive fees recognized during the period may relate to performance obligations satisfied in previous periods.

Commissions and Fees

The firm earns substantially all 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. The firm also provides third-party research services to clients in connection with certain soft-dollar arrangements. Third-party research costs incurred by the firm in connection with such arrangements are presented net within commissions and fees.

Notes to Consolidated Financial Statements (Unaudited)

Remaining Performance Obligations

Remaining performance obligations are services that the firm has committed to perform in the future in connection with its contracts with clients. The firm's remaining performance obligations are generally related to its financial advisory assignments and certain investment management activities. Revenues associated with remaining performance obligations relating to financial advisory assignments cannot be determined until the outcome of the transaction. For the firm's investment management activities, where fees are calculated based on the net asset value of the fund or separately managed account, future revenues associated with such remaining performance obligations cannot be determined as such fees are subject to fluctuations in the market value of investments held by the fund or separately managed account.

The firm is able to determine the future revenues associated with management fees calculated based on committed capital. As of September 2023, substantially all future net revenues associated with such remaining performance obligations will be recognized through 2031. Annual revenues associated with such performance obligations average less than \$300 million through 2031.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when the firm has relinquished control over the assets transferred. For transfers of financial assets accounted for as sales, any gains or losses are recognized in net revenues. Assets or liabilities that arise from the firm's continuing involvement with transferred financial assets are initially recognized at fair value. For transfers of financial assets that are not accounted for as sales, the assets are generally included in trading assets and the transfer is accounted for as a collateralized financing, with the related interest expense recognized over the life of the transaction. See Note 11 for further information about transfers of financial assets accounted for as collateralized financings and Note 16 for further information about transfers of financial assets accounted for as sales.

Cash and Cash Equivalents

The firm defines cash equivalents as highly liquid overnight deposits held in the ordinary course of business. Cash and cash equivalents included cash and due from banks of \$6.50 billion as of September 2023 and \$7.87 billion as of December 2022. Cash and cash equivalents also included interest-bearing deposits with banks of \$233.38 billion as of September 2023 and \$233.96 billion as of December 2022.

The firm segregates cash for regulatory and other purposes related to client activity. Cash and cash equivalents segregated for regulatory and other purposes were \$17.95 billion as of September 2023 and \$16.94 billion as of December 2022. In addition, the firm segregates securities for regulatory and other purposes related to client activity. See Note 11 for further information about segregated securities.

Customer and Other Receivables

Customer and other receivables included receivables from customers and counterparties of \$90.32 billion as of September 2023 and \$67.88 billion as of December 2022, and receivables from brokers, dealers and clearing organizations of \$50.55 billion as of September 2023 and \$67.57 billion as of December 2022. Such receivables primarily consist of collateral posted in connection with certain derivative transactions, customer margin loans and receivables resulting from unsettled transactions.

Substantially all of these receivables are accounted for at amortized cost net of any allowance for credit losses, which generally approximates fair value. As these receivables are not accounted for at fair value, they are not included in the firm's fair value hierarchy in Notes 4 and 5. Had these receivables been included in the firm's fair value hierarchy, substantially all would have been classified in level 2 as of both September 2023 and December 2022. See Note 10 for further information about customer and other receivables accounted for at fair value under the fair value option. Interest on customer and other receivables is recognized over the life of the transaction and included in interest income.

Customer and other receivables includes receivables from contracts with clients and contract assets. Contract assets represent the firm's right to receive consideration for services provided in connection with its contracts with clients for which collection is conditional and not merely subject to the passage of time. The firm's receivables from contracts with clients were \$3.45 billion as of September 2023 and \$3.01 billion as of December 2022. As of both September 2023 and December 2022, contract assets were not material.

Notes to Consolidated Financial Statements (Unaudited)

Customer and Other Payables

Customer and other payables included payables to customers and counterparties of \$236.39 billion as of September 2023 and \$238.12 billion as of December 2022, and payables to brokers, dealers and clearing organizations of \$15.95 billion as of September 2023 and \$23.93 billion as of December 2022. Such payables primarily consist of customer credit balances related to the firm's prime brokerage activities. Customer and other payables are accounted for at cost plus accrued interest, which generally approximates fair value. As these payables are not accounted for at fair value, they are not included in the firm's fair value hierarchy in Notes 4 and 5. Had these payables been included in the firm's fair value hierarchy, substantially all would have been classified in level 2 as of both September 2023 and December 2022. Interest on customer and other payables is recognized over the life of the transaction and included in interest expense.

Offsetting Assets and Liabilities

To reduce credit exposures on derivatives and securities financing transactions, the firm may enter into master netting agreements or similar arrangements (collectively, netting agreements) with counterparties that permit it to offset receivables and payables with such counterparties. A netting agreement is a contract with a counterparty that permits net settlement of multiple transactions with that counterparty, including upon the exercise of termination rights by a non-defaulting party. Upon exercise of such termination rights, all transactions governed by the netting agreement are terminated and a net settlement amount is calculated. In addition, the firm receives and posts cash and securities collateral with respect to its derivatives and securities financing transactions, subject to the terms of the related credit support agreements or similar arrangements (collectively, credit support agreements). An enforceable credit support agreement grants the non-defaulting party exercising termination rights the right to liquidate the collateral and apply the proceeds to any amounts owed. In order to assess enforceability of the firm's right of setoff under netting and credit support agreements, the firm evaluates various factors, including applicable bankruptcy laws, local statutes and regulatory provisions in the jurisdiction of the parties to the agreement.

Derivatives are reported on a net-by-counterparty basis (i.e., the net payable or receivable for derivative assets and liabilities for a given counterparty) in the consolidated balance sheets when a legal right of setoff exists under an enforceable netting agreement. Resale agreements and securities sold under agreements to repurchase (repurchase agreements) and securities borrowed and loaned transactions with the same settlement date are presented on a net-by-counterparty basis in the consolidated balance sheets when such transactions meet certain settlement criteria and are subject to netting agreements.

In the consolidated balance sheets, derivatives are reported net of cash collateral received and posted under enforceable credit support agreements, when transacted under an enforceable netting agreement. In the consolidated balance sheets, 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 11 for further information about collateral received and pledged, including rights to deliver or repledge collateral. See Notes 7 and 11 for further information about offsetting assets and liabilities.

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. Forfeitures are recorded when they occur.

Cash dividend equivalents paid on restricted stock units (RSUs) are generally charged to retained earnings. If RSUs that require future service are forfeited, the related dividend equivalents originally charged to retained earnings are reclassified to compensation expense in the period in which forfeiture occurs.

The firm generally issues new shares of common stock upon delivery of share-based awards. In limited cases, as outlined in the applicable award agreements, the firm may cash settle share-based compensation awards accounted for as equity instruments. For these awards, 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. The tax effects related to the settlement of share-based awards and payments of dividend equivalents are recorded in income tax benefit or expense.

Foreign Currency Translation

Assets and liabilities denominated in non-U.S. currencies are translated at rates of exchange prevailing on the date of the consolidated balance sheets and revenues and expenses are translated at average rates of exchange for the period. Foreign currency remeasurement gains or losses on transactions in nonfunctional currencies are recognized in earnings. Gains or losses on translation of the financial statements of a non-U.S. operation, when the functional currency is other than the U.S. dollar, are included, net of hedges and taxes, in the consolidated statements of comprehensive income.

Notes to Consolidated Financial Statements (Unaudited)

Recent Accounting Developments

Facilitation of the Effects of Reference Rate Reform on Financial Reporting (ASC 848). In March 2020, the FASB issued ASU No. 2020-04, “Reference Rate Reform — Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” This ASU, as amended in 2022, provides optional relief from applying generally accepted accounting principles to contracts, hedging relationships and other transactions affected by reference rate reform. In addition, in January 2021 the FASB issued ASU No. 2021-01, “Reference Rate Reform — Scope,” which clarified the scope of ASC 848 relating to contract modifications. The firm adopted these ASUs upon issuance and elected to apply the relief available to certain modified derivatives. The adoption of these ASUs did not have a material impact on the firm’s consolidated financial statements.

Troubled Debt Restructurings and Vintage Disclosures (ASC 326). In March 2022, the FASB issued ASU No. 2022-02, “Financial Instruments — Credit Losses (Topic 326) — Troubled Debt Restructurings and Vintage Disclosures.” This ASU eliminates the recognition and measurement guidance for troubled debt restructurings (TDRs) and requires enhanced disclosures about loan modifications for borrowers experiencing financial difficulty. This ASU also requires enhanced disclosure for loans that have been charged off. The ASU became effective in January 2023 under a prospective approach. Adoption of this ASU did not have a material impact on the firm’s consolidated financial statements.

Accounting for Obligations to Safeguard Crypto-Assets an Entity Holds for Platform Users (SAB 121).

In March 2022, the SEC staff issued SAB 121 (SAB 121) — “Accounting for obligations to safeguard crypto-assets an entity holds for platform users.” SAB 121 adds interpretive guidance requiring an entity to recognize a liability on its balance sheet to reflect the obligation to safeguard the crypto-assets held for its platform users, along with a corresponding asset. The firm adopted SAB 121 in June 2022 under a modified retrospective approach and adoption did not have a material impact on the firm’s consolidated financial statements.

Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions (ASC 820).

In June 2022, the FASB issued ASU No. 2022-03, “Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions.” This ASU clarifies that a contractual restriction on the sale of an equity security should not be considered in measuring its fair value. In addition, the ASU requires specific disclosures related to equity securities that are subject to contractual sale restrictions. The ASU is effective in January 2024 under a prospective approach. Early adoption is permitted. Adoption of this ASU is not expected to have a material impact on the firm’s consolidated financial statements.

Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (ASC 323).

In March 2023, the FASB issued ASU No. 2023-02, “Investments — Equity Method and Joint Ventures (Topic 323) — Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method.” This ASU expands the proportional amortization method election currently associated with low-income housing tax credits to other qualifying tax credits and requires incremental disclosures for programs in which the proportional amortization method is elected. This ASU is effective in January 2024 under a modified retrospective approach. Early adoption is permitted. Adoption of this ASU is not expected to have a material impact on the firm’s consolidated financial statements.

Notes to Consolidated Financial Statements (Unaudited)

Note 4.

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 liabilities as a portfolio (i.e., based on its net exposure to market and/or credit risks).

The best evidence of fair value is a quoted price in an active market. If quoted prices in active markets are not available, fair value is determined by reference to prices for similar instruments, quoted prices or recent transactions in less active markets, or internally developed models that primarily use market-based or independently sourced inputs, including, but not limited to, interest rates, volatilities, equity or debt prices, foreign exchange rates, commodity prices, credit spreads and funding spreads (i.e., the spread or difference between the interest rate at which a borrower could finance a given financial instrument relative to a benchmark interest rate).

U.S. GAAP has a three-level hierarchy for disclosure of fair value measurements. This hierarchy prioritizes inputs to the valuation techniques used to measure fair value, giving the highest priority to level 1 inputs and the lowest priority to level 3 inputs. A financial instrument's level in this hierarchy is based on the lowest level of input that is significant to its fair value measurement. In evaluating the significance of a valuation input, the firm considers, among other factors, a portfolio's net risk exposure to that input. The fair value hierarchy is as follows:

Level 1. Inputs are unadjusted quoted prices in active markets to which the firm had access at the measurement date for identical, unrestricted assets or liabilities.

Level 2. Inputs to valuation techniques are observable, either directly or indirectly.

Level 3. One or more inputs to valuation techniques are significant and unobservable.

The fair values for substantially all of the firm's financial assets and 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 liabilities may require 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.

The table below presents financial assets and liabilities carried at fair value.

		As of	
	September	June	December
<i>\$ in millions</i>	2023	2023	2022
Total level 1 financial assets	\$ 318,535	\$ 270,334	\$ 194,698
Total level 2 financial assets	471,365	478,619	485,134
Total level 3 financial assets	24,862	25,945	26,048
Investments in funds at NAV	3,037	3,063	2,941
Counterparty and cash collateral netting	(59,399)	(55,685)	(57,855)
Total financial assets at fair value	\$ 758,400	\$ 722,276	\$ 650,966
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Total assets	\$ 1,577,153	\$ 1,571,386	\$ 1,441,799
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Total level 3 financial assets divided by:			
Total assets	1.6%	1.7%	1.8%
Total financial assets at fair value	3.3%	3.6%	4.0%
Total level 1 financial liabilities	\$ 123,428	\$ 125,540	\$ 119,578
Total level 2 financial liabilities	481,831	469,090	353,060
Total level 3 financial liabilities	27,659	26,159	22,830
Counterparty and cash collateral netting	(44,386)	(43,276)	(47,884)
Total financial liabilities at fair value	\$ 588,532	\$ 577,513	\$ 447,584
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Total liabilities	\$ 1,459,876	\$ 1,454,893	\$ 1,324,610
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Total level 3 financial liabilities divided by:			
Total liabilities	1.9%	1.8%	1.7%
Total financial liabilities at fair value	4.7%	4.5%	5.1%

In the table above:

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

The table below presents a summary of level 3 financial assets.

		As of	
	September	June	December
<i>\$ in millions</i>	2023	2023	2022
Trading assets:			
Trading cash instruments	\$ 1,753	\$ 1,664	\$ 1,734
Derivatives	4,657	4,776	5,461
Investments	17,329	18,128	16,942
Loans	972	1,251	1,837
Other assets	151	126	74
Total	\$ 24,862	\$ 25,945	\$ 26,048

Level 3 financial assets as of September 2023 decreased compared with June 2023, primarily reflecting a decrease in level 3 investments. Level 3 financial assets as of September 2023 decreased compared with December 2022, primarily reflecting a decrease in level 3 loans and derivatives, partially offset by an increase in level 3 investments. See Note 5 for further information about level 3 financial assets (including information about unrealized gains and losses related to level 3 financial assets and transfers into and out of level 3).

Notes to Consolidated Financial Statements (Unaudited)

The valuation techniques and nature of significant inputs used to determine the fair value of the firm's financial instruments are described below. See Note 5 for further information about significant unobservable inputs used to value level 3 financial instruments.

Valuation Techniques and Significant Inputs for Trading Cash Instruments, Investments and Loans

Level 1. Level 1 instruments include U.S. government obligations, most non-U.S. government obligations, certain agency obligations, certain corporate debt instruments, certain money market instruments and actively traded listed equities. These instruments are valued using quoted prices for identical unrestricted instruments in active markets. The firm defines active markets for equity instruments based on the average daily trading volume both in absolute terms and relative to the market capitalization for the instrument. The firm defines active markets for debt instruments based on both the average daily trading volume and the number of days with trading activity.

Level 2. Level 2 instruments include certain non-U.S. government obligations, most agency obligations, most mortgage-backed loans and securities, most corporate debt instruments, most state and municipal obligations, most money market instruments, most other debt obligations, restricted or less liquid listed equities, certain private equities, commodities and certain lending commitments.

Valuations of level 2 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 executable) and the relationship of recent market activity to the prices provided from alternative pricing sources.

Valuation adjustments are typically made to level 2 instruments (i) if the 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. Level 3 instruments have one or more significant valuation inputs that are not observable. Absent evidence to the contrary, level 3 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.

Valuation techniques of level 3 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 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 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:

- 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);
- Transaction prices in both the underlying collateral and instruments with the same or similar underlying collateral;
- 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 and capitalization rates. 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 any loan forbearances and 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:

- Market yields implied by transactions of similar or related assets;
- Transaction prices in both the underlying collateral and instruments with the same or similar underlying collateral;
- 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.

Notes to Consolidated Financial Statements (Unaudited)

Corporate Debt Instruments

Corporate debt instruments includes corporate loans, debt securities and convertible debentures. Significant inputs for corporate debt instruments 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 or similar 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 the CDX (an index that tracks the performance of corporate credit);
- Current performance and recovery assumptions and, where the firm uses credit default swaps to value the related instrument, the cost of borrowing the underlying reference obligation;
- Duration; and
- Market and transaction multiples for corporate debt instruments with convertibility or participation options.

Equity Securities

Equity securities consists of private equities. Recent third-party completed or pending transactions (e.g., merger proposals, debt restructurings, tender offers) are considered 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 and revenue multiples) and public comparables;
- Transactions in similar instruments;
- Discounted cash flow techniques; and
- Third-party appraisals.

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

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

Other Trading Cash Instruments, Investments and Loans

The significant inputs to the valuation of other instruments, such as non-U.S. government and agency obligations, state and municipal obligations, and other loans and debt obligations are generally determined based on relative value analyses, which incorporate comparisons both to prices of credit default swaps that reference the same or similar underlying instrument or entity and to other debt instruments for the same issuer for which observable prices or broker quotations are available. Significant inputs include:

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

Valuation Techniques and Significant Inputs 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.

Notes to Consolidated Financial Statements (Unaudited)

- **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 only observable for contracts with shorter tenors.
- **Commodity.** Commodity derivatives include transactions referenced to energy (e.g., oil, natural gas and electricity), 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 the 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.

Level 1. 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. Level 2 derivatives include OTC derivatives for which all significant valuation inputs are corroborated by market evidence and exchange-traded derivatives that are not actively traded and/or that are valued using models that calibrate to market-clearing levels of OTC derivatives.

The selection of a particular model to value a derivative depends on the contractual terms of and specific risks inherent in the instrument, as well as the availability of pricing information in the market. For derivatives that trade in liquid markets, model selection does not involve significant management judgment because outputs of models can be calibrated to market-clearing levels.

Valuation models require a variety of inputs, such as contractual terms, market prices, yield curves, discount rates (including those derived from interest rates on collateral received and posted as specified in credit support agreements for collateralized derivatives), credit curves, measures of volatility, prepayment rates, loss severity rates and correlations of such inputs. Significant inputs to the valuations of level 2 derivatives can be verified to market transactions, broker or dealer quotations or other alternative pricing sources with reasonable levels of price transparency. Consideration is given to the nature of the quotations (e.g., indicative or executable) and the relationship of recent market activity to the prices provided from alternative pricing sources.

Level 3. 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 level 3 interest rate and currency derivatives, 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 and currency 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, and recovery rates.
- 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.

Notes to Consolidated Financial Statements (Unaudited)

Subsequent to the initial valuation of a level 3 derivative, the firm updates the level 1 and level 2 inputs to reflect observable market changes and any resulting gains and losses are classified in level 3. Level 3 inputs are changed when corroborated by evidence, such as similar market transactions, third-party pricing services and/or broker or dealer quotations or other empirical market data. In circumstances where the firm cannot verify the model value by reference to market transactions, it is possible that a different valuation model could produce a materially different estimate of fair value. See Note 5 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 exit price valuation. These adjustments incorporate bid/offer spreads, the cost of liquidity, and credit 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.

Valuation Techniques and Significant Inputs for Other Financial Assets and Liabilities at Fair Value

In addition to trading cash instruments, derivatives, and certain investments and loans, the firm accounts for certain of its other financial assets and liabilities at fair value under the fair value option. Such instruments include repurchase agreements and substantially all resale agreements; certain securities borrowed and loaned transactions; certain customer and other receivables, including certain margin loans; certain time deposits, including structured certificates of deposit, which are hybrid financial instruments; substantially all other secured financings, including transfers of assets accounted for as financings; certain unsecured short- and long-term borrowings, substantially all of which are hybrid financial instruments; and certain other assets and liabilities. These instruments are generally valued based on discounted cash flow techniques, which incorporate inputs with reasonable levels of price transparency, and are generally classified in level 2 because the inputs are observable. Valuation adjustments may be made for liquidity and for counterparty and the firm's credit quality. The significant inputs used to value the firm's other financial assets and liabilities are described below.

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.

Customer and Other Receivables. The significant inputs to the valuation of receivables are interest rates, the amount and timing of expected future cash flows and funding spreads.

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 described above. See Note 7 for further information about derivatives and Note 13 for further information about deposits.

Other Secured Financings. The significant inputs to the valuation of other secured financings are the amount and timing of expected future cash flows, interest rates, funding spreads and the fair value of the collateral delivered by the firm (determined using the amount and timing of expected future cash flows, market prices, market yields and recovery assumptions). See Note 11 for further information about other secured financings.

Unsecured Short- and Long-Term Borrowings. The significant inputs to the valuation of unsecured short- and long-term borrowings are the amount and timing of expected future cash flows, interest rates, the credit spreads of the firm and commodity prices for 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 described above. See Note 7 for further information about derivatives and Note 14 for further information about borrowings.

Other Assets and Liabilities. The significant inputs to the valuation of other assets and liabilities are the amount and timing of expected future cash flows, interest rates, market yields, volatility and correlation inputs. 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 described above. See Note 7 for further information about derivatives.

Notes to Consolidated Financial Statements (Unaudited)

Note 5.

Fair Value Hierarchy

Financial assets and liabilities at fair value includes trading cash instruments, derivatives, and certain investments, loans and other financial assets and liabilities at fair value.

Trading Cash Instruments

Fair Value by Level. The table below presents trading cash instruments by level within the fair value hierarchy.

<i>\$ in millions</i>	Level 1	Level 2	Level 3	Total
As of September 2023				
Assets				
Government and agency obligations:				
U.S.	\$ 96,526	\$ 53,900	\$ –	\$ 150,426
Non-U.S.	53,688	20,741	71	74,500
Loans and securities backed by:				
Commercial real estate	–	1,012	108	1,120
Residential real estate	–	7,929	63	7,992
Corporate debt instruments	125	35,751	1,316	37,192
State and municipal obligations	–	660	–	660
Other debt obligations	226	3,058	105	3,389
Equity securities	117,588	1,781	87	119,456
Commodities	–	4,260	3	4,263
Total	\$ 268,153	\$ 129,092	\$ 1,753	\$ 398,998
Liabilities				
Government and agency obligations:				
U.S.	\$ (20,133)	\$ (74)	\$ –	\$ (20,207)
Non-U.S.	(45,748)	(2,539)	–	(48,287)
Loans and securities backed by:				
Commercial real estate	–	(27)	–	(27)
Residential real estate	–	(12)	–	(12)
Corporate debt instruments	(77)	(14,191)	(40)	(14,308)
Other debt obligations	–	(2)	–	(2)
Equity securities	(57,335)	(11)	(11)	(57,357)
Commodities	–	(106)	–	(106)
Total	\$(123,293)	\$ (16,962)	\$ (51)	\$(140,306)
As of December 2022				
Assets				
Government and agency obligations:				
U.S.	\$ 75,598	\$ 31,783	\$ –	\$ 107,381
Non-U.S.	22,794	15,238	67	38,099
Loans and securities backed by:				
Commercial real estate	–	1,135	66	1,201
Residential real estate	–	9,706	88	9,794
Corporate debt instruments	249	27,555	1,238	29,042
State and municipal obligations	–	707	20	727
Other debt obligations	27	2,349	153	2,529
Equity securities	44,909	2,141	100	47,150
Commodities	–	5,907	2	5,909
Total	\$ 143,577	\$ 96,521	\$ 1,734	\$ 241,832
Liabilities				
Government and agency obligations:				
U.S.	\$ (23,339)	\$ (36)	\$ –	\$ (23,375)
Non-U.S.	(28,537)	(2,172)	–	(30,709)
Loans and securities backed by:				
Commercial real estate	–	(30)	–	(30)
Residential real estate	–	(16)	–	(16)
Corporate debt instruments	(64)	(14,217)	(61)	(14,342)
Other debt obligations	–	(35)	(2)	(37)
Equity securities	(67,591)	(488)	(1)	(68,080)
Total	\$(119,531)	\$ (16,994)	\$ (64)	\$(136,589)

Trading cash instruments consists of instruments held in connection with the firm's market-making or risk management activities. These instruments are carried at fair value and the related fair value gains and losses are recognized in the consolidated statements of earnings.

In the table above:

- Assets are shown as positive amounts and liabilities are shown as negative amounts.
- Corporate debt instruments includes corporate loans, debt securities, convertible debentures, prepaid commodity transactions and transfers of assets accounted for as secured loans rather than purchases.
- Other debt obligations includes other asset-backed securities and money market instruments.
- Equity securities includes public equities and exchange-traded funds.

See Note 4 for an overview of the firm's fair value measurement policies, valuation techniques and significant inputs used to determine the fair value of trading cash instruments.

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 level 3 trading cash instrument assets.

<i>\$ in millions</i>	As of September 2023		As of December 2022	
	Amount or Range	Weighted Average	Amount or Range	Weighted Average
Loans and securities backed by real estate				
Level 3 assets	\$ 171		\$ 154	
Yield	4.2% to 26.3%	16.0%	3.0% to 36.0%	14.2%
Recovery rate	42.7% to 76.0%	48.8%	35.8% to 76.1%	54.7%
Cumulative loss rate	N/A	N/A	3.7% to 29.9%	10.4%
Duration (years)	0.5 to 12.0	3.0	0.9 to 12.3	4.6
Corporate debt instruments				
Level 3 assets	\$ 1,316		\$ 1,238	
Yield	3.7% to 40.4%	10.2%	1.1% to 34.3%	6.9%
Recovery rate	7.0% to 70.0%	45.7%	11.5% to 77.0%	48.0%
Duration (years)	1.2 to 11.6	3.2	0.3 to 20.3	4.5
Other				
Level 3 assets	\$ 266		\$ 342	
Yield	6.2% to 37.5%	16.6%	2.8% to 47.8%	10.0%
Multiples	0.7x to 5.1x	4.5x	3.3x to 4.5x	4.3x
Duration (years)	1.5 to 9.6	4.0	1.2 to 14.4	6.1

Notes to Consolidated Financial Statements (Unaudited)

In the table above:

- Other includes government and agency obligations, state and municipal obligations, other debt obligations, equity securities and commodities.
- Ranges represent the significant unobservable inputs that were used in the valuation of each type of trading cash instrument.
- Weighted averages are calculated by weighting each input by the relative fair value of the trading 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 trading cash instrument. For example, the highest recovery rate for corporate debt instruments is appropriate for valuing a specific corporate debt instrument, but may not be appropriate for valuing any other corporate debt instrument. Accordingly, the ranges of inputs do not represent uncertainty in, or possible ranges of, fair value measurements of level 3 trading cash instruments.
- Increases in yield, duration or cumulative loss rate used in the valuation of level 3 trading cash instruments would have resulted in a lower fair value measurement, while increases in recovery rate or multiples would have resulted in a higher fair value measurement as of both September 2023 and December 2022. Due to the distinctive nature of each level 3 trading cash instrument, the interrelationship of inputs is not necessarily uniform within each product type.
- Trading cash instruments are valued using discounted cash flows.
- Cumulative loss rate was not significant to the valuation of level 3 loans and securities backed by real estate as of September 2023.

Level 3 Rollforward. The table below presents a summary of the changes in fair value for level 3 trading cash instruments.

	Three Months Ended September		Nine Months Ended September	
<i>\$ in millions</i>	2023	2022	2023	2022
Assets				
Beginning balance	\$ 1,664	\$ 2,080	\$ 1,734	\$ 1,889
Net realized gains/(losses)	22	40	129	85
Net unrealized gains/(losses)	(41)	(124)	(22)	(1,496)
Purchases	295	359	597	1,294
Sales	(167)	(248)	(499)	(635)
Settlements	(91)	(78)	(311)	(206)
Transfers into level 3	309	326	323	1,277
Transfers out of level 3	(238)	(527)	(198)	(380)
Ending balance	\$ 1,753	\$ 1,828	\$ 1,753	\$ 1,828
Liabilities				
Beginning balance	\$ (95)	\$ (182)	\$ (64)	\$ (104)
Net realized gains/(losses)	(1)	(4)	6	(42)
Net unrealized gains/(losses)	–	53	(15)	47
Purchases	46	100	52	198
Sales	(29)	(40)	(48)	(121)
Settlements	5	5	13	(2)
Transfers into level 3	(15)	(86)	(3)	(103)
Transfers out of level 3	38	43	8	16
Ending balance	\$ (51)	\$ (111)	\$ (51)	\$ (111)

In the table above:

- Changes in fair value are presented for all trading cash instruments that are classified in level 3 as of the end of the period.
- Net unrealized gains/(losses) relates to trading cash instruments that were still held at period-end.
- Transfers between levels of the fair value hierarchy are reported at the beginning of the reporting period in which they occur. If a trading cash instrument was transferred to level 3 during a reporting period, its entire gain or loss for the period is classified in level 3.
- For level 3 trading cash instrument assets, increases are shown as positive amounts, while decreases are shown as negative amounts. For level 3 trading cash instrument liabilities, increases are shown as negative amounts, while decreases are shown as positive amounts.
- Level 3 trading cash instruments are frequently economically hedged with level 1 and level 2 trading cash instruments and/or level 1, level 2 or level 3 derivatives. Accordingly, gains or losses that are classified in level 3 can be partially offset by gains or losses attributable to level 1 or level 2 trading 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.

Notes to Consolidated Financial Statements (Unaudited)

The table below presents information, by product type, for assets included in the summary table above.

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Loans and securities backed by real estate				
Beginning balance	\$ 221	\$ 184	\$ 154	\$ 289
Net realized gains/(losses)	3	9	9	17
Net unrealized gains/(losses)	(11)	(15)	(11)	(22)
Purchases	13	7	67	44
Sales	(43)	(8)	(53)	(111)
Settlements	(15)	(12)	(26)	(29)
Transfers into level 3	59	39	63	26
Transfers out of level 3	(56)	(39)	(32)	(49)
Ending balance	\$ 171	\$ 165	\$ 171	\$ 165
Corporate debt instruments				
Beginning balance	\$ 1,145	\$ 1,440	\$ 1,238	\$ 1,318
Net realized gains/(losses)	14	13	31	44
Net unrealized gains/(losses)	(18)	(43)	(6)	(115)
Purchases	216	313	424	558
Sales	(71)	(126)	(263)	(363)
Settlements	(46)	(51)	(214)	(131)
Transfers into level 3	217	201	212	339
Transfers out of level 3	(141)	(395)	(106)	(298)
Ending balance	\$ 1,316	\$ 1,352	\$ 1,316	\$ 1,352
Other				
Beginning balance	\$ 298	\$ 456	\$ 342	\$ 282
Net realized gains/(losses)	5	18	89	24
Net unrealized gains/(losses)	(12)	(66)	(5)	(1,359)
Purchases	66	39	106	692
Sales	(53)	(114)	(183)	(161)
Settlements	(30)	(15)	(71)	(46)
Transfers into level 3	33	86	48	912
Transfers out of level 3	(41)	(93)	(60)	(33)
Ending balance	\$ 266	\$ 311	\$ 266	\$ 311

In the table above, other includes government and agency obligations, state and municipal obligations, other debt obligations, equity securities and commodities.

Level 3 Rollforward Commentary for the Three Months Ended September 2023. The net realized and unrealized losses on level 3 trading cash instrument assets of \$19 million (reflecting \$22 million of net realized gains and \$41 million of net unrealized losses) for the three months ended September 2023 included gains/(losses) of \$(36) million reported in market making and \$17 million reported in interest income.

The drivers of net unrealized losses on level 3 trading cash instrument assets for the three months ended September 2023 were not material.

Transfers into level 3 trading cash instrument assets during the three months ended September 2023 primarily reflected transfers of certain corporate debt instruments 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 trading cash instrument assets during the three months ended September 2023 primarily reflected transfers of certain corporate debt instruments to level 2 (principally due to increased price transparency as a result of market evidence, including market transactions in these instruments).

Level 3 Rollforward Commentary for the Nine Months Ended September 2023. The net realized and unrealized gains on level 3 trading cash instrument assets of \$107 million (reflecting \$129 million of net realized gains and \$22 million of net unrealized losses) for the nine months ended September 2023 included gains of \$61 million reported in market making and \$46 million reported in interest income.

The drivers of net unrealized losses on level 3 trading cash instrument assets for the nine months ended September 2023 were not material.

Transfers into level 3 trading cash instrument assets during the nine months ended September 2023 primarily reflected transfers of certain corporate debt instruments 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 trading cash instrument assets during the nine months ended September 2023 primarily reflected transfers of certain corporate debt instruments to level 2 (principally due to increased price transparency as a result of market evidence, including market transactions in these instruments).

Level 3 Rollforward Commentary for the Three Months Ended September 2022. The net realized and unrealized losses on level 3 trading cash instrument assets of \$84 million (reflecting \$40 million of net realized gains and \$124 million of net unrealized losses) for the three months ended September 2022 included gains/(losses) of \$(106) million reported in market making and \$22 million reported in interest income.

The drivers of net unrealized losses on level 3 trading cash instrument assets for the three months ended September 2022 were not material.

Transfers into level 3 trading cash instrument assets during the three months ended September 2022 primarily reflected transfers of certain corporate debt instruments 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 trading cash instrument assets during the three months ended September 2022 primarily reflected transfers of certain corporate debt instruments to level 2 (principally due to increased price transparency as a result of market evidence, including market transactions in these instruments).

Notes to Consolidated Financial Statements (Unaudited)

Level 3 Rollforward Commentary for the Nine Months Ended September 2022. The net realized and unrealized losses on level 3 trading cash instrument assets of \$1.41 billion (reflecting \$85 million of net realized gains and \$1.50 billion of net unrealized losses) for the nine months ended September 2022 included gains/(losses) of \$(1.46) billion reported in market making and \$53 million reported in interest income.

The net unrealized losses on level 3 trading cash instrument assets for the nine months ended September 2022 primarily reflected losses on certain equity securities (included in other cash instruments), principally driven by broad macroeconomic and geopolitical concerns.

Transfers into level 3 trading cash instrument assets during the nine months ended September 2022 primarily reflected transfers of certain equity securities (included in other cash instruments) and corporate debt instruments from both level 1 and level 2 (in each case, 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 trading cash instrument assets during the nine months ended September 2022 primarily reflected transfers of certain corporate debt instruments to level 2 (principally due to increased price transparency as a result of market evidence, including market transactions in these instruments).

Derivatives

Fair Value by Level. The table below presents derivatives on a gross basis by level and product type, as well as the impact of netting.

<i>\$ in millions</i>	Level 1	Level 2	Level 3	Total
As of September 2023				
Assets				
Interest rates	\$ 112	\$ 264,074	\$ 511	\$ 264,697
Credit	–	9,900	2,749	12,649
Currencies	–	101,232	299	101,531
Commodities	–	19,310	1,405	20,715
Equities	7	48,259	710	48,976
Gross fair value	119	442,775	5,674	448,568
Counterparty netting in levels	–	(339,090)	(1,017)	(340,107)
Subtotal	\$ 119	\$ 103,685	\$ 4,657	\$ 108,461
Cross-level counterparty netting				(963)
Cash collateral netting				(58,436)
Net fair value				\$ 49,062

Liabilities				
Interest rates	\$ (126)	\$(240,782)	\$ (1,118)	\$(242,026)
Credit	–	(9,161)	(1,139)	(10,300)
Currencies	–	(101,326)	(151)	(101,477)
Commodities	–	(19,051)	(815)	(19,866)
Equities	(9)	(63,540)	(2,092)	(65,641)
Gross fair value	(135)	(433,860)	(5,315)	(439,310)
Counterparty netting in levels	–	339,090	1,017	340,107
Subtotal	\$ (135)	\$ (94,770)	\$ (4,298)	\$ (99,203)
Cross-level counterparty netting				963
Cash collateral netting				43,423
Net fair value				\$ (54,817)

As of December 2022

Assets				
Interest rates	\$ 69	\$ 269,590	\$ 700	\$ 270,359
Credit	–	9,690	2,577	12,267
Currencies	–	103,450	494	103,944
Commodities	–	38,331	1,609	39,940
Equities	113	49,481	967	50,561
Gross fair value	182	470,542	6,347	477,071
Counterparty netting in levels	–	(358,917)	(886)	(359,803)
Subtotal	\$ 182	\$ 111,625	\$ 5,461	\$ 117,268
Cross-level counterparty netting				(1,079)
Cash collateral netting				(56,776)
Net fair value				\$ 59,413

Liabilities				
Interest rates	\$ (32)	\$(247,871)	\$ (1,159)	\$(249,062)
Credit	–	(10,163)	(1,117)	(11,280)
Currencies	–	(111,840)	(332)	(112,172)
Commodities	–	(32,435)	(690)	(33,125)
Equities	(15)	(55,240)	(1,528)	(56,783)
Gross fair value	(47)	(457,549)	(4,826)	(462,422)
Counterparty netting in levels	–	358,917	886	359,803
Subtotal	\$ (47)	\$ (98,632)	\$ (3,940)	\$(102,619)
Cross-level counterparty netting				1,079
Cash collateral netting				46,805
Net fair value				\$ (54,735)

Notes to Consolidated Financial Statements (Unaudited)

In the table above:

- Gross fair values exclude the effects of both counterparty netting and collateral netting, and therefore are not representative of the firm's exposure.
- Counterparty netting is reflected in each level to the extent that receivable and payable balances are netted within the same level and is included in counterparty netting in levels. Where the counterparty netting is across levels, the netting is included in cross-level counterparty netting.
- Assets are shown as positive amounts and liabilities are shown as negative amounts.

See Note 4 for an overview of the firm's fair value measurement policies, valuation techniques and significant inputs used to determine the fair value of derivatives.

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

	As of September 2023		As of December 2022	
	Amount or Range	Average/Median	Amount or Range	Average/Median
<i>\$ in millions, except inputs</i>				
Interest rates, net	\$ (607)		\$ (459)	
Correlation	(10)% to 81%	61%/78%	(10)% to 81%	61%/60%
Volatility (bps)	31 to 101	56/49	31 to 101	60/57
Credit, net	\$ 1,610		\$ 1,460	
Credit spreads (bps)	8 to 1,966	167/105	5 to 935	149/116
Upfront credit points	(2) to 100	24/11	(1) to 100	29/18
Recovery rates	20% to 70%	42%/40%	20% to 50%	40%/40%
Currencies, net	\$ 148		\$ 162	
Correlation	20% to 71%	40%/23%	20% to 71%	40%/23%
Volatility	16% to 16%	16%/16%	20% to 21%	20%/20%
Commodities, net	\$ 590		\$ 919	
Volatility	29% to 97%	44%/40%	20% to 118%	50%/46%
Natural gas spread	\$(1.53) to \$8.08	\$(0.16)/\$(0.24)	\$(3.21) to \$5.85	\$(0.20)/\$(0.27)
Oil spread	\$(5.03) to \$35.79	\$12.59/\$12.64	\$12.68 to \$48.92	\$20.42/\$20.36
Electricity price	\$3.10 to \$330.34	\$46.58/\$34.95	\$3.00 to \$329.28	\$47.19/\$39.69
Equities, net	\$ (1,382)		\$ (561)	
Correlation	(70)% to 100%	64%/73%	(75)% to 100%	66%/75%
Volatility	2% to 123%	15%/12%	2% to 74%	13%/7%

In the table above:

- Assets are shown as positive amounts and 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 amount 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 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 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 flow models are typically used together to determine fair value. Therefore, the level 3 balance encompasses both of these techniques.
- Correlation within currencies and equities includes cross-product type correlation.
- Natural gas spread represents the spread per million British thermal units of natural gas.
- Oil spread represents the spread per barrel of oil and refined products.
- Electricity price represents the price per megawatt hour of electricity.

Range of Significant Unobservable Inputs. The following provides information about the ranges of significant unobservable inputs used to value the firm's level 3 derivative instruments:

- **Correlation.** Ranges for correlation cover a variety of underliers both within one product type (e.g., equity index and equity single stock names) and across product types (e.g., correlation of an interest rate and a currency), as well as across regions. Generally, cross-product type correlation inputs are used to value more complex instruments and are lower than correlation inputs on assets within the same derivative product type.

Notes to Consolidated Financial Statements (Unaudited)

- **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, as of each period-end:

- **Correlation.** In general, for contracts where the holder benefits from the convergence of the underlying asset or index prices (e.g., interest rates, credit spreads, foreign exchange rates, inflation rates and equity prices), an increase in correlation results in a higher fair value measurement.
- **Volatility.** In general, for purchased options, an increase in volatility results in a higher fair value measurement.
- **Credit spreads, upfront credit points and recovery rates.** In general, the fair value of purchased credit protection increases as credit spreads or upfront credit points increase or recovery rates decrease. Credit spreads, upfront credit points and recovery rates are strongly related to distinctive risk factors of the underlying reference obligations, which include reference entity-specific factors, such as leverage, volatility and industry, market-based risk factors, such as borrowing costs or liquidity of the underlying reference obligation, and macroeconomic conditions.
- **Commodity prices and spreads.** In general, for contracts where the holder is receiving a commodity, an increase in the spread (price difference from a benchmark index due to differences in quality or delivery location) or price results in a higher fair value measurement.

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

Level 3 Rollforward. The table below presents a summary of the changes in fair value for level 3 derivatives.

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Total level 3 derivatives, net				
Beginning balance	\$ 609	\$ 3,174	\$ 1,521	\$ 440
Net realized gains/(losses)	(75)	(16)	205	456
Net unrealized gains/(losses)	(127)	1,167	(957)	4,413
Purchases	113	156	317	216
Sales	(795)	(232)	(1,117)	(1,004)
Settlements	340	491	111	50
Transfers into level 3	3	105	45	(130)
Transfers out of level 3	291	(702)	234	(298)
Ending balance	\$ 359	\$ 4,143	\$ 359	\$ 4,143

In the table above:

- Changes in fair value are presented for all derivative assets and liabilities that are classified in level 3 as of the end of the period.
- Net unrealized gains/(losses) relates to instruments that were still held at period-end.
- Transfers between levels of the fair value hierarchy are reported at the beginning of the reporting period in which they occur. If a derivative was transferred into level 3 during a reporting period, its entire gain or loss for the period is classified in level 3.
- Positive amounts for transfers into level 3 and negative amounts for transfers out of level 3 represent net transfers of derivative assets. Negative amounts for transfers into level 3 and positive amounts for transfers out of level 3 represent net transfers of derivative liabilities.
- A derivative with level 1 and/or level 2 inputs is classified in level 3 in its entirety if it has at least one significant level 3 input.
- If there is one significant level 3 input, the entire gain or loss from adjusting only observable inputs (i.e., level 1 and level 2 inputs) is classified in level 3.
- Gains or losses that have been classified in level 3 resulting from changes in level 1 or level 2 inputs are frequently offset by gains or losses attributable to level 1 or level 2 derivatives and/or level 1, level 2 and level 3 trading 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.

Notes to Consolidated Financial Statements (Unaudited)

The table below presents information, by product type, for derivatives included in the summary table above.

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Interest rates, net				
Beginning balance	\$ (589)	\$ 1,035	\$ (459)	\$ 183
Net realized gains/(losses)	(5)	(27)	9	(98)
Net unrealized gains/(losses)	(109)	411	(338)	1,370
Purchases	10	8	30	55
Sales	(98)	(1)	(225)	(27)
Settlements	88	64	167	111
Transfers into level 3	(14)	(15)	25	(7)
Transfers out of level 3	110	(2)	184	(114)
Ending balance	\$ (607)	\$ 1,473	\$ (607)	\$ 1,473
Credit, net				
Beginning balance	\$ 1,711	\$ 2,164	\$ 1,460	\$ 1,854
Net realized gains/(losses)	2	(11)	(18)	36
Net unrealized gains/(losses)	(24)	24	181	92
Purchases	28	64	114	2
Sales	(28)	(8)	(48)	(40)
Settlements	(64)	(144)	(192)	(105)
Transfers into level 3	—	16	(5)	11
Transfers out of level 3	(15)	(439)	118	(184)
Ending balance	\$ 1,610	\$ 1,666	\$ 1,610	\$ 1,666
Currencies, net				
Beginning balance	\$ 129	\$ (239)	\$ 162	\$ (147)
Net realized gains/(losses)	30	28	84	66
Net unrealized gains/(losses)	16	199	(100)	225
Purchases	1	1	2	2
Sales	(2)	(2)	(4)	(7)
Settlements	(46)	122	(31)	62
Transfers into level 3	7	2	7	(81)
Transfers out of level 3	13	14	28	5
Ending balance	\$ 148	\$ 125	\$ 148	\$ 125
Commodities, net				
Beginning balance	\$ 666	\$ 1,435	\$ 919	\$ 438
Net realized gains/(losses)	(64)	(53)	(39)	(29)
Net unrealized gains/(losses)	(202)	209	(435)	1,264
Purchases	19	5	12	4
Sales	(16)	(16)	(68)	(23)
Settlements	80	(14)	111	(87)
Transfers into level 3	51	78	131	172
Transfers out of level 3	56	(127)	(41)	(222)
Ending balance	\$ 590	\$ 1,517	\$ 590	\$ 1,517
Equities, net				
Beginning balance	\$ (1,308)	\$ (1,221)	\$ (561)	\$ (1,888)
Net realized gains/(losses)	(38)	47	169	481
Net unrealized gains/(losses)	192	324	(265)	1,462
Purchases	55	78	159	153
Sales	(651)	(205)	(772)	(907)
Settlements	282	463	56	69
Transfers into level 3	(41)	24	(113)	(225)
Transfers out of level 3	127	(148)	(55)	217
Ending balance	\$ (1,382)	\$ (638)	\$ (1,382)	\$ (638)

Level 3 Rollforward Commentary for the Three Months Ended September 2023. The net realized and unrealized losses on level 3 derivatives of \$202 million (reflecting \$75 million of net realized losses and \$127 million of net unrealized losses) for the three months ended September 2023 included gains/(losses) of \$(204) million reported in market making and \$2 million reported in other principal transactions.

The net unrealized losses on level 3 derivatives for the three months ended September 2023 were primarily attributable to losses on certain commodity derivatives (primarily reflecting the impact of changes in commodity prices) and losses on certain interest rate derivatives (primarily reflecting the impact of an increase in interest rates), partially offset by gains on certain equity derivatives (primarily reflecting the impact of a decrease in equity prices).

The drivers of transfers into level 3 derivatives during the three months ended September 2023 were not material.

Transfers out of level 3 derivatives during the three months ended September 2023 primarily reflected transfers of certain equity derivative liabilities to level 2 (principally due to certain unobservable inputs no longer being significant to the valuation of these derivatives) and transfers of certain interest rate derivative liabilities to level 2 (principally due to certain unobservable volatility inputs no longer being significant to the valuation of these derivatives).

Level 3 Rollforward Commentary for the Nine Months Ended September 2023. The net realized and unrealized losses on level 3 derivatives of \$752 million (reflecting \$205 million of net realized gains and \$957 million of net unrealized losses) for the nine months ended September 2023 included losses of \$742 million reported in market making and \$10 million reported in other principal transactions.

The net unrealized losses on level 3 derivatives for the nine months ended September 2023 were attributable to losses on certain commodity derivatives (primarily reflecting the impact of changes in commodity prices), losses on certain interest rate and currency derivatives (in each case, primarily reflecting the impact of an increase in interest rates), and losses on certain equity derivatives (primarily reflecting the impact of an increase in equity prices), partially offset by gains on certain credit derivatives (primarily reflecting the impact of changes in foreign exchange rates).

Transfers into level 3 derivatives during the nine months ended September 2023 primarily reflected transfers of certain commodity derivative assets from level 2 (principally due to certain unobservable volatility inputs becoming significant to the valuation of these derivatives), partially offset by transfers of certain equity derivative liabilities from level 2 (principally due to reduced transparency of certain unobservable volatility inputs used to value these derivatives).

Transfers out of level 3 derivatives during the nine months ended September 2023 primarily reflected transfers of certain interest rate derivative liabilities to level 2 (principally due to certain unobservable volatility inputs no longer being significant to the valuation of these derivatives) and transfers of certain credit derivative liabilities to level 2 (principally due to certain unobservable credit spread inputs no longer being significant to the net risk of certain portfolios).

Notes to Consolidated Financial Statements (Unaudited)

Level 3 Rollforward Commentary for the Three Months Ended September 2022. The net realized and unrealized gains on level 3 derivatives of \$1.15 billion (reflecting \$16 million of net realized losses and \$1.17 billion of net unrealized gains) for the three months ended September 2022 included gains of \$1.14 billion reported in market making and \$7 million reported in other principal transactions.

The net unrealized gains on level 3 derivatives for the three months ended September 2022 were primarily attributable to gains on certain interest rate derivatives (primarily reflecting the impact of an increase in interest rates), gains on certain equity derivatives (primarily reflecting the impact of a decrease in equity prices), gains on certain commodity derivatives (primarily reflecting the impact of an increase in commodity prices), and gains on certain currency derivatives (primarily reflecting the impact of changes in foreign exchange rates).

The drivers of transfers into level 3 derivatives during the three months ended September 2022 were not material.

Transfers out of level 3 derivatives during the three months ended September 2022 primarily reflected transfers of certain credit derivative assets to level 2 (principally due to certain unobservable credit spread inputs no longer being significant to the net risk of certain portfolios), certain equity derivative assets to level 2 (principally due to increased transparency of certain unobservable volatility inputs used to value these derivatives), and certain commodity derivative assets to level 2 (principally due to certain unobservable natural gas spread and volatility inputs no longer being significant to the valuation of these derivatives).

Level 3 Rollforward Commentary for the Nine Months Ended September 2022. The net realized and unrealized gains on level 3 derivatives of \$4.87 billion (reflecting \$456 million of net realized gains and \$4.41 billion of net unrealized gains) for the nine months ended September 2022 included gains of \$4.85 billion reported in market making and \$16 million reported in other principal transactions.

The net unrealized gains on level 3 derivatives for the nine months ended September 2022 were primarily attributable to gains on certain equity derivatives (primarily reflecting the impact of a decrease in equity prices), gains on certain interest rate derivatives (primarily reflecting the impact of an increase in interest rates), and gains on certain commodity derivatives (primarily reflecting the impact of an increase in commodity prices).

Transfers into level 3 derivatives during the nine months ended September 2022 primarily reflected transfers of certain equity derivative liabilities from level 2 (principally due to reduced transparency of certain unobservable volatility inputs used to value these derivatives) and certain currency derivative liabilities from level 2 (principally due to certain unobservable correlation inputs becoming significant to the valuation of these derivatives), partially offset by transfers of certain commodity derivative assets from level 2 (principally due to certain unobservable electricity price inputs becoming significant to the valuation of these derivatives).

Transfers out of level 3 derivatives during the nine months ended September 2022 primarily reflected transfers of certain commodity derivative assets to level 2 (principally due to certain unobservable natural gas spread and volatility inputs no longer being significant to the valuation of these derivatives), certain credit derivative assets to level 2 (principally due to certain unobservable credit spread inputs no longer being significant to the net risk of certain portfolios), and certain interest rate derivative assets to level 2 (principally due to increased transparency of certain unobservable volatility inputs used to value these derivatives), partially offset by transfers of certain equity derivative liabilities to level 2 (principally due to increased transparency of certain unobservable volatility inputs used to value these derivatives).

Notes to Consolidated Financial Statements (Unaudited)

Investments

Fair Value by Level. The table below presents investments accounted for at fair value by level within the fair value hierarchy.

<i>\$ in millions</i>	Level 1	Level 2	Level 3	Total
As of September 2023				
Government and agency obligations:				
U.S.	\$ 47,073	\$ –	\$ –	\$ 47,073
Non-U.S.	2,178	143	–	2,321
Corporate debt securities	160	2,252	6,950	9,362
Securities backed by real estate	–	13	772	785
Money market instruments	24	872	–	896
Other debt obligations	–	53	249	302
Equity securities	828	2,345	9,358	12,531
Subtotal	\$ 50,263	\$ 5,678	\$ 17,329	\$ 73,270
Investments in funds at NAV				3,037
Total investments				\$ 76,307
As of December 2022				
Government and agency obligations:				
U.S.	\$ 47,055	\$ –	\$ –	\$ 47,055
Non-U.S.	2,169	66	–	2,235
Corporate debt securities	145	2,950	7,003	10,098
Securities backed by real estate	–	176	827	1,003
Money market instruments	48	957	–	1,005
Other debt obligations	–	3	256	259
Equity securities	1,522	3,227	8,856	13,605
Subtotal	\$ 50,939	\$ 7,379	\$ 16,942	\$ 75,260
Investments in funds at NAV				2,941
Total investments				\$ 78,201

See Note 4 for an overview of the firm's fair value measurement policies, valuation techniques and significant inputs used to determine the fair value of investments.

Significant Unobservable Inputs. The table below presents the amount of level 3 investments, and ranges and weighted averages of significant unobservable inputs used to value such investments.

<i>\$ in millions</i>	As of September 2023		As of December 2022	
	Amount or Range	Weighted Average	Amount or Range	Weighted Average
Corporate debt securities				
Level 3 assets	\$ 6,950		\$ 7,003	
Yield	6.4% to 22.0%	12.5%	5.0% to 21.8%	11.6%
Recovery rate	7.3% to 58.9%	28.1%	10.0% to 70.0%	55.5%
Duration (years)	0.7 to 5.0	3.2	1.3 to 5.7	3.3
Multiples	0.9x to 46.2x	7.1x	1.8x to 83.4x	8.3x
Securities backed by real estate				
Level 3 assets	\$ 772		\$ 827	
Yield	8.0% to 18.4%	13.3%	8.0% to 20.3%	14.6%
Duration (years)	2.0 to 3.1	3.1	0.6 to 4.2	4.1
Other debt obligations				
Level 3 assets	\$ 249		\$ 256	
Yield	7.9% to 9.2%	8.4%	5.2% to 8.4%	7.4%
Equity securities				
Level 3 assets	\$ 9,358		\$ 8,856	
Multiples	0.5x to 36.0x	8.6x	0.5x to 34.3x	8.3x
Discount rate/yield	3.9% to 25.2%	12.6%	5.4% to 38.5%	14.6%
Capitalization rate	4.5% to 10.8%	5.5%	4.0% to 10.8%	5.4%

In the table above:

- Ranges represent the significant unobservable inputs that were used in the valuation of each type of investment.
- Weighted averages are calculated by weighting each input by the relative fair value of the investment.
- 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 investment. For example, the highest multiple for private equity securities is appropriate for valuing a specific private equity security but may not be appropriate for valuing any other private equity security. Accordingly, the ranges of inputs do not represent uncertainty in, or possible ranges of, fair value measurements of level 3 investments.
- Increases in yield, discount rate, capitalization rate or duration used in the valuation of level 3 investments would have resulted in a lower fair value measurement, while increases in recovery rate or multiples would have resulted in a higher fair value measurement as of both September 2023 and December 2022. Due to the distinctive nature of each level 3 investment, the interrelationship of inputs is not necessarily uniform within each product type.
- Corporate debt securities, securities backed by real estate and other debt obligations are valued using discounted cash flows, and equity securities are valued using market comparables and discounted cash flows.
- The fair value of any one instrument may be determined using multiple valuation techniques. For example, market comparables and discounted cash flows may be used together to determine fair value. Therefore, the level 3 balance encompasses both of these techniques.

Notes to Consolidated Financial Statements (Unaudited)

Level 3 Rollforward. The table below presents a summary of the changes in fair value for level 3 investments.

<i>\$ in millions</i>	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Beginning balance	\$ 18,128	\$ 16,109	\$ 16,942	\$ 13,902
Net realized gains/(losses)	113	103	344	428
Net unrealized gains/(losses)	(346)	(407)	(904)	(1,828)
Purchases	213	445	755	1,385
Sales	(111)	(236)	(621)	(741)
Settlements	(456)	(272)	(1,127)	(1,461)
Transfers into level 3	942	1,687	3,257	6,425
Transfers out of level 3	(1,154)	(475)	(1,317)	(1,156)
Ending balance	\$ 17,329	\$ 16,954	\$ 17,329	\$ 16,954

In the table above:

- Changes in fair value are presented for all investments that are classified in level 3 as of the end of the period.
- Net unrealized gains/(losses) relates to investments that were still held at period-end.
- Transfers between levels of the fair value hierarchy are reported at the beginning of the reporting period in which they occur. If an investment was transferred to level 3 during a reporting period, its entire gain or loss for the period is classified in level 3.
- For level 3 investments, increases are shown as positive amounts, while decreases are shown as negative amounts.

The table below presents information, by product type, for investments included in the summary table above.

<i>\$ in millions</i>	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Corporate debt securities				
Beginning balance	\$ 7,520	\$ 6,576	\$ 7,003	\$ 4,527
Net realized gains/(losses)	88	69	301	224
Net unrealized gains/(losses)	(66)	(111)	(54)	(297)
Purchases	58	137	373	624
Sales	(53)	(78)	(185)	(151)
Settlements	(274)	(143)	(735)	(810)
Transfers into level 3	415	659	1,049	2,944
Transfers out of level 3	(738)	(371)	(802)	(323)
Ending balance	\$ 6,950	\$ 6,738	\$ 6,950	\$ 6,738
Securities backed by real estate				
Beginning balance	\$ 878	\$ 1,067	\$ 827	\$ 1,078
Net realized gains/(losses)	1	7	10	21
Net unrealized gains/(losses)	(95)	(88)	(191)	(287)
Purchases	7	17	56	76
Sales	—	(47)	(58)	(96)
Settlements	(19)	(23)	(38)	(140)
Transfers into level 3	—	1	171	269
Transfers out of level 3	—	(22)	(5)	(9)
Ending balance	\$ 772	\$ 912	\$ 772	\$ 912
Other debt obligations				
Beginning balance	\$ 246	\$ 303	\$ 256	\$ 382
Net realized gains/(losses)	1	3	3	9
Net unrealized gains/(losses)	3	(3)	2	(8)
Purchases	6	4	1	28
Settlements	(7)	(23)	(13)	(127)
Ending balance	\$ 249	\$ 284	\$ 249	\$ 284
Equity securities				
Beginning balance	\$ 9,484	\$ 8,163	\$ 8,856	\$ 7,915
Net realized gains/(losses)	23	24	30	174
Net unrealized gains/(losses)	(188)	(205)	(661)	(1,236)
Purchases	142	287	325	657
Sales	(58)	(111)	(378)	(494)
Settlements	(156)	(83)	(341)	(384)
Transfers into level 3	527	1,027	2,037	3,212
Transfers out of level 3	(416)	(82)	(510)	(824)
Ending balance	\$ 9,358	\$ 9,020	\$ 9,358	\$ 9,020

Level 3 Rollforward Commentary for the Three Months Ended September 2023. The net realized and unrealized losses on level 3 investments of \$233 million (reflecting \$113 million of net realized gains and \$346 million of net unrealized losses) for the three months ended September 2023 included gains/(losses) of \$(385) million reported in other principal transactions and \$152 million reported in interest income.

The net unrealized losses on level 3 investments for the three months ended September 2023 primarily reflected losses on certain equity securities and securities backed by real estate (in each case, principally driven by commercial real estate investments).

Transfers into level 3 investments during the three months ended September 2023 primarily reflected transfers of certain equity securities and corporate debt securities from level 2 (in each case, principally due to reduced price transparency as a result of a lack of market evidence, including fewer market transactions in these instruments).

Notes to Consolidated Financial Statements (Unaudited)

Transfers out of level 3 investments during the three months ended September 2023 primarily reflected transfers of certain corporate debt securities and equity securities to level 2 (in each case, principally due to increased price transparency as a result of market evidence, including market transactions in these instruments).

Level 3 Rollforward Commentary for the Nine Months Ended September 2023. The net realized and unrealized losses on level 3 investments of \$560 million (reflecting \$344 million of net realized gains and \$904 million of net unrealized losses) for the nine months ended September 2023 included gains/(losses) of \$(1.03) billion reported in other principal transactions and \$470 million reported in interest income.

The net unrealized losses on level 3 investments for the nine months ended September 2023 primarily reflected losses on certain equity securities and securities backed by real estate (in each case, principally driven by commercial real estate investments).

Transfers into level 3 investments during the nine months ended September 2023 primarily reflected transfers of certain equity securities and corporate debt securities from level 2 (in each case, principally due to reduced price transparency as a result of a lack of market evidence, including fewer market transactions in these instruments, and certain unobservable yield inputs becoming significant to the valuation of these instruments).

Transfers out of level 3 investments during the nine months ended September 2023 primarily reflected transfers of certain corporate debt securities to level 2 (principally due to increased price transparency as a result of market evidence, including market transactions in these instruments, and certain unobservable yield and duration inputs becoming less significant to the valuation of these instruments) and transfers of certain equity securities to level 2 (principally due to increased price transparency as a result of market evidence, including market transactions in these instruments).

Level 3 Rollforward Commentary for the Three Months Ended September 2022. The net realized and unrealized losses on level 3 investments of \$304 million (reflecting \$103 million of net realized gains and \$407 million of net unrealized losses) for the three months ended September 2022 included gains/(losses) of \$(427) million reported in other principal transactions and \$123 million reported in interest income.

The net unrealized losses on level 3 investments for the three months ended September 2022 primarily reflected losses on certain equity securities and corporate debt securities (in each case, principally driven by broad macroeconomic concerns).

Transfers into level 3 investments during the three months ended September 2022 primarily reflected transfers of certain equity securities from level 2 (principally due to reduced price transparency as a result of a lack of market evidence, including fewer market transactions in these instruments) and transfers of certain 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, and certain unobservable yield and duration inputs becoming significant to the valuation of these instruments).

Transfers out of level 3 investments during the three months ended September 2022 primarily reflected transfers of certain corporate debt securities to level 2 (principally due to certain unobservable yield and duration inputs no longer being significant to the valuation of these instruments).

Level 3 Rollforward Commentary for the Nine Months Ended September 2022. The net realized and unrealized losses on level 3 investments of \$1.40 billion (reflecting \$428 million of net realized gains and \$1.83 billion of net unrealized losses) for the nine months ended September 2022 included gains/(losses) of \$(1.71) billion reported in other principal transactions and \$314 million reported in interest income.

The net unrealized losses on level 3 investments for the nine months ended September 2022 primarily reflected losses on certain equity securities and corporate debt securities (in each case, principally driven by broad macroeconomic and geopolitical concerns) and securities backed by real estate (principally driven by an increase in interest rates).

Transfers into level 3 investments during the nine months ended September 2022 primarily reflected transfers of certain equity securities from level 2 (principally due to reduced price transparency as a result of a lack of market evidence, including fewer market transactions in these instruments), and transfers of certain corporate debt securities from level 2 (principally due to certain unobservable yield and duration inputs becoming significant to the valuation of these instruments, and reduced price transparency as a result of a lack of market evidence, including fewer market transactions in these instruments).

Transfers out of level 3 investments during the nine months ended September 2022 primarily reflected transfers of certain equity securities to level 2 (principally due to increased price transparency as a result of market evidence, including market transactions in these instruments) and transfers of certain corporate debt securities to level 2 (principally due to increased price transparency as a result of market evidence, including market transactions in these instruments, and certain unobservable yield and duration inputs no longer being significant to the valuation of these instruments).

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Loans

Fair Value by Level. The table below presents loans held for investment accounted for at fair value under the fair value option by level within the fair value hierarchy.

<i>\$ in millions</i>	Level 1	Level 2	Level 3	Total
As of September 2023				
Loan Type				
Corporate	\$ –	\$ 440	\$ 431	\$ 871
Real estate:				
Commercial	–	281	270	551
Residential	–	3,977	51	4,028
Other collateralized	–	708	142	850
Other	–	70	78	148
Total	\$ –	\$ 5,476	\$ 972	\$ 6,448
As of December 2022				
Loan Type				
Corporate	\$ –	\$ 359	\$ 637	\$ 996
Real estate:				
Commercial	–	435	711	1,146
Residential	–	4,437	74	4,511
Other collateralized	–	576	140	716
Other	–	11	275	286
Total	\$ –	\$ 5,818	\$ 1,837	\$ 7,655

The gains/(losses) as a result of changes in the fair value of loans held for investment for which the fair value option was elected were \$(170) million for the three months ended September 2023, \$(168) million for the three months ended September 2022, \$(207) million for the nine months ended September 2023 and \$(363) million for the nine months ended September 2022. These gains/(losses) were included in other principal transactions.

Significant Unobservable Inputs. The table below presents the amount of level 3 loans, and ranges and weighted averages of significant unobservable inputs used to value such loans.

<i>\$ in millions</i>	As of September 2023		As of December 2022	
	Amount or Range	Weighted Average	Amount or Range	Weighted Average
Corporate				
Level 3 assets	\$ 431		\$ 637	
Yield	8.8% to 12.8%	9.3%	4.1% to 26.9%	9.6%
Recovery rate	2.0% to 95.0%	60.0%	23.1% to 95.0%	66.0%
Duration (years)	0.9 to 4.3	2.3	1.6 to 3.3	2.6
Real estate				
Level 3 assets	\$ 321		\$ 785	
Yield	5.0% to 20.5%	17.6%	3.0% to 27.0%	16.1%
Recovery rate	4.2% to 99.2%	50.1%	3.6% to 66.2%	54.4%
Duration (years)	0.2 to 6.2	1.8	0.6 to 6.7	2.5
Other collateralized				
Level 3 assets	\$ 142		\$ 140	
Yield	6.6% to 20.9%	9.8%	5.8% to 12.7%	7.7%
Duration (years)	1.8 to 2.2	1.9	2.5 to 2.9	2.7
Other				
Level 3 assets	\$ 78		\$ 275	
Yield	9.4% to 15.4%	11.8%	9.4% to 10.0%	9.9%
Duration (years)	2.8 to 5.3	3.8	N/A	N/A

In the table above:

- Ranges represent the significant unobservable inputs that were used in the valuation of each type of loan.
- Weighted averages are calculated by weighting each input by the relative fair value of the loan.
- 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 loan. For example, the highest yield for real estate loans is appropriate for valuing a specific real estate loan but may not be appropriate for valuing any other real estate loan. Accordingly, the ranges of inputs do not represent uncertainty in, or possible ranges of, fair value measurements of level 3 loans.
- Increases in yield or duration used in the valuation of level 3 loans would have resulted in a lower fair value measurement, while increases in recovery rate would have resulted in a higher fair value measurement as of both September 2023 and December 2022. Due to the distinctive nature of each level 3 loan, the interrelationship of inputs is not necessarily uniform within each product type.
- Loans are valued using discounted cash flows.
- The significant unobservable inputs for duration related to other loans as of December 2022 did not have a range (and there was no weighted average) as it related to a purchased portfolio of revolving loans with a single duration.

Level 3 Rollforward. The table below presents a summary of the changes in fair value for level 3 loans.

<i>\$ in millions</i>	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Beginning balance	\$ 1,251	\$ 2,347	\$ 1,837	\$ 2,354
Net realized gains/(losses)	11	17	39	89
Net unrealized gains/(losses)	(174)	(89)	(254)	(217)
Purchases	6	7	86	212
Sales	(5)	(18)	(462)	(61)
Settlements	(95)	(156)	(254)	(429)
Transfers into level 3	–	141	–	272
Transfers out of level 3	(22)	(191)	(20)	(162)
Ending balance	\$ 972	\$ 2,058	\$ 972	\$ 2,058

In the table above:

- Changes in fair value are presented for loans that are classified in level 3 as of the end of the period.
- Net unrealized gains/(losses) relates to loans that were still held at period-end.
- Purchases includes originations and secondary purchases.
- Transfers between levels of the fair value hierarchy are reported at the beginning of the reporting period in which they occur. If a loan was transferred to level 3 during a reporting period, its entire gain or loss for the period is classified in level 3.

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The table below presents information, by loan type, for loans included in the summary table above.

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Corporate				
Beginning balance	\$ 543	\$ 738	\$ 637	\$ 672
Net realized gains/(losses)	7	8	20	21
Net unrealized gains/(losses)	(76)	(10)	(134)	(30)
Purchases	5	7	47	119
Sales	—	(18)	(47)	(53)
Settlements	(26)	(77)	(72)	(116)
Transfers into level 3	—	39	—	65
Transfers out of level 3	(22)	(19)	(20)	(10)
Ending balance	\$ 431	\$ 668	\$ 431	\$ 668
Real estate				
Beginning balance	\$ 490	\$ 1,007	\$ 785	\$ 1,188
Net realized gains/(losses)	2	7	9	47
Net unrealized gains/(losses)	(100)	(79)	(123)	(167)
Purchases	1	—	2	73
Sales	(5)	—	(196)	(8)
Settlements	(67)	(70)	(156)	(249)
Transfers into level 3	—	100	—	128
Transfers out of level 3	—	(25)	—	(72)
Ending balance	\$ 321	\$ 940	\$ 321	\$ 940
Other collateralized				
Beginning balance	\$ 140	\$ 285	\$ 140	\$ 229
Net realized gains/(losses)	1	1	3	2
Net unrealized gains/(losses)	1	—	—	(1)
Purchases	—	—	2	2
Settlements	—	(1)	(3)	(26)
Transfers into level 3	—	2	—	13
Transfers out of level 3	—	(147)	—	(79)
Ending balance	\$ 142	\$ 140	\$ 142	\$ 140
Other				
Beginning balance	\$ 78	\$ 317	\$ 275	\$ 265
Net realized gains/(losses)	1	1	7	19
Net unrealized gains/(losses)	1	—	3	(19)
Purchases	—	—	35	18
Sales	—	—	(219)	—
Settlements	(2)	(8)	(23)	(38)
Transfers into level 3	—	—	—	66
Transfers out of level 3	—	—	—	(1)
Ending balance	\$ 78	\$ 310	\$ 78	\$ 310

Level 3 Rollforward Commentary for the Three Months Ended September 2023. The net realized and unrealized losses on level 3 loans of \$163 million (reflecting \$11 million of net realized gains and \$174 million of net unrealized losses) for the three months ended September 2023 included gains/(losses) of \$(172) million reported in other principal transactions and \$9 million reported in interest income.

The net unrealized losses on level 3 loans for the three months ended September 2023 primarily reflected losses on certain loans backed by real estate (principally driven by commercial real estate loans) and corporate loans (principally driven by company-specific events).

There were no transfers into level 3 loans during the three months ended September 2023.

The drivers of transfers out of level 3 loans during the three months ended September 2023 were not material.

Level 3 Rollforward Commentary for the Nine Months Ended September 2023. The net realized and unrealized losses on level 3 loans of \$215 million (reflecting \$39 million of net realized gains and \$254 million of net unrealized losses) for the nine months ended September 2023 included gains/(losses) of \$(237) million reported in other principal transactions and \$22 million reported in interest income.

The net unrealized losses on level 3 loans for the nine months ended September 2023 primarily reflected losses on certain corporate loans (principally driven by company-specific events) and loans backed by real estate (principally driven by commercial real estate loans).

There were no transfers into level 3 loans during the nine months ended September 2023.

The drivers of transfers out of level 3 loans during the nine months ended September 2023 were not material.

Level 3 Rollforward Commentary for the Three Months Ended September 2022. The net realized and unrealized losses on level 3 loans of \$72 million (reflecting \$17 million of net realized gains and \$89 million of net unrealized losses) for the three months ended September 2022 included gains/(losses) of \$(83) million reported in other principal transactions and \$11 million reported in interest income.

The drivers of net unrealized losses on level 3 loans for the three months ended September 2022 were not material.

Transfers into level 3 loans during the three months ended September 2022 primarily reflected transfers of certain loans backed by real estate from level 2 (principally due to reduced price transparency as a result of a lack of market evidence, including fewer market transactions in these instruments).

Transfers out of level 3 loans during the three months ended September 2022 primarily reflected transfers of certain other collateralized loans to level 2 (principally due to certain unobservable yield inputs no longer being significant to the valuation of these instruments).

Level 3 Rollforward Commentary for the Nine Months Ended September 2022. The net realized and unrealized losses on level 3 loans of \$128 million (reflecting \$89 million of net realized gains and \$217 million of net unrealized losses) for the nine months ended September 2022 included gains/(losses) of \$(148) million reported in other principal transactions and \$20 million reported in interest income.

The net unrealized losses on level 3 loans for the nine months ended September 2022 primarily reflected losses on certain loans backed by real estate (principally due to the impact of an increase in interest rates).

Notes to Consolidated Financial Statements (Unaudited)

Transfers into level 3 loans during the nine months ended September 2022 primarily reflected transfers of certain loans backed by real estate from level 2 (principally due to reduced price transparency as a result of a lack of market evidence, including fewer market transactions in these instruments).

The drivers of transfers out of level 3 loans during the nine months ended September 2022 were not material.

Other Financial Assets and Liabilities

Fair Value by Level. The table below presents, by level within the fair value hierarchy, other financial assets and liabilities at fair value, substantially all of which are accounted for at fair value under the fair value option.

<i>\$ in millions</i>	Level 1	Level 2	Level 3	Total
As of September 2023				
Assets				
Resale agreements	\$ -	\$ 190,446	\$ -	\$ 190,446
Securities borrowed	-	36,792	-	36,792
Customer and other receivables	-	23	-	23
Other assets	-	173	151	324
Total	\$ -	\$ 227,434	\$ 151	\$ 227,585
Liabilities				
Deposits	\$ -	\$ (25,831)	\$ (2,726)	\$ (28,557)
Repurchase agreements	-	(225,679)	-	(225,679)
Securities loaned	-	(8,178)	-	(8,178)
Other secured financings	-	(11,380)	(2,734)	(14,114)
Unsecured borrowings:				
Short-term	-	(38,056)	(4,295)	(42,351)
Long-term	-	(60,580)	(13,336)	(73,916)
Other liabilities	-	(395)	(219)	(614)
Total	\$ -	\$ (370,099)	\$ (23,310)	\$ (393,409)
As of December 2022				
Assets				
Resale agreements	\$ -	\$ 225,117	\$ -	\$ 225,117
Securities borrowed	-	38,578	-	38,578
Customer and other receivables	-	25	-	25
Other assets	-	71	74	145
Total	\$ -	\$ 263,791	\$ 74	\$ 263,865
Liabilities				
Deposits	\$ -	\$ (13,003)	\$ (2,743)	\$ (15,746)
Repurchase agreements	-	(110,349)	-	(110,349)
Securities loaned	-	(4,372)	-	(4,372)
Other secured financings	-	(10,914)	(1,842)	(12,756)
Unsecured borrowings:				
Short-term	-	(35,641)	(4,090)	(39,731)
Long-term	-	(63,081)	(10,066)	(73,147)
Other liabilities	-	(74)	(85)	(159)
Total	\$ -	\$ (237,434)	\$ (18,826)	\$ (256,260)

In the table above, assets are shown as positive amounts and liabilities are shown as negative amounts.

See Note 4 for an overview of the firm's fair value measurement policies, valuation techniques and significant inputs used to determine the fair value of other financial assets and liabilities.

Significant Unobservable Inputs. See below for information about the significant unobservable inputs used to value level 3 other financial liabilities at fair value as of both September 2023 and December 2022.

Other Secured Financings. The ranges and weighted averages of significant unobservable inputs used to value level 3 other secured financings are presented below. These ranges and weighted averages exclude unobservable inputs that are only relevant to a single instrument, and therefore are not meaningful.

As of September 2023:

- Yield: 6.8% to 13.3% (weighted average: 9.0%)
- Duration: 0.4 to 5.8 years (weighted average: 1.4 years)

As of December 2022:

- Yield: 4.5% to 9.4% (weighted average: 5.9%)
- Duration: 0.6 to 5.1 years (weighted average: 2.2 years)

Generally, increases in yield or duration, in isolation, would have resulted in a lower fair value measurement as of period-end. Due to the distinctive nature of each of level 3 other secured financings, the interrelationship of inputs is not necessarily uniform across such financings. See Note 11 for further information about other secured financings.

Deposits, Unsecured Borrowings and Other Assets and Liabilities. Substantially all of the firm's deposits, unsecured short- and long-term borrowings, and other assets and liabilities that are classified in level 3 are hybrid financial instruments. As the significant unobservable inputs used to value hybrid financial instruments primarily relate to the embedded derivative component of these deposits, unsecured borrowings and other assets and liabilities, these unobservable inputs are incorporated in the firm's derivative disclosures. See Note 12 for further information about other assets, Note 13 for further information about deposits, Note 14 for further information about unsecured borrowings and Note 15 for further information about other liabilities.

Notes to Consolidated Financial Statements (Unaudited)

Level 3 Rollforward. The table below presents a summary of the changes in fair value for level 3 other financial assets and liabilities accounted for at fair value.

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Assets				
Beginning balance	\$ 126	\$ –	\$ 74	\$ –
Net unrealized gains/(losses)	25	–	77	–
Ending balance	\$ 151	\$ –	\$ 151	\$ –
Liabilities				
Beginning balance	\$ (21,897)	\$ (19,114)	\$ (18,826)	\$ (23,567)
Net realized gains/(losses)	(88)	(90)	(223)	(222)
Net unrealized gains/(losses)	1,210	1,538	425	5,977
Issuances	(3,036)	(3,296)	(6,212)	(9,486)
Settlements	3,154	2,691	6,380	8,548
Transfers into level 3	(3,656)	(1,494)	(6,030)	(2,562)
Transfers out of level 3	1,003	900	1,176	2,447
Ending balance	\$ (23,310)	\$ (18,865)	\$ (23,310)	\$ (18,865)

In the table above:

- Changes in fair value are presented for all other financial assets and liabilities that are classified in level 3 as of the end of the period.
- Net unrealized gains/(losses) relates to other financial assets and liabilities that were still held at period-end.
- Transfers between levels of the fair value hierarchy are reported at the beginning of the reporting period in which they occur. If a financial instrument was transferred to level 3 during a reporting period, its entire gain or loss for the period is classified in level 3.
- For level 3 other financial assets, increases are shown as positive amounts, while decreases are shown as negative amounts. For level 3 other financial liabilities, increases are shown as negative amounts, while decreases are shown as positive amounts.
- Level 3 other financial assets and liabilities are frequently economically hedged with trading assets and liabilities. Accordingly, gains or losses that are classified in level 3 can be partially offset by gains or losses attributable to level 1, 2 or 3 trading assets and liabilities. As a result, gains or losses included in the level 3 rollforward below do not necessarily represent the overall impact on the firm's results of operations, liquidity or capital resources.

The table below presents information, by the consolidated balance sheet line items, for liabilities included in the summary table above.

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Deposits				
Beginning balance	\$ (2,889)	\$ (2,789)	\$ (2,743)	\$ (3,613)
Net realized gains/(losses)	–	–	–	(7)
Net unrealized gains/(losses)	73	135	19	466
Issuances	(157)	(261)	(376)	(735)
Settlements	232	259	594	1,041
Transfers into level 3	(3)	(89)	(254)	(20)
Transfers out of level 3	18	16	34	139
Ending balance	\$ (2,726)	\$ (2,729)	\$ (2,726)	\$ (2,729)
Other secured financings				
Beginning balance	\$ (2,817)	\$ (1,412)	\$ (1,842)	\$ (2,566)
Net realized gains/(losses)	(3)	(13)	(3)	(18)
Net unrealized gains/(losses)	41	86	13	177
Issuances	(158)	(406)	(676)	(545)
Settlements	488	22	875	527
Transfers into level 3	(325)	(147)	(1,626)	(110)
Transfers out of level 3	40	–	525	665
Ending balance	\$ (2,734)	\$ (1,870)	\$ (2,734)	\$ (1,870)
Unsecured short-term borrowings				
Beginning balance	\$ (4,822)	\$ (5,209)	\$ (4,090)	\$ (7,829)
Net realized gains/(losses)	(23)	(54)	(72)	(126)
Net unrealized gains/(losses)	148	286	(178)	1,241
Issuances	(1,552)	(1,165)	(2,968)	(3,582)
Settlements	1,853	1,747	3,013	5,443
Transfers into level 3	(204)	(528)	(174)	(470)
Transfers out of level 3	305	411	174	811
Ending balance	\$ (4,295)	\$ (4,512)	\$ (4,295)	\$ (4,512)
Unsecured long-term borrowings				
Beginning balance	\$ (11,296)	\$ (9,626)	\$ (10,066)	\$ (9,413)
Net realized gains/(losses)	(62)	(23)	(148)	(71)
Net unrealized gains/(losses)	945	1,034	556	4,028
Issuances	(1,020)	(1,464)	(2,043)	(4,624)
Settlements	581	663	1,898	1,537
Transfers into level 3	(3,124)	(730)	(3,976)	(1,962)
Transfers out of level 3	640	473	443	832
Ending balance	\$ (13,336)	\$ (9,673)	\$ (13,336)	\$ (9,673)
Other liabilities				
Beginning balance	\$ (73)	\$ (78)	\$ (85)	\$ (146)
Net unrealized gains/(losses)	3	(3)	15	65
Issuances	(149)	–	(149)	–
Ending balance	\$ (219)	\$ (81)	\$ (219)	\$ (81)

Level 3 Rollforward Commentary for the Three Months Ended September 2023. The net realized and unrealized gains on level 3 other financial liabilities of \$1.12 billion (reflecting \$88 million of net realized losses and \$1.21 billion of net unrealized gains) for the three months ended September 2023 included gains/(losses) of \$1.15 billion reported in market making, \$16 million reported in other principal transactions and \$(4) million reported in interest expense in the consolidated statements of earnings, and \$(44) million reported in debt valuation adjustment in the consolidated statements of comprehensive income.

Notes to Consolidated Financial Statements (Unaudited)

The net unrealized gains on level 3 other financial liabilities for the three months ended September 2023 primarily reflected gains on certain hybrid financial instruments included in unsecured long-term borrowings (principally due to an increase in interest rates and a decrease in equity prices).

Transfers into level 3 other financial liabilities during the three months ended September 2023 primarily reflected transfers of certain hybrid financial instruments included in unsecured long-term borrowings from level 2 (principally due to reduced price transparency of certain credit spread inputs used to value these instruments).

Transfers out of level 3 other financial liabilities during the three months ended September 2023 primarily reflected transfers of certain hybrid financial instruments included in unsecured long- and short-term borrowings to level 2 (principally due to increased price transparency of certain volatility inputs used to value these instruments).

Level 3 Rollforward Commentary for the Nine Months Ended September 2023. The net realized and unrealized gains on level 3 other financial liabilities of \$202 million (reflecting \$223 million of net realized losses and \$425 million of net unrealized gains) for the nine months ended September 2023 included gains/(losses) of \$415 million reported in market making, \$4 million reported in other principal transactions and \$(12) million reported in interest expense in the consolidated statements of earnings, and \$(205) million reported in debt valuation adjustment in the consolidated statements of comprehensive income.

The net unrealized gains on level 3 other financial liabilities for the nine months ended September 2023 primarily reflected gains on certain hybrid financial instruments included in unsecured long-term borrowings (principally due to an increase in interest rates), partially offset by losses on certain hybrid financial instruments included in unsecured short-term borrowings (principally due to an increase in equity prices).

Transfers into level 3 other financial liabilities during the nine months ended September 2023 primarily reflected transfers of certain hybrid financial instruments included in unsecured long-term borrowings from level 2 (principally due to reduced price transparency of certain credit spread and volatility inputs used to value these instruments) and transfers of certain other secured financings from level 2 (principally due to reduced price transparency of certain yield and duration inputs used to value these instruments).

Transfers out of level 3 other financial liabilities during the nine months ended September 2023 primarily reflected transfers of certain hybrid financial instruments included in other secured financings to level 2 (principally due to increased price transparency of certain yield and duration inputs used to value these instruments) and transfers of certain unsecured long- and short-term borrowings to level 2 (principally due to increased price transparency of certain volatility inputs used to value these instruments).

Level 3 Rollforward Commentary for the Three Months Ended September 2022. The net realized and unrealized gains on level 3 other financial liabilities of \$1.45 billion (reflecting \$90 million of net realized losses and \$1.54 billion of net unrealized gains) for the three months ended September 2022 included gains/(losses) of \$1.13 billion reported in market making, \$69 million reported in other principal transactions and \$(7) million reported in interest expense in the consolidated statements of earnings, and \$262 million reported in debt valuation adjustment in the consolidated statements of comprehensive income.

The net unrealized gains on level 3 other financial liabilities for the three months ended September 2022 primarily reflected gains on certain hybrid financial instruments included in unsecured long- and short-term borrowings (principally due to a decrease in global equity prices and an increase in interest rates).

Transfers into level 3 other financial liabilities during the three months ended September 2022 primarily reflected transfers of certain hybrid financial instruments included in unsecured long- and short-term borrowings from level 2 (principally due to reduced price transparency of certain volatility and correlation inputs used to value these instruments) and transfers of certain other secured financings from level 2 (principally due to reduced price transparency of certain yield and duration inputs used to value these instruments).

Transfers out of level 3 other financial liabilities during the three months ended September 2022 primarily reflected transfers of certain hybrid financial instruments included in unsecured long- and short-term borrowings to level 2 (principally due to increased price transparency of certain volatility and correlation inputs used to value these instruments).

Notes to Consolidated Financial Statements (Unaudited)

Level 3 Rollforward Commentary for the Nine Months Ended September 2022. The net realized and unrealized gains on level 3 other financial liabilities of \$5.76 billion (reflecting \$222 million of net realized losses and \$5.98 billion of net unrealized gains) for the nine months ended September 2022 included gains/(losses) of \$4.69 billion reported in market making, \$155 million reported in other principal transactions and \$(14) million reported in interest expense in the consolidated statements of earnings, and \$924 million reported in debt valuation adjustment in the consolidated statements of comprehensive income.

The net unrealized gains on level 3 other financial liabilities for the nine months ended September 2022 primarily reflected gains on certain hybrid financial instruments included in unsecured long- and short-term borrowings and deposits (in each case, principally due to a decrease in global equity prices and an increase in interest rates).

Transfers into level 3 other financial liabilities during the nine months ended September 2022 primarily reflected transfers of certain hybrid financial instruments included in unsecured long- and short-term borrowings from level 2 (principally due to reduced price transparency of certain volatility and correlation inputs used to value these instruments).

Transfers out of level 3 other financial liabilities during the nine months ended September 2022 primarily reflected transfers of certain hybrid financial instruments included in unsecured short- and long-term borrowings to level 2 (principally due to increased price transparency of certain volatility and correlation inputs used to value these instruments) and transfers of certain other secured financings to level 2 (principally due to certain unobservable yield inputs no longer being significant to the valuation of these instruments).

Note 6.

Trading Assets and Liabilities

Trading assets and liabilities include trading cash instruments and derivatives held in connection with the firm's market-making or risk management activities. These assets and liabilities are carried at fair value either under the fair value option or in accordance with other U.S. GAAP, and the related fair value gains and losses are generally recognized in the consolidated statements of earnings.

The table below presents a summary of trading assets and liabilities.

<i>\$ in millions</i>	Trading Assets	Trading Liabilities
As of September 2023		
Trading cash instruments	\$ 398,998	\$ 140,306
Derivatives	49,062	54,817
Total	\$ 448,060	\$ 195,123
As of December 2022		
Trading cash instruments	\$ 241,832	\$ 136,589
Derivatives	59,413	54,735
Total	\$ 301,245	\$ 191,324

See Note 5 for further information about trading cash instruments and Note 7 for further information about derivatives.

Gains and Losses from Market Making

The table below presents market making revenues by major product type.

<i>\$ in millions</i>	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Interest rates	\$ (861)	\$ (3,043)	\$ 713	\$ (7,699)
Credit	511	(286)	1,160	1,379
Currencies	2,850	5,768	4,946	14,020
Equities	2,029	1,464	6,008	6,052
Commodities	429	738	1,915	1,831
Total	\$ 4,958	\$ 4,641	\$ 14,742	\$ 15,583

In the table above:

- Gains/(losses) include both realized and unrealized gains and losses. Gains/(losses) exclude related interest income and interest expense. See Note 23 for further information about interest income and interest expense.
- Gains/(losses) included in market making are primarily related to the firm's trading assets and liabilities, including both derivative and non-derivative financial instruments.
- 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 trading cash instruments and derivatives across product types has exposure to foreign currencies and may be economically hedged with foreign currency contracts.

Notes to Consolidated Financial Statements (Unaudited)

Note 7.

Derivatives and Hedging Activities

Derivative Activities

Derivatives are instruments that derive their value from underlying asset prices, indices, reference rates and other inputs, or a combination of these factors. Derivatives may be traded on an exchange (exchange-traded) or they may be privately negotiated contracts, which are usually referred to as OTC derivatives. Certain of the firm's OTC derivatives are cleared and settled through central clearing counterparties (OTC-cleared), while others are bilateral contracts between two counterparties (bilateral OTC).

Market Making. As a market maker, the firm enters into derivative transactions to provide liquidity to clients and to facilitate the transfer and hedging of their risks. In this role, the firm typically acts as principal and is required to commit capital to provide execution, and maintains market-making positions in response to, or in anticipation of, client demand.

Risk Management. The firm also enters into derivatives to actively manage risk exposures that arise from its market-making and investing and financing activities. 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 of certain fixed-rate unsecured borrowings and deposits and certain U.S. and non-U.S. government securities classified as available-for-sale, foreign exchange risk of certain available-for-sale securities and 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 are included in trading assets and derivative liabilities are included in trading liabilities. Realized and unrealized gains and losses on derivatives not designated as hedges are included in market making (for derivatives included in Fixed Income, Currency and Commodities (FICC) and Equities within Global Banking & Markets), and other principal transactions (for derivatives included in Investment banking fees and Other within Global Banking & Markets, as well as derivatives in Asset & Wealth Management) in the consolidated statements of earnings. For each of the three and nine months ended September 2023 and September 2022, substantially all of the firm's derivatives were included in Global Banking & Markets.

Notes to Consolidated Financial Statements (Unaudited)

The tables below present the gross fair value and the notional amounts of derivative contracts by major product type, the amounts of counterparty and cash collateral netting in the consolidated balance sheets, 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 millions	As of September 2023		As of December 2022	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Not accounted for as hedges				
Exchange-traded	\$ 466	\$ 1,122	\$ 675	\$ 1,385
OTC-cleared	71,438	70,138	74,297	72,979
Bilateral OTC	192,603	170,748	195,052	174,687
Total interest rates	264,507	242,008	270,024	249,051
OTC-cleared	1,056	1,177	1,516	1,802
Bilateral OTC	11,593	9,123	10,751	9,478
Total credit	12,649	10,300	12,267	11,280
Exchange-traded	78	11	1,041	22
OTC-cleared	1,064	1,021	520	589
Bilateral OTC	100,357	100,324	102,301	111,276
Total currencies	101,499	101,356	103,862	111,887
Exchange-traded	6,719	7,275	9,225	9,542
OTC-cleared	539	620	698	838
Bilateral OTC	13,457	11,971	30,017	22,745
Total commodities	20,715	19,866	39,940	33,125
Exchange-traded	24,340	28,860	26,302	26,607
OTC-cleared	133	203	685	19
Bilateral OTC	24,503	36,578	23,574	30,157
Total equities	48,976	65,641	50,561	56,783
Subtotal	448,346	439,171	476,654	462,126
Accounted for as hedges				
OTC-cleared	–	–	–	–
Bilateral OTC	190	18	335	11
Total interest rates	190	18	335	11
OTC-cleared	–	–	29	29
Bilateral OTC	32	121	53	256
Total currencies	32	121	82	285
Subtotal	222	139	417	296
Total gross fair value	\$ 448,568	\$ 439,310	\$ 477,071	\$ 462,422
Offset in the consolidated balance sheets				
Exchange-traded	\$ (28,041)	\$ (28,041)	\$ (31,229)	\$ (31,229)
OTC-cleared	(71,745)	(71,745)	(75,349)	(75,349)
Bilateral OTC	(241,284)	(241,284)	(254,304)	(254,304)
Counterparty netting	(341,070)	(341,070)	(360,882)	(360,882)
OTC-cleared	(1,728)	–	(1,388)	(406)
Bilateral OTC	(56,708)	(43,423)	(55,388)	(46,399)
Cash collateral netting	(58,436)	(43,423)	(56,776)	(46,805)
Total amounts offset	\$ (399,506)	\$ (384,493)	\$ (417,658)	\$ (407,687)
Included in the consolidated balance sheets				
Exchange-traded	\$ 3,562	\$ 9,227	\$ 6,014	\$ 6,327
OTC-cleared	757	1,414	1,008	501
Bilateral OTC	44,743	44,176	52,391	47,907
Total	\$ 49,062	\$ 54,817	\$ 59,413	\$ 54,735
Not offset in the consolidated balance sheets				
Cash collateral	\$ (414)	\$ (1,599)	\$ (298)	\$ (1,887)
Securities collateral	(15,551)	(4,716)	(15,229)	(4,329)
Total	\$ 33,097	\$ 48,502	\$ 43,886	\$ 48,519

\$ in millions	Notional Amounts as of	
	September 2023	December 2022
Not accounted for as hedges		
Exchange-traded	\$ 3,957,145	\$ 4,241,937
OTC-cleared	15,047,281	13,104,682
Bilateral OTC	12,296,079	11,137,127
Total interest rates	31,300,505	28,483,746
Exchange-traded	558	369
OTC-cleared	545,342	529,543
Bilateral OTC	651,836	577,542
Total credit	1,197,736	1,107,454
Exchange-traded	5,538	9,012
OTC-cleared	262,313	150,561
Bilateral OTC	6,525,742	5,304,069
Total currencies	6,793,593	5,463,642
Exchange-traded	352,868	341,526
OTC-cleared	3,434	3,188
Bilateral OTC	220,290	255,208
Total commodities	576,592	599,922
Exchange-traded	1,529,392	1,107,659
OTC-cleared	1,716	1,639
Bilateral OTC	1,225,983	1,026,736
Total equities	2,757,091	2,136,034
Subtotal	42,625,517	37,790,798
Accounted for as hedges		
OTC-cleared	240,942	257,739
Bilateral OTC	3,009	3,156
Total interest rates	243,951	260,895
OTC-cleared	966	2,048
Bilateral OTC	8,223	7,701
Total currencies	9,189	9,749
Subtotal	253,140	270,644
Total notional amounts	\$ 42,878,657	\$ 38,061,442

In the tables above:

- Gross fair values exclude the effects of both counterparty netting and collateral, and therefore are not representative of the firm's exposure.
- Where the firm has received or posted collateral under credit support agreements, but has not yet determined such agreements are enforceable, the related collateral has not been netted.
- Notional amounts, which represent the sum of gross long and short derivative contracts, provide an indication of the volume of the firm's derivative activity and do not represent anticipated losses.
- Total gross fair value of derivatives included derivative assets of \$9.70 billion as of September 2023 and \$10.08 billion as of December 2022, and derivative liabilities of \$12.57 billion as of September 2023 and \$12.71 billion as of December 2022, 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.

Notes to Consolidated Financial Statements (Unaudited)

OTC Derivatives

The table below presents OTC derivative assets and liabilities by tenor and major product type.

<i>\$ in millions</i>	Less than 1 Year	1 - 5 Years	Greater than 5 Years	Total
As of September 2023				
Assets				
Interest rates	\$ 10,904	\$14,876	\$ 53,107	\$ 78,887
Credit	1,427	2,968	2,159	6,554
Currencies	14,384	8,130	5,733	28,247
Commodities	4,156	3,417	1,563	9,136
Equities	4,121	2,868	2,068	9,057
Counterparty netting in tenors	(3,015)	(2,643)	(4,165)	(9,823)
Subtotal	\$ 31,977	\$29,616	\$ 60,465	\$122,058
Cross-tenor counterparty netting				(18,122)
Cash collateral netting				(58,436)
Total OTC derivative assets				\$ 45,500
Liabilities				
Interest rates	\$ 10,600	\$22,287	\$ 22,672	\$ 55,559
Credit	879	2,277	1,050	4,206
Currencies	12,041	8,607	7,635	28,283
Commodities	3,025	3,305	1,381	7,711
Equities	9,462	8,124	3,613	21,199
Counterparty netting in tenors	(3,015)	(2,643)	(4,165)	(9,823)
Subtotal	\$ 32,992	\$41,957	\$ 32,186	\$107,135
Cross-tenor counterparty netting				(18,122)
Cash collateral netting				(43,423)
Total OTC derivative liabilities				\$ 45,590
As of December 2022				
Assets				
Interest rates	\$ 5,509	\$16,963	\$ 53,943	\$ 76,415
Credit	921	2,622	2,142	5,685
Currencies	12,284	7,819	7,085	27,188
Commodities	10,525	7,513	2,574	20,612
Equities	5,346	4,007	1,782	11,135
Counterparty netting in tenors	(2,661)	(3,942)	(4,830)	(11,433)
Subtotal	\$ 31,924	\$34,982	\$ 62,696	\$129,602
Cross-tenor counterparty netting				(19,427)
Cash collateral netting				(56,776)
Total OTC derivative assets				\$ 53,399
Liabilities				
Interest rates	\$ 9,351	\$23,589	\$ 21,467	\$ 54,407
Credit	993	2,635	1,071	4,699
Currencies	18,987	8,736	8,712	36,435
Commodities	6,400	6,135	945	13,480
Equities	7,629	7,249	2,174	17,052
Counterparty netting in tenors	(2,661)	(3,942)	(4,830)	(11,433)
Subtotal	\$ 40,699	\$44,402	\$ 29,539	\$114,640
Cross-tenor counterparty netting				(19,427)
Cash collateral netting				(46,805)
Total OTC derivative liabilities				\$ 48,408

In the table above:

- Tenor is based on remaining contractual maturity.
- Counterparty netting within the same product type and tenor category is included within such product type and tenor category.
- Counterparty netting across product types within the same tenor category is included in counterparty netting in tenors. Where the counterparty netting is across tenor categories, the netting is included in cross-tenor counterparty netting.

See Note 4 for an overview of the firm's fair value measurement policies, valuation techniques and significant inputs used to determine the fair value of derivatives, and Note 5 for information about derivatives within the fair value hierarchy.

Credit Derivatives

The firm enters into a broad array of credit derivatives to facilitate client transactions and to manage the credit risk associated with market-making and investing and financing activities. Credit derivatives are actively managed based on the firm's net risk position. Credit derivatives are generally individually negotiated contracts and can have various settlement and payment conventions. Credit events include failure to pay, bankruptcy, acceleration of indebtedness, restructuring, repudiation and dissolution of the reference entity.

The firm enters into the following types of credit derivatives:

- **Credit Default Swaps.** Single-name credit default swaps protect the buyer against the loss of principal on one or more bonds, loans or mortgages (reference obligations) in the event the issuer 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. If a credit event occurs, the seller of protection is required to make a payment to the buyer, calculated according to 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.

Notes to Consolidated Financial Statements (Unaudited)

• **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.

• **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 a floating rate of interest and protection against any reduction in fair value of the reference obligation, and 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 2023, written credit derivatives had a total gross notional amount of \$565.33 billion and purchased credit derivatives had a total gross notional amount of \$632.41 billion, for total net notional purchased protection of \$67.08 billion. As of December 2022, written credit derivatives had a total gross notional amount of \$528.31 billion and purchased credit derivatives had a total gross notional amount of \$579.14 billion, for total net notional purchased protection of \$50.83 billion. The firm's written and purchased credit derivatives primarily consist of credit default swaps.

The table below presents information about credit derivatives.

	Credit Spread on Underlier (basis points)					
<i>\$ in millions</i>	0 - 250	251 - 500	501 - 1,000	Greater than 1,000	Total	
As of September 2023						
Maximum Payout/Notional Amount of Written Credit Derivatives by Tenor						
Less than 1 year	\$127,828	\$ 9,876	\$ 885	\$ 3,750	\$142,339	
1 - 5 years	308,826	18,554	8,957	6,922	343,259	
Greater than 5 years	69,235	6,560	2,883	1,052	79,730	
Total	\$505,889	\$34,990	\$12,725	\$ 11,724	\$565,328	
Maximum Payout/Notional Amount of Purchased Credit Derivatives						
Offsetting	\$420,373	\$25,763	\$11,309	\$ 10,175	\$467,620	
Other	\$152,511	\$ 8,037	\$ 2,189	\$ 2,051	\$164,788	
Fair Value of Written Credit Derivatives						
Asset	\$ 8,701	\$ 638	\$ 262	\$ 121	\$ 9,722	
Liability	1,190	774	633	2,312	4,909	
Net asset/(liability)	\$ 7,511	\$ (136)	\$ (371)	\$ (2,191)	\$ 4,813	
As of December 2022						
Maximum Payout/Notional Amount of Written Credit Derivatives by Tenor						
Less than 1 year	\$108,703	\$12,166	\$ 1,879	\$ 4,135	\$126,883	
1 - 5 years	306,484	28,188	13,724	9,092	357,488	
Greater than 5 years	39,302	2,916	1,416	305	43,939	
Total	\$454,489	\$43,270	\$17,019	\$13,532	\$528,310	
Maximum Payout/Notional Amount of Purchased Credit Derivatives						
Offsetting	\$372,360	\$33,149	\$14,817	\$11,757	\$432,083	
Other	\$128,828	\$13,211	\$ 2,615	\$ 2,407	\$147,061	
Fair Value of Written Credit Derivatives						
Asset	\$ 5,405	\$ 460	\$ 132	\$ 84	\$ 6,081	
Liability	681	1,081	1,027	2,673	5,462	
Net asset/(liability)	\$ 4,724	\$ (621)	\$ (895)	\$ (2,589)	\$ 619	

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 remaining contractual maturity.
- 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.
- Other purchased credit derivatives represent the notional amount of all other purchased credit derivatives not included in offsetting.

Notes to Consolidated Financial Statements (Unaudited)

Impact of Credit and Funding Spreads on Derivatives

The firm realizes gains or losses on its derivative contracts. These gains or losses include credit valuation adjustments (CVA) relating to uncollateralized derivative assets and liabilities, which represent the gains or losses (including hedges) attributable to the impact of changes in credit exposure, counterparty credit spreads, liability funding spreads (which include the firm's own credit), probability of default and assumed recovery. These gains or losses also include funding valuation adjustments (FVA) relating to uncollateralized derivative assets, which represent the gains or losses (including hedges) attributable to the impact of changes in expected funding exposures and funding spreads.

The table below presents information about CVA and FVA.

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
CVA, net of hedges	\$ 101	\$ 223	\$ (72)	\$ 523
FVA, net of hedges	(53)	(74)	22	(465)
Total	\$ 48	\$ 149	\$ (50)	\$ 58

Bifurcated Embedded Derivatives

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

\$ in millions	As of	
	September 2023	December 2022
Fair value of assets	\$ 332	\$ 288
Fair value of liabilities	(271)	(392)
Net asset/(liability)	\$ 61	\$ (104)
Notional amount	\$ 7,383	\$ 8,892

In the table above, derivatives that have been bifurcated from their related borrowings are recorded at fair value and primarily consist of interest rate, equity and commodity products. These derivatives are included in unsecured short- and long-term borrowings, as well as other secured financings, with the related borrowings.

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 information about net derivative liabilities under bilateral agreements (excluding collateral posted), the fair value of collateral posted and additional collateral or termination payments that could have been called by counterparties in the event of a one- or two-notch downgrade in the firm's credit ratings.

\$ in millions	As of	
	September 2023	December 2022
Net derivative liabilities under bilateral agreements	\$ 30,530	\$ 33,059
Collateral posted	\$ 26,546	\$ 27,657
Additional collateral or termination payments:		
One-notch downgrade	\$ 374	\$ 343
Two-notch downgrade	\$ 1,288	\$ 1,115

Hedge Accounting

The firm applies hedge accounting for (i) interest rate swaps used to manage the interest rate exposure of certain fixed-rate unsecured long- and short-term borrowings, certain fixed-rate certificates of deposit and certain U.S. and non-U.S. government securities classified as available-for-sale, (ii) foreign currency forward contracts used to manage the foreign exchange risk of certain securities classified as available-for-sale and (iii) foreign currency forward contracts and foreign currency-denominated debt used to manage foreign exchange risk 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 assess 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 interest rate swaps as fair value hedges of certain fixed-rate unsecured long- and short-term debt and fixed-rate certificates of deposit and of certain U.S. and non-U.S. government securities classified as available-for-sale. These interest rate swaps hedge changes in fair value attributable to the designated benchmark interest rate (e.g., Secured Overnight Financing Rate (SOFR), Overnight Index Swap Rate or Sterling Overnight Index Average), effectively converting a substantial portion of these fixed-rate financial instruments into floating-rate financial instruments.

The firm applies a statistical method that utilizes regression analysis when assessing the effectiveness of these 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%.

Notes to Consolidated Financial Statements (Unaudited)

For qualifying interest rate fair value hedges, gains or losses on derivatives are included in interest income/expense. The change in fair value of the hedged items attributable to the risk being hedged is reported as an adjustment to its carrying value (hedging adjustment) and is also included in interest income/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 in interest income/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 and the related hedged items.

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Investments				
Interest rate hedges	\$ 85	\$ 427	\$ 266	\$ 372
Hedged investments	(94)	(409)	(271)	(357)
Gains/(losses)	\$ (9)	\$ 18	\$ (5)	\$ 15
Borrowings and deposits				
Interest rate hedges	\$ (2,735)	\$ (7,820)	\$ (2,583)	\$ (22,629)
Hedged borrowings and deposits	2,543	7,741	2,127	22,279
Gains/(losses)	\$ (192)	\$ (79)	\$ (456)	\$ (350)

The table below presents the carrying value of investments, deposits and unsecured borrowings that are designated in an interest rate hedging relationship and the related cumulative hedging adjustment (increase/(decrease)) from current and prior hedging relationships included in such carrying values.

	Carrying Value	Cumulative Hedging Adjustment
<i>\$ in millions</i>		
As of September 2023		
Assets		
Investments	\$ 14,768	\$ (568)
Liabilities		
Deposits	\$ 3,493	\$ (190)
Unsecured short-term borrowings	\$ 12,202	\$ (177)
Unsecured long-term borrowings	\$ 127,643	\$ (17,025)

As of December 2022

Assets		
Investments	\$ 10,804	\$ (350)
Liabilities		
Deposits	\$ 6,311	\$ (280)
Unsecured short-term borrowings	\$ 7,295	\$ (47)
Unsecured long-term borrowings	\$ 151,215	\$ (15,134)

In the table above:

- Cumulative hedging adjustment included \$(5.85) billion as of September 2023 and \$5.09 billion as of December 2022 of hedging adjustments from prior hedging relationships that were de-designated and substantially all were related to unsecured long-term borrowings.
- The amortized cost of investments was \$15.82 billion as of September 2023 and \$11.49 billion as of December 2022.

In addition, cumulative hedging adjustments for items no longer designated in a hedging relationship were \$50 million as of September 2023 and \$111 million as of December 2022 and were primarily related to unsecured long-term borrowings.

The firm designates foreign currency forward contracts as fair value hedges of the foreign exchange risk of non-U.S. government securities classified as available-for-sale. See Note 8 for information about the amortized cost and fair value of such securities. The effectiveness of such hedges is assessed based on changes in spot rates. The gains/(losses) on the hedges (relating to both spot and forward points) and the foreign exchange gains/(losses) on the related available-for-sale securities are included in market making. The gross and net gains/(losses) on hedges and the related hedged available-for-sale securities were not material for both the three and nine months ended September 2023. The net gains/(losses) on hedges and related available-for-sale securities were \$3 million (reflecting a gain of \$189 million related to hedges and a loss of \$186 million on the related hedged available-for-sale securities) for the three months ended September 2022 and were \$(25) million (reflecting a gain of \$425 million related to hedges and a loss of \$450 million on the related hedged available-for-sale securities) for the nine months ended September 2022.

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, all gains or losses on the hedging instruments are included in currency translation.

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

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Hedges:				
Foreign currency forward contract	\$ 112	\$ 1,097	\$ (25)	\$ 2,310
Foreign currency-denominated debt	\$ 839	\$ 551	\$ 631	\$ 1,147

Notes to Consolidated Financial Statements (Unaudited)

Gains or losses on individual net investments in non-U.S. operations are reclassified from accumulated other comprehensive income/(loss) to other principal transactions in the consolidated statements of earnings when such net investments are sold or substantially liquidated. The gross and net gains and losses on hedges and the related net investments in non-U.S. operations reclassified to earnings from accumulated other comprehensive income/(loss) were not material for each of the three and nine months ended September 2023 and September 2022.

The firm had designated \$26.35 billion as of September 2023 and \$21.46 billion as of December 2022 of foreign currency-denominated debt, included in unsecured long- and short-term borrowings, as hedges of net investments in non-U.S. subsidiaries.

Note 8.

Investments

Investments includes debt instruments and equity securities that are accounted for at fair value and are generally held by the firm in connection with its long-term investing activities. In addition, investments includes debt securities classified as available-for-sale and held-to-maturity that are generally held in connection with the firm's asset-liability management activities. Investments also consists of equity securities that are accounted for under the equity method.

The table below presents information about investments.

\$ in millions	As of	
	September 2023	December 2022
Equity securities, at fair value	\$ 13,742	\$ 14,892
Debt instruments, at fair value	13,305	14,075
Available-for-sale securities, at fair value	49,260	49,234
Investments, at fair value	76,307	78,201
Held-to-maturity securities	68,510	51,662
Equity-method investments	713	766
Total investments	\$ 145,530	\$ 130,629

See Note 4 for an overview of the firm's fair value measurement policies, valuation techniques and significant inputs used to determine the fair value of investments, and Note 5 for information about investments within the fair value hierarchy.

Equity Securities and Debt Instruments, at Fair Value

Equity securities and debt instruments, at fair value are accounted for at fair value either under the fair value option or in accordance with other U.S. GAAP, and the related fair value gains and losses are recognized in the consolidated statements of earnings.

Equity Securities, at Fair Value. Equity securities, at fair value consists of the firm's public and private equity investments in corporate and real estate entities.

The table below presents information about equity securities, at fair value.

\$ in millions	As of	
	September 2023	December 2022
Equity securities, at fair value	\$ 13,742	\$ 14,892
Equity Type		
Public equity	9%	13%
Private equity	91%	87%
Total	100%	100%
Asset Class		
Corporate	72%	71%
Real estate	28%	29%
Total	100%	100%

In the table above:

- Equity securities, at fair value included investments accounted for at fair value under the fair value option where the firm would otherwise apply the equity method of accounting of \$5.06 billion as of September 2023 and \$5.35 billion as of December 2022. Gains/(losses) recognized as a result of changes in the fair value of equity securities for which the fair value option was elected were \$(179) million for the three months ended September 2023, \$(118) million for the three months ended September 2022, \$(591) million for the nine months ended September 2023 and \$(189) million for the nine months ended September 2022. These gains/(losses) are included in other principal transactions.
- Equity securities, at fair value included \$1.22 billion as of September 2023 and \$1.30 billion as of December 2022 of investments in funds that are measured at NAV.

Debt Instruments, at Fair Value. Debt instruments, at fair value primarily includes mezzanine, senior and distressed debt.

The table below presents information about debt instruments, at fair value.

\$ in millions	As of	
	September 2023	December 2022
Corporate debt securities	\$ 9,362	\$ 10,098
Securities backed by real estate	785	1,003
Money market instruments	896	1,005
Other	2,262	1,969
Total	\$ 13,305	\$ 14,075

In the table above:

- Substantially all of the firm's money market instruments consist of time deposits.
- Other included \$1.82 billion as of September 2023 and \$1.64 billion as of December 2022 of investments in credit funds that are measured at NAV.

Notes to Consolidated Financial Statements (Unaudited)

Investments in Funds at Net Asset Value Per Share.

Equity securities and debt 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 fund investments when (i) the fund investment does not have a readily determinable fair value and (ii) the NAV of the investment fund is calculated in a manner consistent with the measurement principles of investment company accounting, including measurement of the investments at fair value.

Substantially all of the firm's investments in funds at NAV consist of investments in firm-sponsored private equity, credit, real estate and hedge funds where the firm co-invests with third-party investors.

Private equity funds primarily invest in a broad range of industries worldwide, including leveraged buyouts, recapitalizations, growth investments and distressed investments. Credit funds generally invest in loans and other fixed income instruments and are focused on providing private high-yield capital for leveraged and management buyout transactions, recapitalizations, financings, refinancings, acquisitions and restructurings for private equity firms, private family companies and corporate issuers. Real estate funds invest globally, primarily in real estate companies, loan portfolios, debt recapitalizations and property. Substantially all private equity, credit and real estate funds are closed-end funds in which the firm's investments are generally not eligible for redemption. Distributions will be received from these funds as the underlying assets are liquidated or distributed, the timing of which is uncertain.

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, the timing of which is uncertain.

The firm's investments in funds at NAV includes investments in "covered funds" as defined in the Volcker Rule of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The firm achieved conformance with the covered fund provisions of the Volcker Rule in July 2023 in accordance with the extension received from the Board of Governors of the Federal Reserve System (FRB).

The table below presents the fair value of investments in funds at NAV and the related unfunded commitments.

<i>\$ in millions</i>	Fair Value of Investments	Unfunded Commitments
As of September 2023		
Private equity funds	\$ 815	\$ 493
Credit funds	1,814	282
Hedge funds	48	—
Real estate funds	360	66
Total	\$ 3,037	\$ 841
As of December 2022		
Private equity funds	\$ 815	\$ 647
Credit funds	1,645	303
Hedge funds	68	—
Real estate funds	413	138
Total	\$ 2,941	\$ 1,088

Notes to Consolidated Financial Statements (Unaudited)

Available-for-Sale Securities

Available-for-sale securities are accounted for at fair value, and the related unrealized fair value gains and losses are included in accumulated other comprehensive income/(loss) unless designated in a fair value hedging relationship. See Note 7 for information about available-for-sale securities that are designated in a hedging relationship.

The table below presents information about available-for-sale securities by tenor.

<i>\$ in millions</i>	Amortized Cost	Fair Value	Weighted Average Yield
As of September 2023			
Less than 1 year	\$ 25,004	\$ 24,401	0.37%
1 year to 5 years	23,638	22,194	1.25%
5 years to 10 years	530	478	1.86%
Total U.S. government obligations	49,172	47,073	0.80%
Less than 1 year	10	9	0.01%
1 year to 5 years	1,562	1,296	0.10%
5 years to 10 years	1,083	882	0.84%
Total non-U.S. government obligations	2,655	2,187	0.40%
Total available-for-sale securities	\$ 51,827	\$ 49,260	0.78%
As of December 2022			
Less than 1 year	\$ 8,103	\$ 7,861	0.37%
1 year to 5 years	41,479	38,706	0.74%
5 years to 10 years	538	488	1.86%
Total U.S. government obligations	50,120	47,055	0.69%
1 year to 5 years	10	10	0.27%
5 years to 10 years	2,616	2,169	0.40%
Total non-U.S. government obligations	2,626	2,179	0.40%
Total available-for-sale securities	\$ 52,746	\$ 49,234	0.68%

In the table above:

- The weighted average yield for available-for-sale securities is presented on a pre-tax basis and computed using the effective interest rate of each security at the end of the period, weighted based on the fair value of each security.
- The gross unrealized gains included in accumulated other comprehensive income/(loss) were not material and the gross unrealized losses included in accumulated other comprehensive income/(loss) were \$2.57 billion as of September 2023 and primarily related to U.S. government obligations in a continuous unrealized loss position for more than a year. The gross unrealized gains included in accumulated other comprehensive income/(loss) were not material and the gross unrealized losses included in accumulated other comprehensive income/(loss) were \$3.52 billion as of December 2022 and primarily related to U.S. government obligations in a continuous unrealized loss position for more than a year. Net unrealized gains/(losses) included in other comprehensive income/(loss) were \$431 million (\$317 million, net of tax) for the three months ended September 2023, \$(836) million (\$615) million, net of tax) for the three months ended September 2022, \$945 million (\$720 million, net of tax) for the nine months ended September 2023 and \$(3.23) billion (\$(2.41) billion, net of tax) for the nine months ended September 2022.

- Substantially all available-for-sale securities were classified in level 1 of the fair value hierarchy as of both September 2023 and December 2022.
- If the fair value of available-for-sale securities is less than amortized cost, such securities are considered impaired. If the firm has the intent to sell the debt security, or if it is more likely than not that the firm will be required to sell the debt security before recovery of its amortized cost, the difference between the amortized cost (net of allowance, if any) and the fair value of the securities is recognized as an impairment loss in earnings. The firm did not record any such impairment losses during either the three or nine months ended September 2023 or September 2022. Impaired available-for-sale debt securities that the firm has the intent and ability to hold are reviewed to determine if an allowance for credit losses should be recorded. The firm considers various factors in such determination, including market conditions, changes in issuer credit ratings and severity of the unrealized losses. The firm did not record any provision for credit losses on such securities during either the three or nine months ended September 2023 or September 2022.

The table below presents gross realized gains and the proceeds from the sales of available-for-sale securities.

<i>\$ in millions</i>	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Gross realized gains	\$ 2	\$ –	\$ 8	\$ –
Proceeds from sales	\$ 540	\$ –	\$ 3,161	\$ 2

In the table above, the specific identification method is used to determine realized gains on available-for-sale securities. Such amounts were reclassified from accumulated other comprehensive income/(loss) to other principal transactions in the consolidated statements of earnings.

Notes to Consolidated Financial Statements (Unaudited)

Held-to-Maturity Securities

Held-to-maturity securities are accounted for at amortized cost.

The table below presents information about held-to-maturity securities by type and tenor.

<i>\$ in millions</i>	Amortized Cost	Fair Value	Weighted Average Yield
As of September 2023			
Less than 1 year	\$ 16,020	\$ 15,859	3.13%
1 year to 5 years	50,391	48,627	3.45%
5 years to 10 years	1,896	1,827	3.87%
Total government obligations	68,307	66,313	3.38%
1 year to 5 years	3	2	7.78%
Greater than 10 years	200	200	5.87%
Total securities backed by real estate	203	202	5.90%
Total held-to-maturity securities	\$ 68,510	\$ 66,515	3.39%
As of December 2022			
Less than 1 year	\$ 5,319	\$ 5,282	2.98%
1 year to 5 years	45,154	43,852	3.00%
5 years to 10 years	1,026	966	2.89%
Total government obligations	51,499	50,100	2.99%
5 years to 10 years	2	2	5.63%
Greater than 10 years	161	158	3.18%
Total securities backed by real estate	163	160	3.24%
Total held-to-maturity securities	\$ 51,662	\$ 50,260	2.99%

In the table above:

- Substantially all of the government obligations consist of U.S. government obligations.
- Substantially all of the securities backed by real estate consist of securities backed by residential real estate.
- As these securities are not accounted for at fair value, they are not included in the firm's fair value hierarchy in Notes 4 and 5. Had these securities been included in the firm's fair value hierarchy, government obligations would have been classified in level 1 and securities backed by real estate would have been primarily classified in level 2 of the fair value hierarchy as of both September 2023 and December 2022.
- The weighted average yield for held-to-maturity securities is presented on a pre-tax basis and computed using the effective interest rate of each security at the end of the period, weighted based on the amortized cost of each security.
- The gross unrealized gains were not material as of both September 2023 and December 2022. The gross unrealized losses were \$2.00 billion as of September 2023 and \$1.44 billion as of December 2022.
- Held-to-maturity securities are reviewed to determine if an allowance for credit losses should be recorded in the consolidated statements of earnings. The firm considers various factors in such determination, including market conditions, changes in issuer credit ratings, historical credit losses and sovereign guarantees. Provision for credit losses on such securities was not material during either the three or nine months ended September 2023 or September 2022.

Note 9.

Loans

Loans includes (i) loans held for investment that are accounted for at amortized cost net of allowance for loan losses or at fair value under the fair value option and (ii) loans held for sale that are accounted for at the lower of cost or fair value. Interest on loans is recognized over the life of the loan and is recorded on an accrual basis.

The table below presents information about loans.

<i>\$ in millions</i>	Amortized Cost	Fair Value	Held For Sale	Total
As of September 2023				
Loan Type				
Corporate	\$ 34,191	\$ 871	\$ 1,753	\$ 36,815
Commercial real estate	24,382	551	739	25,672
Residential real estate	19,924	4,028	1	23,953
Securities-based	15,053	—	—	15,053
Other collateralized	54,175	850	621	55,646
Consumer:				
Installment	272	—	6,103	6,375
Credit cards	17,885	—	—	17,885
Other	1,332	148	273	1,753
Total loans, gross	167,214	6,448	9,490	183,152
Allowance for loan losses	(4,895)	—	—	(4,895)
Total loans	\$ 162,319	\$ 6,448	\$ 9,490	\$ 178,257

As of December 2022

Loan Type				
Corporate	\$ 36,822	\$ 996	\$ 2,317	\$ 40,135
Commercial real estate	26,222	1,146	1,511	28,879
Residential real estate	18,523	4,511	1	23,035
Securities-based	16,671	—	—	16,671
Other collateralized	50,473	716	513	51,702
Consumer:				
Installment	6,326	—	—	6,326
Credit cards	15,820	—	—	15,820
Other	1,723	286	252	2,261
Total loans, gross	172,580	7,655	4,594	184,829
Allowance for loan losses	(5,543)	—	—	(5,543)
Total loans	\$ 167,037	\$ 7,655	\$ 4,594	\$ 179,286

In the table above:

- Loans held for investment that are accounted for at amortized cost include net deferred fees and costs, and unamortized premiums and discounts, which are amortized over the life of the loan. These amounts were less than 1% of loans accounted for at amortized cost as of both September 2023 and December 2022.
- During the first half of 2023, the firm completed the sale of substantially all of the Marcus installment loans portfolio.
- During the third quarter of 2023, in connection with the planned sale of GreenSky, the firm transferred the entire GreenSky installment loans portfolio of approximately \$6.0 billion to held for sale. See Note 18 for information about related commitments that were classified as held for sale. As a result, the firm recognized net revenues of \$(123) million, which were more than offset by a related reduction in reserves of \$637 million in provision for credit losses.

Notes to Consolidated Financial Statements (Unaudited)

- Substantially all loans had floating interest rates as of both September 2023 and December 2022.

The following is a description of the loan types in the table above:

- **Corporate.** Corporate loans includes term loans, revolving lines of credit, letter of credit facilities and bridge loans, and are principally used for operating and general corporate purposes, or in connection with acquisitions. Corporate loans are secured (typically by a senior lien on the assets of the borrower) or unsecured, depending on the loan purpose, the risk profile of the borrower and other factors.
- **Commercial Real Estate.** Commercial real estate loans includes originated loans that are directly or indirectly secured by hotels, retail stores, multifamily housing complexes and commercial and industrial properties. Commercial real estate loans also includes loans extended to clients who warehouse assets that are directly or indirectly backed by commercial real estate. In addition, commercial real estate includes loans purchased by the firm.
- **Residential Real Estate.** Residential real estate loans primarily includes loans extended to wealth management clients and to clients who warehouse assets that are directly or indirectly secured by residential real estate. In addition, residential real estate includes loans purchased by the firm.
- **Securities-Based.** Securities-based loans includes loans that are secured by stocks, bonds, mutual funds, and exchange-traded funds. These loans are primarily extended to the firm's wealth management clients and used for purposes other than purchasing, carrying or trading margin stocks. Securities-based loans require borrowers to post additional collateral based on changes in the underlying collateral's fair value.
- **Other Collateralized.** Other collateralized loans includes loans that are backed by specific collateral (other than securities and real estate). Such loans are extended to clients who warehouse assets that are directly or indirectly secured by corporate loans, consumer loans and other assets. Other collateralized loans also includes loans to investment funds (managed by third parties) that are collateralized by capital commitments of the funds' investors or assets held by the fund, as well as other secured loans extended to the firm's wealth management clients.

- **Installment.** Installment loans are unsecured loans originated by the firm.

- **Credit Cards.** Credit card loans are loans made pursuant to revolving lines of credit issued to consumers by the firm.

- **Other.** Other loans includes unsecured loans extended to wealth management clients and unsecured consumer and credit card loans purchased by the firm.

See Note 4 for an overview of the firm's fair value measurement policies, valuation techniques and significant inputs used to determine the fair value of loans, and Note 5 for information about loans within the fair value hierarchy.

Credit Quality

Risk Assessment. The firm's risk assessment process includes evaluating the credit quality of its loans by the firm's independent risk oversight and control function. For corporate loans and a majority of securities-based, real estate, other collateralized and other loans, the firm performs credit analyses which incorporate initial and ongoing evaluations of the capacity and willingness of a borrower to meet its financial obligations. These credit evaluations are performed on an annual basis or more frequently if deemed necessary as a result of events or changes in circumstances. The firm determines an internal credit rating for the borrower by considering the results of the credit evaluations and assumptions with respect to the nature of and outlook for the borrower's industry and the economic environment. Beginning in the first quarter of 2023, the firm also takes into consideration collateral received or other credit support arrangements when determining an internal credit rating on collateralized loans, as management believes that this methodology better reflects the credit quality of the underlying loans. In the table below, prior period amounts have been conformed to reflect the current methodology. The impact to December 2022 was an increase in loans classified as investment-grade and a decrease in loans classified as non-investment-grade of \$25.0 billion in real estate (warehouse loans) and other collateralized loans. For consumer loans and for loans that are not assigned an internal credit rating, the firm reviews certain key metrics, including, but not limited to, the Fair Isaac Corporation (FICO) credit scores, delinquency status, collateral value and other risk factors.

Notes to Consolidated Financial Statements (Unaudited)

The table below presents gross loans by an internally determined public rating agency equivalent or other credit metrics and the concentration of secured and unsecured loans.

<i>\$ in millions</i>	Investment- Grade	Non-Investment- Grade	Other Metrics/ Unrated	Total
As of September 2023				
Accounting Method				
Amortized cost	\$ 88,225	\$ 54,179	\$ 24,810	\$ 167,214
Fair value	1,850	2,441	2,157	6,448
Held for sale	635	2,624	6,231	9,490
Total	\$ 90,710	\$ 59,244	\$ 33,198	\$ 183,152
Loan Type				
Corporate	\$ 8,296	\$ 28,397	\$ 122	\$ 36,815
Real estate:				
Commercial	12,183	13,480	9	25,672
Residential	13,271	5,075	5,607	23,953
Securities-based	11,397	635	3,021	15,053
Other collateralized	44,634	10,932	80	55,646
Consumer:				
Installment	–	–	6,375	6,375
Credit cards	–	–	17,885	17,885
Other	929	725	99	1,753
Total	\$ 90,710	\$ 59,244	\$ 33,198	\$ 183,152
Secured	92%	90%	26%	79%
Unsecured	8%	10%	74%	21%
Total	100%	100%	100%	100%
As of December 2022				
Accounting Method				
Amortized cost	\$ 88,497	\$ 55,122	\$ 28,961	\$ 172,580
Fair value	2,116	2,968	2,571	7,655
Held for sale	557	3,991	46	4,594
Total	\$ 91,170	\$ 62,081	\$ 31,578	\$ 184,829
Loan Type				
Corporate	\$ 10,200	\$ 29,935	\$ –	\$ 40,135
Real estate:				
Commercial	11,922	16,822	135	28,879
Residential	11,994	5,670	5,371	23,035
Securities-based	12,901	764	3,006	16,671
Other collateralized	43,093	8,291	318	51,702
Consumer:				
Installment	–	–	6,326	6,326
Credit cards	–	–	15,820	15,820
Other	1,060	599	602	2,261
Total	\$ 91,170	\$ 62,081	\$ 31,578	\$ 184,829
Secured	89%	90%	27%	79%
Unsecured	11%	10%	73%	21%
Total	100%	100%	100%	100%

In the table above:

- Substantially all residential real estate, securities-based, other collateralized and other loans included in the other metrics/unrated category consists of loans where the firm uses other key metrics to assess the borrower's credit quality, such as loan-to-value ratio, delinquency status, collateral value, expected cash flows, FICO credit score (which measures a borrower's creditworthiness by considering factors such as payment and credit history) and other risk factors.
- For installment and credit card loans included in the other metrics/unrated category, the evaluation of credit quality incorporates the borrower's FICO credit score. FICO credit scores are periodically refreshed by the firm to assess the updated creditworthiness of the borrower. See "Vintage" below for information about installment and credit card loans by FICO credit scores.

The firm also assigns a regulatory risk rating to its loans based on the definitions provided by the U.S. federal bank regulatory agencies. Total loans included 91% of loans as of September 2023 and 93% of loans as of December 2022 that were rated pass/non-criticized.

Notes to Consolidated Financial Statements (Unaudited)

Vintage. The tables below present gross loans accounted for at amortized cost (excluding installment and credit card loans) by an internally determined public rating agency equivalent or other credit metrics and origination year for term loans.

\$ in millions	As of September 2023			
	Investment-Grade	Non-Investment-Grade	Other Metrics/Unrated	Total
2023	\$ 569	\$ 1,080	\$ –	\$ 1,649
2022	1,577	3,265	–	4,842
2021	1,191	4,531	–	5,722
2020	338	2,439	–	2,777
2019	161	2,328	–	2,489
2018 or earlier	445	2,788	–	3,233
Revolving	3,656	9,823	–	13,479
Corporate	7,937	26,254	–	34,191
2023	458	698	–	1,156
2022	1,254	3,131	–	4,385
2021	1,292	2,867	–	4,159
2020	356	1,262	–	1,618
2019	370	910	–	1,280
2018 or earlier	924	775	–	1,699
Revolving	7,296	2,789	–	10,085
Commercial real estate	11,950	12,432	–	24,382
2023	740	422	598	1,760
2022	841	757	1,254	2,852
2021	834	916	1,305	3,055
2020	4	22	83	109
2019	7	–	91	98
2018 or earlier	–	59	220	279
Revolving	9,894	1,877	–	11,771
Residential real estate	12,320	4,053	3,551	19,924
2023	8	–	–	8
2022	5	–	–	5
2019	6	–	–	6
2018 or earlier	–	291	–	291
Revolving	11,378	344	3,021	14,743
Securities-based	11,397	635	3,021	15,053
2023	4,723	1,629	–	6,352
2022	2,109	423	10	2,542
2021	2,678	1,400	22	4,100
2020	1,367	621	32	2,020
2019	635	74	10	719
2018 or earlier	485	251	–	736
Revolving	31,740	5,966	–	37,706
Other collateralized	43,737	10,364	74	54,175
2023	55	15	–	70
2022	56	12	–	68
2021	17	70	–	87
2020	–	234	–	234
2019	–	4	–	4
2018 or earlier	–	–	7	7
Revolving	756	106	–	862
Other	884	441	7	1,332
Total	\$ 88,225	\$ 54,179	\$ 6,653	\$ 149,057
Percentage of total	59%	36%	5%	100%

\$ in millions	As of December 2022			
	Investment-Grade	Non-Investment-Grade	Other Metrics/Unrated	Total
2022	\$ 2,607	\$ 4,042	\$ 2	\$ 6,651
2021	1,669	4,273	–	5,942
2020	684	2,595	–	3,279
2019	209	2,779	–	2,988
2018	759	1,911	–	2,670
2017 or earlier	508	2,329	–	2,837
Revolving	3,709	8,746	–	12,455
Corporate	10,145	26,675	2	36,822
2022	805	3,900	2	4,707
2021	771	3,460	–	4,231
2020	407	1,740	–	2,147
2019	480	1,267	–	1,747
2018	212	469	–	681
2017 or earlier	1,238	797	11	2,046
Revolving	7,660	3,003	–	10,663
Commercial real estate	11,573	14,636	13	26,222
2022	1,493	833	1,307	3,633
2021	1,263	888	1,357	3,508
2020	8	6	89	103
2019	7	–	99	106
2018	10	50	138	198
2017 or earlier	31	10	142	183
Revolving	8,065	2,727	–	10,792
Residential real estate	10,877	4,514	3,132	18,523
2022	5	–	–	5
2018	1	–	–	1
2017 or earlier	–	291	–	291
Revolving	12,895	473	3,006	16,374
Securities-based	12,901	764	3,006	16,671
2022	4,556	751	113	5,420
2021	3,339	1,098	146	4,583
2020	1,871	701	36	2,608
2019	523	79	12	614
2018	545	108	6	659
2017 or earlier	487	108	–	595
Revolving	30,669	5,323	2	35,994
Other collateralized	41,990	8,168	315	50,473
2022	44	105	–	149
2021	17	162	–	179
2020	–	29	262	291
2019	–	10	–	10
2017 or earlier	–	–	5	5
Revolving	950	59	80	1,089
Other	1,011	365	347	1,723
Total	\$ 88,497	\$ 55,122	\$ 6,815	\$ 150,434
Percentage of total	59%	37%	4%	100%

In the tables above, revolving loans which converted to term loans were \$1.23 billion as of September 2023 and \$725 million as of December 2022, and primarily included other collateralized loans.

Notes to Consolidated Financial Statements (Unaudited)

The table below presents gross installment loans accounted for at amortized cost by refreshed FICO credit scores and origination year and gross credit card loans by refreshed FICO credit scores.

<i>\$ in millions</i>	Greater than or equal to 660		Less than 660		Total
As of September 2023					
2023	\$	82	\$	10	\$ 92
2022		140		25	165
2021 or earlier		12		3	15
Installment		234		38	272
Credit cards		11,680		6,205	17,885
Total	\$	11,914	\$	6,243	\$ 18,157
Percentage of total:					
Installment		86%		14%	100%
Credit cards		65%		35%	100%
Total		66%		34%	100%
As of December 2022					
2022	\$	4,349	\$	242	\$ 4,591
2021		1,080		109	1,189
2020		251		23	274
2019		160		23	183
2018		70		13	83
2017 or earlier		5		1	6
Installment		5,915		411	6,326
Credit cards		10,762		5,058	15,820
Total	\$	16,677	\$	5,469	\$ 22,146
Percentage of total:					
Installment		94%		6%	100%
Credit cards		68%		32%	100%
Total		75%		25%	100%

In the table above, credit card loans consist of revolving lines of credit.

Credit Concentrations. The table below presents the concentration of gross loans by region.

<i>\$ in millions</i>	Carrying Value	Americas	EMEA	Asia	Total
As of September 2023					
Corporate	\$ 36,815	62%	30%	8%	100%
Commercial real estate	25,672	83%	14%	3%	100%
Residential real estate	23,953	96%	3%	1%	100%
Securities-based	15,053	80%	19%	1%	100%
Other collateralized	55,646	84%	14%	2%	100%
Consumer:					
Installment	6,375	100%	—	—	100%
Credit cards	17,885	100%	—	—	100%
Other	1,753	91%	9%	—	100%
Total	\$183,152	83%	14%	3%	100%
As of December 2022					
Corporate	\$ 40,135	57%	34%	9%	100%
Commercial real estate	28,879	79%	16%	5%	100%
Residential real estate	23,035	96%	3%	1%	100%
Securities-based	16,671	83%	15%	2%	100%
Other collateralized	51,702	86%	12%	2%	100%
Consumer:					
Installment	6,326	100%	—	—	100%
Credit cards	15,820	100%	—	—	100%
Other	2,261	89%	11%	—	100%
Total	\$184,829	81%	15%	4%	100%

In the table above:

- EMEA represents Europe, Middle East and Africa.
- The top five industry concentrations for corporate loans as of September 2023 were 26% for technology, media & telecommunications, 17% for diversified industrials, 12% for real estate, 10% for consumer & retail and 10% for healthcare.
- The top five industry concentrations for corporate loans as of December 2022 were 26% for technology, media & telecommunications, 18% for diversified industrials, 11% for real estate, 10% for healthcare and 10% for consumer & retail.

Nonaccrual, Past Due and Modified Loans. Loans accounted for at amortized cost (other than credit card loans) are placed on nonaccrual status when it is probable that the firm will not collect all principal and interest due under the contractual terms, regardless of the delinquency status or if a loan is past due for 90 days or more, unless the loan is both well collateralized and in the process of collection. At that time, 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. A loan is considered past due when a principal or interest payment has not been made according to its contractual terms. Credit card loans are not placed on nonaccrual status and accrue interest until the loan is paid in full or is charged off.

The table below presents information about past due loans.

<i>\$ in millions</i>	30-89 days	90 days or more	Total
As of September 2023			
Corporate	\$ —	\$ 80	\$ 80
Commercial real estate	295	543	838
Residential real estate	1	5	6
Securities-based	1	—	1
Other collateralized	33	63	96
Consumer:			
Installment	8	6	14
Credit cards	423	424	847
Other	7	11	18
Total	\$ 768	\$ 1,132	\$ 1,900
Total divided by gross loans at amortized cost			1.1%
As of December 2022			
Corporate	\$ —	\$ 92	\$ 92
Commercial real estate	47	362	409
Residential real estate	4	6	10
Securities-based	1	—	1
Other collateralized	10	5	15
Consumer:			
Installment	46	17	63
Credit cards	291	265	556
Other	17	5	22
Total	\$ 416	\$ 752	\$ 1,168
Total divided by gross loans at amortized cost			0.7%

Notes to Consolidated Financial Statements (Unaudited)

The table below presents information about nonaccrual loans.

\$ in millions	As of	
	September 2023	December 2022
Corporate	\$ 1,614	\$ 1,432
Commercial real estate	1,913	1,079
Residential real estate	19	93
Other collateralized	814	65
Other	20	—
Installment	4	41
Total	\$ 4,384	\$ 2,710
Total divided by gross loans at amortized cost	2.6%	1.6%

In the table above:

- Nonaccrual loans included \$993 million as of September 2023 and \$483 million as of December 2022 of loans that were 30 days or more past due.
- Loans that were 90 days or more past due and still accruing were not material as of both September 2023 and December 2022.
- Allowance for loan losses as a percentage of total nonaccrual loans was 111.7% as of September 2023 and 204.5% as of December 2022.

In certain circumstances, the firm may modify the original terms of a loan agreement by granting a concession to a borrower experiencing financial difficulty, typically in the form of a modification of loan covenants, but may also include forbearance of interest or principal, payment extensions or interest rate reductions. These modifications, to the extent significant, were considered TDRs as of December 2022. In January 2023, the firm adopted ASU No. 2022-02, which eliminated the recognition and measurement guidance for TDRs and requires enhanced disclosures for certain loan modifications. As of December 2022, loans modified in a TDR were \$231 million and commitments related to such loans were not material. Substantially all of such loans modified in a TDR were related to corporate and commercial real estate loans. During both the three and nine months ended September 2023, the firm provided loan modifications (in the form of term extensions) to borrowers experiencing financial difficulty. As of September 2023, the carrying value of loans modified during the three months ended September 2023 was \$172 million and the carrying value of loans modified during the nine months ended September 2023 was \$755 million. Lending commitments related to such loans were not material and such loan modifications were primarily related to corporate and commercial real estate loans. The impact of these modifications was not material for either the three or nine months ended September 2023. During the nine months ended September 2023, the firm charged-off approximately \$100 million of loans that had defaulted after being modified. Substantially all of the remaining modified loans were performing in accordance with the modified contractual terms as of September 2023.

Allowance for Credit Losses

The firm's allowance for credit losses consists of the allowance for losses on loans and lending commitments accounted for at amortized cost. Loans and lending commitments accounted for at fair value or accounted for at the lower of cost or fair value are not subject to an allowance for credit losses.

To determine the allowance for credit losses, the firm classifies its loans and lending commitments accounted for at amortized cost into wholesale and consumer portfolios. These portfolios represent the level at which the firm has developed and documented its methodology to determine the allowance for credit losses. The allowance for credit losses is measured on a collective basis for loans that exhibit similar risk characteristics using a modeled approach and on an asset-specific basis for loans that do not share similar risk characteristics.

The allowance for credit losses takes into account the weighted average of a range of forecasts of future economic conditions over the expected life of the loan and lending commitments. The expected life of each loan or lending commitment is determined based on the contractual term adjusted for extension options or demand features, or is modeled in the case of revolving credit card loans. The forecasts include baseline, favorable and adverse economic scenarios over a three-year period. For loans with expected lives beyond three years, the model reverts to historical loss information based on a non-linear modeled approach. The forecasted economic scenarios consider a number of risk factors relevant to the wholesale and consumer portfolios described below. The firm applies judgment in weighing individual scenarios each quarter based on a variety of factors, including the firm's internally derived economic outlook, market consensus, recent macroeconomic conditions and industry trends.

The allowance for credit losses also includes qualitative components which allow management to reflect the uncertain nature of economic forecasting, capture uncertainty regarding model inputs, and account for model imprecision and concentration risk.

Notes to Consolidated Financial Statements (Unaudited)

Management's estimate of credit losses entails judgment about the expected life of the loan and loan collectability at the reporting dates, and there are uncertainties inherent in those judgments. The allowance for credit losses is subject to a governance process that involves review and approval by senior management within the firm's independent risk oversight and control functions. Personnel within the firm's independent risk oversight and control functions are responsible for forecasting the economic variables that underlie the economic scenarios that are used in the modeling of expected credit losses. 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.

The table below presents gross loans and lending commitments accounted for at amortized cost by portfolio.

\$ in millions	As of			
	September 2023		December 2022	
	Loans	Lending Commitments	Loans	Lending Commitments
Wholesale				
Corporate	\$ 34,191	\$ 142,270	\$ 36,822	\$ 137,149
Commercial real estate	24,382	3,286	26,222	3,692
Residential real estate	19,924	1,889	18,523	3,089
Securities-based	15,053	815	16,671	508
Other collateralized	54,175	15,411	50,473	13,209
Other	1,332	883	1,723	944
Consumer				
Installment	272	1	6,326	1,882
Credit cards	17,885	68,394	15,820	62,216
Total	\$ 167,214	\$ 232,949	\$ 172,580	\$ 222,689

In the table above, wholesale loans included \$4.38 billion as of September 2023 and \$2.67 billion as of December 2022 of nonaccrual loans for which the allowance for credit losses was measured on an asset-specific basis. The allowance for credit losses on these loans was \$708 million as of September 2023 and \$535 million as of December 2022. These loans included \$922 million as of September 2023 and \$384 million as of December 2022 of loans which did not require a reserve as the loan was deemed to be recoverable.

See Note 18 for further information about lending commitments.

The following is a description of the methodology used to calculate the allowance for credit losses:

Wholesale. The allowance for credit losses for wholesale loans and lending commitments that exhibit similar risk characteristics is measured using a modeled approach. These models determine the probability of default and loss given default based on various risk factors, including internal credit ratings, industry default and loss data, expected life, macroeconomic indicators, the borrower's capacity to meet its financial obligations, the borrower's country of risk and industry, loan seniority and collateral type. For lending commitments, the methodology also considers the probability of drawdowns or funding. In addition, for loans backed by real estate, risk factors include the loan-to-value ratio, debt service ratio and home price index. The most significant inputs to the forecast model for wholesale loans and lending commitments include unemployment rates, GDP, credit spreads, commercial and industrial delinquency rates, short- and long-term interest rates, and oil prices.

The allowance for loan losses for wholesale loans that do not share similar risk characteristics, such as nonaccrual loans, is calculated using the present value of expected future cash flows discounted at the loan's effective rate, the observable market price of the loan or the fair value of the collateral.

Wholesale loans are charged off against the allowance for loan losses when deemed to be uncollectible.

Consumer. The allowance for credit losses for consumer loans that exhibit similar risk characteristics is calculated using a modeled approach which classifies consumer loans into pools based on borrower-related and exposure-related characteristics that differentiate a pool's risk characteristics from other pools. The factors considered in determining a pool are generally consistent with the risk characteristics used for internal credit risk measurement and management and include key metrics, such as FICO credit scores, delinquency status, loan vintage and macroeconomic indicators. The most significant inputs to the forecast model for consumer loans include unemployment rates and delinquency rates. The expected life of revolving credit card loans is determined by modeling expected future draws and the timing and amount of repayments allocated to the funded balance. The firm also recognizes an allowance for credit losses on commitments to acquire loans. However, no allowance for credit losses is recognized on credit card lending commitments as they are cancellable by the firm.

Installment loans are charged off when they are 120 days past due. Credit card loans are charged off when they are 180 days past due.

Notes to Consolidated Financial Statements (Unaudited)

Allowance for Credit Losses Rollforward

The table below presents information about the allowance for credit losses.

\$ in millions	Wholesale	Consumer	Total
Three Months Ended September 2023			
Allowance for loan losses			
Beginning balance	\$ 2,497	\$ 2,735	\$ 5,232
Charge-offs	(166)	(302)	(468)
Recoveries	9	26	35
Net (charge-offs)/recoveries	(157)	(276)	(433)
Provision	149	(37)	112
Other	(16)	–	(16)
Ending balance	\$ 2,473	\$ 2,422	\$ 4,895
Allowance ratio	1.7%	13.3%	2.9%
Net charge-off ratio	0.4%	5.1%	1.0%
Allowance for losses on lending commitments			
Beginning balance	\$ 729	\$ 48	\$ 777
Provision	(57)	(48)	(105)
Other	(2)	–	(2)
Ending balance	\$ 670	\$ –	\$ 670
Three Months Ended September 2022			
Allowance for loan losses			
Beginning balance	\$ 2,458	\$ 2,104	\$ 4,562
Charge-offs	(65)	(150)	(215)
Recoveries	22	21	43
Net (charge-offs)/recoveries	(43)	(129)	(172)
Provision	78	403	481
Other	(25)	–	(25)
Ending balance	\$ 2,468	\$ 2,378	\$ 4,846
Allowance ratio	1.7%	12.6%	2.9%
Net charge-off ratio	0.1%	2.9%	0.4%
Allowance for losses on lending commitments			
Beginning balance	\$ 702	\$ 3	\$ 705
Provision	(10)	44	34
Ending balance	\$ 692	\$ 47	\$ 739
Nine Months Ended September 2023			
Allowance for loan losses			
Beginning balance	\$ 2,562	\$ 2,981	\$ 5,543
Charge-offs	(350)	(893)	(1,243)
Recoveries	32	76	108
Net (charge-offs)/recoveries	(318)	(817)	(1,135)
Provision	293	258	551
Other	(64)	–	(64)
Ending balance	\$ 2,473	\$ 2,422	\$ 4,895
Allowance ratio	1.7%	13.3%	2.9%
Net charge-off ratio	0.3%	5.1%	0.9%
Allowance for losses on lending commitments			
Beginning balance	\$ 711	\$ 63	\$ 774
Provision	(37)	(63)	(100)
Other	(4)	–	(4)
Ending balance	\$ 670	\$ –	\$ 670
Nine Months Ended September 2022			
Allowance for loan losses			
Beginning balance	\$ 2,135	\$ 1,438	\$ 3,573
Charge-offs	(237)	(348)	(585)
Recoveries	48	62	110
Net (charge-offs)/recoveries	(189)	(286)	(475)
Provision	551	1,226	1,777
Other	(29)	–	(29)
Ending balance	\$ 2,468	\$ 2,378	\$ 4,846
Allowance ratio	1.7%	12.6%	2.9%
Net charge-off ratio	0.2%	2.5%	0.4%
Allowance for losses on lending commitments			
Beginning balance	\$ 589	\$ 187	\$ 776
Provision	106	(140)	(34)
Other	(3)	–	(3)
Ending balance	\$ 692	\$ 47	\$ 739

In the table above:

- The allowance ratio is calculated by dividing the allowance for loan losses by gross loans accounted for at amortized cost.
- The net charge-off ratio is calculated by dividing annualized net (charge-offs)/recoveries by average gross loans accounted for at amortized cost.

Forecast Model Inputs as of September 2023

When modeling expected credit losses, the firm employs a weighted, multi-scenario forecast, which includes baseline, adverse and favorable economic scenarios. As of September 2023, this multi-scenario forecast was weighted towards the baseline and adverse economic scenarios.

The table below presents the forecasted U.S. unemployment and U.S. GDP growth rates used in the baseline economic scenario of the forecast model.

	As of September 2023
U.S. unemployment rate	
Forecast for the quarter ended:	
December 2023	3.9%
June 2024	4.3%
December 2024	4.3%
Growth in U.S. GDP	
Forecast for the year:	
2023	2.1%
2024	1.2%
2025	1.7%

The adverse economic scenario of the forecast model reflects a global recession in the fourth quarter of 2023 through the third quarter of 2024, resulting in an economic contraction and rising unemployment rates. In this scenario, the U.S. unemployment rate peaks at approximately 7.4% during the fourth quarter of 2024 and the maximum decline in the quarterly U.S. GDP relative to the third quarter of 2023 is approximately 2.7%, which occurs during the third quarter of 2024.

In the table above:

- U.S. unemployment rate represents the rate forecasted as of the respective quarter-end.
- Growth in U.S. GDP represents the year-over-year growth rate forecasted for the respective years.
- While the U.S. unemployment and U.S. GDP growth rates are significant inputs to the forecast model, the model contemplates a variety of other inputs across a range of scenarios to provide a forecast of future economic conditions. Given the complex nature of the forecasting process, no single economic variable can be viewed in isolation and independently of other inputs.

Notes to Consolidated Financial Statements (Unaudited)

Allowance for Credit Losses Commentary

Three Months Ended September 2023. The allowance for credit losses decreased by \$444 million during the three months ended September 2023, reflecting a net release related to the GreenSky loan portfolio (including a reserve reduction of \$637 million related to the transfer of the portfolio to held for sale) and lower modeled expected credit losses relating to the wholesale portfolio due to increased stability in the macroeconomic environment, partially offset by asset specific provisions in the wholesale portfolio and seasoning of the credit card portfolio.

Charge-offs for the three months ended September 2023 for wholesale loans (principally related to term loans originated in 2021) were primarily related to commercial real estate loans and charge-offs for consumer loans were primarily related to credit cards.

Nine Months Ended September 2023. The allowance for credit losses decreased by \$752 million during the nine months ended September 2023, reflecting a net release related to the GreenSky loan portfolio (including a reserve reduction of \$637 million related to the transfer of the GreenSky loan portfolio to held for sale), a reserve reduction of approximately \$440 million associated with the sale of Marcus loans and lower balances in corporate loans, partially offset by seasoning of the credit card portfolio.

Charge-offs for the nine months ended September 2023 for wholesale loans (principally related to term loans originated in 2021 and 2019) were primarily related to corporate loans and charge-offs for consumer loans were primarily related to credit cards.

Three Months Ended September 2022. The allowance for credit losses increased by \$318 million during the three months ended September 2022, reflecting growth in the firm's consumer lending portfolio (principally in credit cards) and higher modeled expected losses due to broad macroeconomic concerns.

Charge-offs for the three months ended September 2022 for wholesale loans were primarily related to corporate loans and charge-offs for consumer loans were primarily related to credit cards.

Nine Months Ended September 2022. The allowance for credit losses increased by \$1.24 billion during the nine months ended September 2022, reflecting growth in the firm's consumer lending portfolio (principally in credit cards) and higher modeled expected losses due to broad macroeconomic and geopolitical concerns.

Charge-offs for the nine months ended September 2022 for wholesale loans were primarily related to corporate loans and charge-offs for consumer loans were primarily related to credit cards.

Estimated Fair Value

The table below presents the estimated fair value of loans that are not accounted for at fair value and in what level of the fair value hierarchy they would have been classified if they had been included in the firm's fair value hierarchy.

\$ in millions	Carrying Value	Estimated Fair Value		
		Level 2	Level 3	Total
As of September 2023				
Amortized cost	\$ 162,319	\$ 88,954	\$ 74,463	\$ 163,417
Held for sale	\$ 9,490	\$ 7,815	\$ 1,685	\$ 9,500
As of December 2022				
Amortized cost	\$ 167,037	\$ 85,921	\$ 83,121	\$ 169,042
Held for sale	\$ 4,594	\$ 2,592	\$ 2,014	\$ 4,606

In the table above, level 2 loans held for sale included the GreenSky installment loans portfolio of approximately \$6.0 billion and the estimated fair value of such loans was determined based on the bids received during the sales process. See Note 4 for an overview of the firm's fair value measurement policies, valuation techniques and significant inputs used to determine the fair value of other loans, and Note 5 for information about loans within the fair value hierarchy.

Note 10.

Fair Value Option

Other Financial Assets and Liabilities at Fair Value

In addition to trading assets and liabilities, and certain investments and loans, the firm accounts for certain of its other financial assets and liabilities at fair value, substantially all 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 assets accounted for as financings are recorded at fair value, whereas the related secured financing would be recorded on an accrual basis absent electing the fair value option); and
- Address simplification and cost-benefit considerations (e.g., accounting for hybrid financial instruments at fair value in their entirety versus bifurcation of embedded derivatives and hedge accounting for debt hosts).

Hybrid financial instruments are instruments that contain bifurcable embedded derivatives and do not require settlement by physical delivery of nonfinancial assets (e.g., physical commodities). If the firm elects to bifurcate the embedded derivative from the associated debt, the derivative is accounted for at fair value and the host contract is accounted for at amortized cost, adjusted for the effective portion of any fair value hedges. If the firm does not elect to bifurcate, the entire hybrid financial instrument is accounted for at fair value under the fair value option.

Notes to Consolidated Financial Statements (Unaudited)

Other financial assets and liabilities accounted for at fair value under the fair value option include:

- Repurchase agreements and substantially all resale agreements;
- Certain securities borrowed and loaned transactions;
- Certain customer and other receivables and certain other assets and liabilities;
- Certain time deposits (deposits with no stated maturity are not eligible for a fair value option election), including structured certificates of deposit, which are hybrid financial instruments;
- Substantially all other secured financings, including transfers of assets accounted for as financings; and
- Certain unsecured short- and long-term borrowings, substantially all of which are hybrid financial instruments.

See Note 4 for an overview of the firm's fair value measurement policies, valuation techniques and significant inputs used to determine the fair value of other financial assets and liabilities, and Note 5 for information about other financial assets and liabilities within the fair value hierarchy.

Gains and Losses on Other Financial Assets and 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 election to apply the fair value option to certain financial assets and liabilities.

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Unsecured short-term borrowings	\$ (111)	\$ 1,114	\$ (2,934)	\$ 5,379
Unsecured long-term borrowings	1,551	2,445	(890)	8,316
Other	(38)	434	(177)	1,255
Total	\$ 1,402	\$ 3,993	\$ (4,001)	\$ 14,950

In the table above:

- Gains/(losses) were substantially all included in market making.
- Gains/(losses) exclude contractual interest, which is included in interest income and interest expense, for all instruments other than hybrid financial instruments. See Note 23 for further information about interest income and interest expense.
- Gains/(losses) included in unsecured short- and long-term borrowings were substantially all related to the embedded derivative component of hybrid financial instruments. 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.

- Gains/(losses) included in other were substantially all related to resale and repurchase agreements, deposits, other secured financings and other liabilities.
- Other financial assets and liabilities at fair value are frequently economically hedged with trading assets and liabilities. Accordingly, gains or losses on such other financial assets and liabilities can be partially offset by gains or losses on trading assets and liabilities. As a result, gains or losses on other financial assets and liabilities do not necessarily represent the overall impact on the firm's results of operations, liquidity or capital resources.

Gains/(losses) on trading assets and liabilities accounted for at fair value under the fair value option are included in market making. See Note 6 for further information about gains/(losses) from market making. See Note 8 for information about gains/(losses) on equity securities and Note 9 for information about gains/(losses) on loans which are accounted for at fair value under the fair value option.

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 \$256 million as of September 2023. The related amount was not material as of December 2022.

The aggregate contractual principal amount of unsecured long-term borrowings, for which the fair value option was elected, exceeded the related fair value by \$5.91 billion as of September 2023 and \$5.03 billion as of December 2022.

These debt instruments include both principal-protected and non-principal-protected long-term borrowings.

Debt Valuation Adjustment

The firm calculates the fair value of financial liabilities for which the fair value option is elected by discounting future cash flows at a rate which incorporates the firm's credit spreads.

The table below presents information about the net debt valuation adjustment (DVA) gains/(losses) on financial liabilities for which the fair value option was elected.

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Pre-tax DVA	\$ 443	\$ 907	\$ (370)	\$ 3,488
After-tax DVA	\$ 328	\$ 673	\$ (283)	\$ 2,601

In the table above:

- After-tax DVA is included in debt valuation adjustment in the consolidated statements of comprehensive income.
- The gains/(losses) reclassified to market making in the consolidated statements of earnings from accumulated other comprehensive income/(loss) upon extinguishment of such financial liabilities were not material for each of the three and nine months ended September 2023 and September 2022.

Notes to Consolidated Financial Statements (Unaudited)

Loans and Lending Commitments

The table below presents the difference between the aggregate fair value and the aggregate contractual principal amount for loans (included in trading assets and loans in the consolidated balance sheets) for which the fair value option was elected.

\$ in millions	As of	
	September 2023	December 2022
Performing loans		
Aggregate contractual principal in excess of fair value	\$ 2,434	\$ 2,645
Loans on nonaccrual status and/or more than 90 days past due		
Aggregate contractual principal in excess of fair value	\$ 2,556	\$ 3,331
Aggregate fair value	\$ 1,955	\$ 2,633

In the table above, the aggregate contractual principal amount of loans on nonaccrual status and/or more than 90 days past due (which excludes loans carried at zero fair value and considered uncollectible) exceeds the related fair value primarily because the firm regularly purchases loans, such as distressed loans, at values significantly below the contractual principal amounts.

The fair value of unfunded lending commitments for which the fair value option was elected was a liability of \$10 million as of September 2023 and \$22 million as of December 2022, and the related total contractual amount of these lending commitments was \$176 million as of September 2023 and \$307 million as of December 2022. See Note 18 for further information about lending commitments.

Impact of Credit Spreads on Loans and Lending Commitments

The estimated net gain/(loss) attributable to changes in instrument-specific credit spreads on loans and lending commitments for which the fair value option was elected was \$(118) million for the three months ended September 2023, \$(75) million for the three months ended September 2022, \$(170) million for the nine months ended September 2023 and \$(182) million for the nine months ended September 2022. 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.

Note 11.

Collateralized Agreements and Financings

Collateralized agreements are resale agreements and securities borrowed. Collateralized financings are 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 with the same settlement date are presented on a net-by-counterparty basis when such transactions meet certain settlement criteria and are subject to netting agreements. Interest on collateralized agreements, which is included in interest income, and collateralized financings, which is included in interest expense, is recognized over the life of the transaction. See Note 23 for further information about interest income and interest expense.

Resale and Repurchase Agreements

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

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

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

The firm receives financial instruments purchased under resale agreements and makes delivery of financial instruments sold under repurchase agreements. To mitigate credit exposure, the firm monitors the market value of these financial instruments on a daily basis, and delivers or obtains additional collateral due to changes in the market value of the financial instruments, as appropriate. For resale agreements, the firm typically requires collateral with a fair value approximately equal to the carrying value of the relevant assets in the consolidated balance sheets.

Notes to Consolidated Financial Statements (Unaudited)

Repurchase agreements and substantially all resale agreements are recorded at fair value under the fair value option. See Note 5 for further information about repurchase and resale agreements.

Securities Borrowed and Loaned Transactions

In a securities borrowed transaction, the firm borrows securities from a counterparty in exchange for cash or securities. When the firm returns the securities, the counterparty returns the cash or securities. Interest is generally paid periodically over the life of the transaction.

In a securities loaned transaction, the firm lends securities to a counterparty in exchange for cash or securities. When the counterparty returns the securities, the firm returns the cash or securities posted as collateral. Interest is generally paid periodically over the life of the transaction.

The firm receives securities borrowed and makes delivery of securities loaned. To mitigate credit exposure, the firm monitors the market value of these securities on a daily basis, and delivers or obtains additional collateral due to changes in the market value of the securities, as appropriate. For securities borrowed transactions, the firm typically requires collateral with a fair value approximately equal to the carrying value of the securities borrowed transaction.

Securities borrowed and loaned within FICC financing are recorded at fair value under the fair value option. See Note 5 for further information about securities borrowed and loaned accounted for at fair value.

Substantially all of the securities borrowed and loaned within Equities financing are recorded based on the amount of cash collateral advanced or received plus accrued interest. The firm also reviews such securities borrowed to determine if an allowance for credit losses should be recorded by taking into consideration the fair value of collateral received. As these agreements generally can be terminated on demand, they exhibit little, if any, sensitivity to changes in interest rates. Therefore, the carrying value of such agreements approximates fair value. As these agreements are not accounted for at fair value, they are not included in the firm's fair value hierarchy in Notes 4 and 5. Had these agreements been included in the firm's fair value hierarchy, they would have been classified in level 2 as of both September 2023 and December 2022.

Offsetting Arrangements

The table below presents resale and repurchase agreements and securities borrowed and loaned transactions included in the consolidated balance sheets, as well as the amounts not offset in the consolidated balance sheets.

\$ in millions	Assets		Liabilities	
	Resale agreements	Securities borrowed	Repurchase agreements	Securities loaned
As of September 2023				
Included in the consolidated balance sheets				
Gross carrying value	\$ 266,438	\$ 197,625	\$ 301,422	\$ 55,626
Counterparty netting	(75,743)	(700)	(75,743)	(700)
Total	190,695	196,925	225,679	54,926
Amounts not offset				
Counterparty netting	(33,556)	(6,493)	(33,556)	(6,493)
Collateral	(149,881)	(183,674)	(189,154)	(46,941)
Total	\$ 7,258	\$ 6,758	\$ 2,969	\$ 1,492
As of December 2022				
Included in the consolidated balance sheets				
Gross carrying value	\$ 334,042	\$ 199,623	\$ 219,274	\$ 41,309
Counterparty netting	(108,925)	(10,582)	(108,925)	(10,582)
Total	225,117	189,041	110,349	30,727
Amounts not offset				
Counterparty netting	(15,350)	(4,576)	(15,350)	(4,576)
Collateral	(204,843)	(171,997)	(92,997)	(25,578)
Total	\$ 4,924	\$ 12,468	\$ 2,002	\$ 573

In the table above:

- Substantially all of the gross carrying values of these arrangements are subject to enforceable netting agreements.
- Where the firm has received or posted collateral under credit support agreements, but has not yet determined such agreements are enforceable, the related collateral has not been netted.
- Amounts not offset includes counterparty netting that does not meet the criteria for netting under U.S. GAAP and the fair value of collateral received or posted subject to enforceable credit support agreements.
- Resale agreements included in the consolidated balance sheets of \$190.45 billion as of September 2023 and \$225.12 billion as of December 2022 and all repurchase agreements included in the consolidated balance sheets are carried at fair value under the fair value option. See Note 4 for further information about the valuation techniques and significant inputs used to determine fair value.
- Securities borrowed included in the consolidated balance sheets of \$36.79 billion as of September 2023 and \$38.58 billion as of December 2022, and securities loaned included in the consolidated balance sheets of \$8.18 billion as of September 2023 and \$4.37 billion as of December 2022 were at fair value under the fair value option. See Note 5 for further information about securities borrowed and securities loaned accounted for at fair value.

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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.

<i>\$ in millions</i>	Repurchase agreements	Securities loaned
As of September 2023		
Money market instruments	\$ 390	\$ –
U.S. government and agency obligations	193,133	293
Non-U.S. government and agency obligations	81,023	2,691
Securities backed by commercial real estate	93	–
Securities backed by residential real estate	573	–
Corporate debt securities	14,746	338
State and municipal obligations	4	–
Other debt obligations	237	–
Equity securities	11,223	52,304
Total	\$ 301,422	\$ 55,626
As of December 2022		
Money market instruments	\$ 10	\$ –
U.S. government and agency obligations	112,825	55
Non-U.S. government and agency obligations	87,828	594
Securities backed by commercial real estate	172	–
Securities backed by residential real estate	466	–
Corporate debt securities	11,398	295
State and municipal obligations	143	–
Other debt obligations	108	–
Equity securities	6,324	40,365
Total	\$ 219,274	\$ 41,309

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

<i>\$ in millions</i>	As of September 2023	
	Repurchase agreements	Securities loaned
No stated maturity and overnight	\$ 114,306	\$ 36,693
2 - 30 days	98,557	744
31 - 90 days	32,296	119
91 days - 1 year	42,783	8,603
Greater than 1 year	13,480	9,467
Total	\$ 301,422	\$ 55,626

In the table above:

- Repurchase agreements and securities loaned that are repayable prior to maturity at the option of the firm are reflected at their contractual maturity dates.
- Repurchase agreements and securities loaned that are redeemable prior to maturity at the option of the holder are reflected at the earliest dates such options become exercisable.

Other Secured Financings

In addition to repurchase agreements and securities loaned transactions, the firm funds certain assets through the use of other secured financings and pledges financial instruments and other assets as collateral in these transactions. These other secured financings include:

- Liabilities of consolidated investment entities and consolidated VIEs;
- Transfers of assets accounted for as financings rather than sales (e.g., pledged commodities, bank loans and mortgage whole loans); and
- Other structured financing arrangements.

Other secured financings included nonrecourse arrangements. Nonrecourse other secured financings were \$7.19 billion as of September 2023 and \$7.94 billion as of December 2022.

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 10 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. As these financings are not accounted for at fair value, they are not included in the firm's fair value hierarchy in Notes 4 and 5. Had these financings been included in the firm's fair value hierarchy, substantially all would have been classified in level 3 as of both September 2023 and December 2022.

Notes to Consolidated Financial Statements (Unaudited)

The table below presents information about other secured financings.

<i>\$ in millions</i>	U.S. Dollar	Non-U.S. Dollar	Total
As of September 2023			
Other secured financings (short-term):			
At fair value	\$ 5,701	\$ 2,632	\$ 8,333
At amortized cost	1	348	349
Other secured financings (long-term):			
At fair value	2,692	3,089	5,781
At amortized cost	265	–	265
Total other secured financings	\$ 8,659	\$ 6,069	\$ 14,728
Other secured financings collateralized by:			
Financial instruments	\$ 4,666	\$ 5,059	\$ 9,725
Other assets	\$ 3,993	\$ 1,010	\$ 5,003
As of December 2022			
Other secured financings (short-term):			
At fair value	\$ 3,478	\$ 2,963	\$ 6,441
At amortized cost	398	–	398
Other secured financings (long-term):			
At fair value	3,793	2,522	6,315
At amortized cost	395	397	792
Total other secured financings	\$ 8,064	\$ 5,882	\$ 13,946
Other secured financings collateralized by:			
Financial instruments	\$ 3,817	\$ 4,895	\$ 8,712
Other assets	\$ 4,247	\$ 987	\$ 5,234

In the table above:

- Short-term other secured financings includes financings maturing within one year of the financial statement date and financings that are redeemable within one year of the financial statement date at the option of the holder.
- U.S. dollar-denominated short-term other secured financings at amortized cost had a weighted average interest rate of 4.64% as of September 2023 and 5.56% as of December 2022. These rates include the effect of hedging activities.
- Non-U.S. dollar-denominated short-term other secured financings at amortized cost had a weighted average interest rate of 0.47% as of September 2023. This rate includes the effect of hedging activities.
- U.S. dollar-denominated long-term other secured financings at amortized cost had a weighted average interest rate of 3.76% as of September 2023 and 3.54% as of December 2022. These rates include the effect of hedging activities.
- Non-U.S. dollar-denominated long-term other secured financings at amortized cost had a weighted average interest rate of 0.45% as of December 2022. This rate includes the effect of hedging activities.
- Total other secured financings included \$2.32 billion as of September 2023 and \$1.69 billion as of December 2022 related to transfers of financial assets accounted for as financings rather than sales. Such financings were collateralized by financial assets, primarily included in trading assets, of \$2.29 billion as of September 2023 and \$1.64 billion as of December 2022.

- Other secured financings collateralized by financial instruments included \$7.77 billion as of September 2023 and \$7.49 billion as of December 2022 of other secured financings collateralized by trading assets, investments and loans, and included \$1.95 billion as of September 2023 and \$1.22 billion as of December 2022 of other secured financings collateralized by financial instruments received as collateral and repledged.

The table below presents other secured financings by maturity.

<i>\$ in millions</i>	As of September 2023
Other secured financings (short-term)	\$ 8,682
Other secured financings (long-term):	
2024	973
2025	1,569
2026	582
2027	215
2028	1,094
2029 - thereafter	1,613
Total other secured financings (long-term)	6,046
Total other secured financings	\$ 14,728

In the table above:

- Long-term other secured financings that are repayable prior to maturity at the option of the firm are reflected at their contractual maturity dates.
- Long-term other secured financings that are redeemable prior to maturity at the option of the holder are reflected at the earliest dates such options become exercisable.

Collateral Received and Pledged

The firm receives cash and securities (e.g., U.S. government and agency obligations, other sovereign and corporate obligations, as well as equity securities) as collateral, primarily in connection with resale agreements, securities borrowed, derivative transactions and customer margin loans. The firm obtains cash and securities as collateral on an upfront or contingent basis for derivative instruments and collateralized agreements to reduce its credit exposure to individual counterparties.

In many cases, the firm is permitted to deliver or repledge financial instruments received as collateral when entering into repurchase agreements and securities loaned transactions, primarily in connection with secured client financing activities. The firm is also permitted to deliver or repledge these financial instruments in connection with other secured financings, collateralized derivative transactions and firm or customer settlement requirements.

The firm also pledges certain trading assets 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.

Notes to Consolidated Financial Statements (Unaudited)

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.

\$ in millions	As of	
	September 2023	December 2022
Collateral available to be delivered or repledged	\$ 918,110	\$ 971,699
Collateral that was delivered or repledged	\$ 794,719	\$ 797,919

The table below presents information about assets pledged.

\$ in millions	As of	
	September 2023	December 2022
Pledged to counterparties that had the right to deliver or repledge		
Trading assets	\$ 97,406	\$ 40,143
Investments	\$ 8,463	\$ 9,818
Pledged to counterparties that did not have the right to deliver or repledge		
Trading assets	\$ 126,626	\$ 70,912
Investments	\$ 19,090	\$ 1,726
Loans	\$ 8,099	\$ 6,600
Other assets	\$ 6,202	\$ 7,525

The firm also segregates securities for regulatory and other purposes related to client activity. Such securities are segregated from trading assets and investments, as well as from securities received as collateral under resale agreements and securities borrowed transactions. Securities segregated by the firm were \$43.51 billion as of September 2023 and \$49.60 billion as of December 2022.

Note 12.

Other Assets

The table below presents other assets by type.

\$ in millions	As of	
	September 2023	December 2022
Property, leasehold improvements and equipment	\$ 13,138	\$ 17,074
Goodwill	5,913	6,374
Identifiable intangible assets	1,341	2,009
Operating lease right-of-use assets	2,165	2,172
Income tax-related assets	7,360	7,012
Miscellaneous receivables and other	7,024	4,567
Total	\$ 36,941	\$ 39,208

Property, Leasehold Improvements and Equipment

Property, leasehold improvements and equipment is net of accumulated depreciation and amortization of \$13.82 billion as of September 2023 and \$12.19 billion as of December 2022. Property, leasehold improvements and equipment included \$6.62 billion as of September 2023 and \$7.17 billion as of December 2022 that the firm uses in connection with its operations, and \$52 million as of September 2023 and \$89 million as of December 2022 of foreclosed real estate primarily related to distressed loans that were purchased by the firm. The remainder is held by investment entities, including VIEs, consolidated by the firm. Substantially all property and equipment is depreciated on a straight-line basis over the useful life of the asset. Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease. Capitalized costs of software developed or obtained for internal use are amortized on a straight-line basis over three years.

The firm tests property, leasehold improvements and equipment for impairment when events or changes in circumstances suggest that an asset's or asset group's carrying value may not be fully recoverable. To the extent the carrying value of an asset or asset group exceeds the projected undiscounted cash flows expected to result from the use and eventual disposal of the asset or asset group, the firm determines the asset or asset group is impaired and records an impairment equal to the difference between the estimated fair value and the carrying value of the asset or asset group. In addition, the firm will recognize an impairment prior to the sale of an asset or asset group if the carrying value of the asset or asset group exceeds its estimated fair value. Any impairments recognized are included in depreciation and amortization.

The firm had impairments of \$358 million during the three months ended September 2023, and \$1.20 billion during the nine months ended September 2023, related to commercial real estate included in consolidated investment entities within Asset & Wealth Management. In addition, the firm had impairments of \$80 million during the three months ended September 2023, and \$113 million during the nine months ended September 2023, related to capitalized software substantially all within Platform Solutions and Asset & Wealth Management. The firm had impairments of \$106 million during the three months ended September 2022 and \$130 million during the nine months ended September 2022, related to consolidated investment entities within Asset & Wealth Management.

Notes to Consolidated Financial Statements (Unaudited)

Goodwill

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

The table below presents the carrying value of goodwill by reporting unit.

\$ in millions	As of	
	September 2023	December 2022
Global Banking & Markets:		
Investment banking	\$ 267	\$ 267
FICC	269	269
Equities	2,647	2,647
Asset & Wealth Management:		
Asset management	1,376	1,385
Wealth management	1,340	1,310
Platform Solutions:		
Consumer platforms	–	482
Transaction banking and other	14	14
Total	\$ 5,913	\$ 6,374

In the table above:

- The decrease in goodwill from December 2022 to September 2023 was attributable to the impairment of goodwill associated with Consumer platforms. During the first quarter of 2023, goodwill for Consumer platforms increased by \$22 million as a result of an updated purchase price allocation related to the GreenSky acquisition. During the second quarter of 2023, in connection with the exploration of a potential sale of GreenSky, the firm performed a quantitative goodwill test and determined that the goodwill associated with Consumer platforms was impaired, and accordingly, recorded a \$504 million impairment.
- During 2022, goodwill increased by \$2.09 billion, substantially all in connection with the acquisitions of GreenSky and NN Investment Partners (NNIP).
- Wealth management included \$35 million of goodwill as of September 2023 that was classified as held for sale in connection with the planned sale of PFM.

Goodwill is assessed for impairment annually in the fourth quarter or more frequently if events occur or circumstances change that indicate an impairment may exist. When assessing goodwill for impairment, first, a qualitative assessment can be made to determine whether it is more likely than not that the estimated fair value of a reporting unit is less than its carrying value. If the results of the qualitative assessment are not conclusive, a quantitative goodwill test is performed. Alternatively, a quantitative goodwill test can be performed without performing a qualitative assessment.

The quantitative goodwill test compares the estimated fair value of each reporting unit with its carrying value (including goodwill and identifiable intangible assets). If the reporting unit's estimated fair value exceeds its carrying value, goodwill is not impaired. An impairment is recognized if the estimated fair value of a reporting unit is less than its carrying value and any such impairment is included in depreciation and amortization.

In the fourth quarter of 2022, goodwill was tested for impairment using a quantitative test. The estimated fair value of each of the reporting units exceeded its respective carrying value, and therefore, goodwill was not impaired.

The estimated fair value of each reporting unit was based on valuation techniques the firm believes market participants would use to value these reporting units. Estimated fair values are generally derived from utilizing a relative value technique, which applies observable price-to-earnings multiples or price-to-book multiples of comparable competitors to the reporting units' net earnings or net book value, or a discounted cash flow valuation approach, for reporting units with businesses in early stages of development. The carrying value of each reporting unit reflects an allocation of total shareholders' equity and represents the estimated amount of total shareholders' equity required to support the activities of the reporting unit under currently applicable regulatory capital requirements.

Based on the evaluation of relevant factors during the first nine months of 2023, other than the impairment noted above, the firm determined that it was more likely than not that the estimated fair value of each of the reporting units exceeded its respective carrying value as of September 2023.

Notes to Consolidated Financial Statements (Unaudited)

Identifiable Intangible Assets

The table below presents identifiable intangible assets by type.

\$ in millions	As of	
	September 2023	December 2022
Customer lists and merchant relationships		
Gross carrying value	\$ 3,208	\$ 3,225
Accumulated amortization	(1,904)	(1,275)
Net carrying value	1,304	1,950
Acquired leases and other		
Gross carrying value	480	486
Accumulated amortization	(443)	(427)
Net carrying value	37	59
Total gross carrying value	3,688	3,711
Total accumulated amortization	(2,347)	(1,702)
Total net carrying value	\$ 1,341	\$ 2,009

In the table above:

- The decrease in identifiable intangible assets from December 2022 to September 2023 was primarily attributable to the \$506 million write-down related to GreenSky. These identifiable intangible assets, which are included within Platform Solutions, were classified as held for sale in connection with the planned sale of GreenSky and had a net carrying value of \$110 million as of September 2023.
- As of September 2023, identifiable intangible assets of approximately \$165 million (substantially all customer lists) were classified as held for sale in connection with the planned sale of PFM. These identifiable intangible assets are included within Asset & Wealth Management.
- During the nine months ended September 2023, the amount of identifiable intangible assets acquired by the firm was not material. The firm acquired approximately \$1.79 billion of identifiable intangible assets (with a weighted average amortization period of 13 years) during 2022, substantially all in connection with the acquisitions of GreenSky and NNIP. Substantially all of these identifiable intangible assets consisted of customer lists and merchant relationships.
- Substantially all of the firm's identifiable intangible assets have finite useful lives and are amortized over their estimated useful lives generally using the straight-line method.

The tables below present information about the amortization of identifiable intangible assets.

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Amortization	\$ 554	\$ 54	\$ 654	\$ 124

In the table above, amortization for both the three and nine months ended September 2023 included the \$506 million write-down related to GreenSky, which is included in depreciation and amortization.

\$ in millions	As of September 2023
Estimated future amortization	
Remainder of 2023	\$ 26
2024	\$ 99
2025	\$ 91
2026	\$ 84
2027	\$ 84
2028	\$ 83

The firm tests identifiable intangible assets for impairment when events or changes in circumstances suggest that an asset's or asset group's carrying value may not be fully recoverable. To the extent the carrying value of an asset or asset group exceeds the projected undiscounted cash flows expected to result from the use and eventual disposal of the asset or asset group, the firm determines the asset or asset group is impaired and records an impairment equal to the difference between the estimated fair value and the carrying value of the asset or asset group. In addition, the firm will recognize an impairment prior to the sale of an asset or asset group if the carrying value of the asset or asset group exceeds its estimated fair value. There were no material impairments during each of the three and nine months ended September 2023 or September 2022.

Notes to Consolidated Financial Statements (Unaudited)

Operating Lease Right-of-Use Assets

The firm enters into operating leases for real estate, office equipment and other assets, substantially all of which are used in connection with its operations. For leases longer than one year, the firm recognizes 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 payments. The lease term is generally determined based on the contractual maturity of the lease. For leases where the firm has the option to terminate or extend the lease, an assessment of the likelihood of exercising the option is incorporated into the determination of the lease term. Such assessment is initially performed at the inception of the lease and is updated if events occur that impact the original assessment.

An operating lease right-of-use asset is initially determined based on the operating lease liability, adjusted for initial direct costs, lease incentives and amounts paid at or prior to lease commencement. This amount is then amortized over the lease term. Right-of-use assets and operating lease liabilities recognized (in non-cash transactions for leases entered into or assumed) by the firm were \$225 million for the three months ended September 2023, \$52 million for the three months ended September 2022, \$306 million for the nine months ended September 2023 and \$168 million for the nine months ended September 2022. See Note 15 for information about operating lease liabilities.

For leases where the firm will derive no economic benefit from leased space that it has vacated or where the firm has shortened the term of a lease when space is no longer needed, the firm will record an impairment or accelerated amortization of right-of-use assets. There were no material impairments or accelerated amortizations during each of the three and nine months ended September 2023 or September 2022.

Miscellaneous Receivables and Other

Miscellaneous receivables and other included:

- Investments in qualified affordable housing projects of \$1.42 billion as of September 2023 and \$793 million as of December 2022. The firm accounts for these investments using the proportional amortization method such that the investment is amortized in proportion to the income tax credits received on such investments. The amortization of investments and the related income tax credit are recorded as a component of the provision for taxes. During the nine months ended September 2023, the firm recognized amortization of \$210 million and related income tax credits of \$257 million, and during the nine months ended September 2022, the firm recognized amortization of \$88 million and related income tax credits of \$117 million. The amortization and the related tax credits were not material for either the three months ended September 2023 or September 2022.

- Assets classified as held for sale were \$1.68 billion as of September 2023 and \$285 million as of December 2022. See below for further information.

Assets Held for Sale. During the third quarter of 2023, in connection with the planned sale of GreenSky, the firm classified GreenSky (within Platform Solutions) as held for sale. After a reserve release of \$637 million in provision for credit losses and a markdown of \$123 million to reflect the loan portfolio at the lower of its carrying value or fair value less cost to sell, the firm wrote down \$506 million of net assets of GreenSky (included in depreciation and amortization). As of September 2023, the assets of GreenSky were approximately \$6.3 billion and consisted of loans of approximately \$6.0 billion (included in loans), segregated cash of approximately \$130 million (included in cash and cash equivalents), identifiable intangible assets of approximately \$110 million (included in identifiable intangible assets within other assets) and other assets of approximately \$190 million (included in miscellaneous receivables and other within other assets). See Note 9 for further information about loans classified as held for sale, above for further information about identifiable intangible assets, and Note 15 for information about liabilities classified as held for sale.

In addition, during the third quarter of 2023, in connection with the planned sale of PFM, the firm classified PFM (within Asset & Wealth Management) as held for sale. As of September 2023, assets related to this business were approximately \$200 million. These assets included identifiable intangible assets of \$165 million (included in identifiable intangible assets within other assets) and goodwill of \$35 million (included in goodwill within other assets). See above for further information about goodwill and identifiable intangible assets.

Assets held for sale also included \$1.49 billion as of September 2023 and \$285 million as of December 2022 of assets related to certain of the firm's consolidated investments within Asset & Wealth Management. Substantially all of these assets consisted of property and equipment and were included in miscellaneous receivables and other within other assets.

Notes to Consolidated Financial Statements (Unaudited)

Note 13.

Deposits

The table below presents the types and sources of deposits.

<i>\$ in millions</i>	Savings and Demand	Time	Total
As of September 2023			
Consumer	\$ 117,177	\$ 33,392	\$ 150,569
Private bank	85,109	6,319	91,428
Brokered certificates of deposit	–	33,852	33,852
Deposit sweep programs	32,227	–	32,227
Transaction banking	65,096	2,813	67,909
Other	1,931	25,046	26,977
Total	\$ 301,540	\$ 101,422	\$ 402,962
As of December 2022			
Consumer	\$ 98,580	\$ 21,330	\$ 119,910
Private bank	94,133	11,716	105,849
Brokered certificates of deposit	–	32,624	32,624
Deposit sweep programs	44,819	–	44,819
Transaction banking	65,155	5,069	70,224
Other	808	12,431	13,239
Total	\$ 303,495	\$ 83,170	\$ 386,665

In the table above:

- Substantially all deposits are interest-bearing.
- Savings and demand accounts consist of money market deposit accounts, negotiable order of withdrawal accounts and demand deposit accounts that have no stated maturity or expiration date.
- Time deposits included \$28.56 billion as of September 2023 and \$15.75 billion as of December 2022 of deposits accounted for at fair value under the fair value option. See Note 10 for further information about deposits accounted for at fair value.
- Time deposits had a weighted average maturity of approximately 0.7 years as of September 2023 and 0.9 years as of December 2022.
- Consumer deposits consist of deposits from both Marcus and Apple Card customers.
- Deposit sweep programs include long-term contractual agreements with U.S. broker-dealers who sweep client cash to FDIC-insured deposits.
- Transaction banking deposits consist of deposits that the firm raised through its cash management services business for corporate and other institutional clients.
- Other deposits are substantially all from institutional clients.
- Deposits insured by the FDIC were \$208.03 billion as of September 2023 and \$184.88 billion as of December 2022.

- Deposits insured by non-U.S. insurance programs were \$24.27 billion as of September 2023 and \$31.74 billion as of December 2022. The decline in insured deposits from December 2022 reflected a change in an insurance program that became effective in January 2023, which reduced the population of deposit accounts eligible for insurance coverage and lowered the applicable insurance limits.

The table below presents the location of deposits.

<i>\$ in millions</i>	As of September 2023	December 2022
U.S. offices	\$ 313,085	\$ 313,598
Non-U.S. offices	89,877	73,067
Total	\$ 402,962	\$ 386,665

In the table above, U.S. deposits were held at Goldman Sachs Bank USA (GS Bank USA) and substantially all non-U.S. deposits were held at Goldman Sachs International Bank (GSIB) and Goldman Sachs Bank Europe SE (GSBE).

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

<i>\$ in millions</i>	As of September 2023		
	U.S.	Non-U.S.	Total
Remainder of 2023	\$ 15,112	\$ 18,317	\$ 33,429
2024	45,259	11,472	56,731
2025	4,266	472	4,738
2026	2,719	339	3,058
2027	1,236	187	1,423
2028	669	178	847
2029 - thereafter	945	251	1,196
Total	\$ 70,206	\$ 31,216	\$ 101,422

As of September 2023, deposits in U.S. offices included \$12.25 billion and deposits in non-U.S. offices included \$30.53 billion of time deposits in denominations that met or exceeded the applicable insurance limits, or were otherwise not covered by insurance.

The firm's savings and demand deposits are recorded based on the amount of cash received plus accrued interest, which approximates fair value. In addition, the firm designates certain derivatives as fair value hedges to convert a portion of its time deposits not accounted for at fair value from fixed-rate obligations into floating-rate obligations. The carrying value of time deposits not accounted for at fair value approximated fair value as of both September 2023 and December 2022. As these savings and demand deposits and time deposits are not accounted for at fair value, they are not included in the firm's fair value hierarchy in Notes 4 and 5. Had these deposits been included in the firm's fair value hierarchy, they would have been classified in level 2 as of both September 2023 and December 2022.

Notes to Consolidated Financial Statements (Unaudited)

Note 14.

Unsecured Borrowings

The table below presents information about unsecured borrowings.

\$ in millions	As of	
	September 2023	December 2022
Unsecured short-term borrowings	\$ 70,009	\$ 60,961
Unsecured long-term borrowings	224,024	247,138
Total	\$ 294,033	\$ 308,099

Unsecured Short-Term Borrowings

Unsecured short-term borrowings includes the portion of unsecured long-term borrowings maturing within one year of the financial statement date and unsecured long-term borrowings that are redeemable within one year of the financial statement date at the option of the holder.

The firm accounts for certain hybrid financial instruments at fair value under the fair value option. See Note 10 for further information about unsecured short-term borrowings that are accounted for at fair value. In addition, the firm designates certain derivatives as fair value hedges to convert a portion of its unsecured short-term borrowings not accounted for at fair value from fixed-rate obligations into floating-rate obligations. The carrying value of unsecured short-term borrowings that are not recorded at fair value generally approximates fair value due to the short-term nature of the obligations. As these unsecured short-term borrowings are not accounted for at fair value, they are not included in the firm's fair value hierarchy in Notes 4 and 5. Had these borrowings been included in the firm's fair value hierarchy, substantially all would have been classified in level 2 as of both September 2023 and December 2022.

The table below presents information about unsecured short-term borrowings.

\$ in millions	As of	
	September 2023	December 2022
Current portion of unsecured long-term borrowings	\$ 47,376	\$ 38,635
Hybrid financial instruments	19,033	18,383
Commercial paper	1,455	1,718
Other unsecured short-term borrowings	2,145	2,225
Total unsecured short-term borrowings	\$ 70,009	\$ 60,961
Weighted average interest rate	3.55%	3.71%

In the table above, the weighted average interest rates for these borrowings include the effect of hedging activities and exclude unsecured short-term borrowings accounted for at fair value under the fair value option. See Note 7 for further information about hedging activities.

Unsecured Long-Term Borrowings

The table below presents information about unsecured long-term borrowings.

\$ in millions	U.S. Dollar	Non-U.S. Dollar	Total
As of September 2023			
Fixed-rate obligations	\$ 107,989	\$ 32,176	\$ 140,165
Floating-rate obligations	50,834	33,025	83,859
Total	\$ 158,823	\$ 65,201	\$ 224,024
As of December 2022			
Fixed-rate obligations	\$ 118,986	\$ 38,538	\$ 157,524
Floating-rate obligations	55,689	33,925	89,614
Total	\$ 174,675	\$ 72,463	\$ 247,138

In the table above:

- Unsecured long-term borrowings consists principally of senior borrowings, which have maturities extending through 2061.
- Floating-rate obligations includes equity-linked, credit-linked and indexed instruments. Floating interest rates are generally based on SOFR and Euro Interbank Offered Rate. In connection with the cessation of USD London Interbank Offered Rate (LIBOR), as of July 1, 2023, the firm replaced the USD LIBOR rate with term SOFR plus the statutorily prescribed tenor spread.
- U.S. dollar-denominated debt had interest rates ranging from 0.86% to 6.75% (with a weighted average rate of 3.62%) as of September 2023 and 0.66% to 6.75% (with a weighted average rate of 3.51%) as of December 2022. These rates exclude unsecured long-term borrowings accounted for at fair value under the fair value option.
- Non-U.S. dollar-denominated debt had interest rates ranging from 0.25% to 7.25% (with a weighted average rate of 2.08%) as of September 2023 and 0.13% to 7.25% (with a weighted average rate of 1.85%) as of December 2022. These rates exclude unsecured long-term borrowings accounted for at fair value under the fair value option.

Notes to Consolidated Financial Statements (Unaudited)

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

<i>\$ in millions</i>	As of September 2023
2024	\$ 13,961
2025	38,812
2026	27,758
2027	33,223
2028	24,301
2029 - thereafter	85,969
Total	\$ 224,024

In the table above:

- Unsecured long-term borrowings maturing within one year of the financial statement date and unsecured long-term borrowings that are redeemable within one year of the financial statement date at the option of the holder are excluded as they are included in unsecured short-term borrowings.
- Unsecured long-term borrowings that are repayable prior to maturity at the option of the firm are reflected at their contractual maturity dates.
- Unsecured long-term borrowings that are redeemable prior to maturity at the option of the holder are reflected at the earliest dates such options become exercisable.
- Unsecured long-term borrowings included \$(16.93) billion of adjustments to the carrying value of certain unsecured long-term borrowings resulting from the application of hedge accounting by year of maturity as follows: \$(78) million in 2024, \$(999) million in 2025, \$(778) million in 2026, \$(1.57) billion in 2027, \$(1.69) billion in 2028 and \$(11.81) billion in 2029 and thereafter.

The firm designates certain derivatives as fair value hedges to convert a portion of fixed-rate unsecured long-term borrowings not accounted for at fair value into floating-rate obligations. See Note 7 for further information about hedging activities.

The table below presents unsecured long-term borrowings, after giving effect to such hedging activities.

<i>\$ in millions</i>	As of September 2023	December 2022
Fixed-rate obligations:		
At fair value	\$ 8,121	\$ 6,147
At amortized cost	9,798	6,065
Floating-rate obligations:		
At fair value	65,795	67,000
At amortized cost	140,310	167,926
Total	\$ 224,024	\$ 247,138

In the table above, the aggregate amounts of unsecured long-term borrowings had weighted average interest rates of 6.01% (2.79% related to fixed-rate obligations and 6.21% related to floating-rate obligations) as of September 2023 and 4.97% (4.08% related to fixed-rate obligations and 5.00% related to floating-rate obligations) as of December 2022. These rates exclude unsecured long-term borrowings accounted for at fair value under the fair value option.

The carrying value of unsecured long-term borrowings for which the firm did not elect the fair value option was \$150.11 billion as of September 2023 and \$173.99 billion as of December 2022. The estimated fair value of such unsecured long-term borrowings was \$150.39 billion as of September 2023 and \$173.70 billion as of December 2022. As these borrowings are not accounted for at fair value, they are not included in the firm's fair value hierarchy in Notes 4 and 5. Had these borrowings been included in the firm's fair value hierarchy, substantially all would have been classified in level 2 as of both September 2023 and December 2022.

Notes to Consolidated Financial Statements (Unaudited)

Subordinated Borrowings

Unsecured long-term borrowings includes subordinated debt and junior subordinated debt. Subordinated debt that matures within one year is included in unsecured short-term borrowings. Junior subordinated debt is junior in right of payment to other subordinated borrowings, which are junior to senior borrowings. Long-term subordinated debt had maturities ranging from 2025 to 2045 as of both September 2023 and December 2022.

The table below presents information about subordinated borrowings.

<i>\$ in millions</i>	Par Amount	Carrying Value	Rate
As of September 2023			
Subordinated debt	\$ 12,145	\$ 10,910	7.70%
Junior subordinated debt	968	985	6.35%
Total	\$ 13,113	\$ 11,895	7.60%
As of December 2022			
Subordinated debt	\$ 12,261	\$ 11,882	6.40%
Junior subordinated debt	968	1,054	4.86%
Total	\$ 13,229	\$ 12,936	6.29%

In the table above, the rate is the weighted average interest rate for these borrowings (excluding borrowings accounted for at fair value under the fair value option), including the effect of fair value hedges used to convert fixed-rate obligations into floating-rate obligations. See Note 7 for further information about hedging activities.

Junior Subordinated Debt

In 2004, Group Inc. issued \$2.84 billion of junior subordinated debt to Goldman Sachs Capital I, a Delaware statutory trust. Goldman Sachs Capital I issued \$2.75 billion of guaranteed preferred beneficial interests (Trust Preferred securities) to third parties and \$85 million of common beneficial interests to Group Inc. As of both September 2023 and December 2022, the outstanding par amount of junior subordinated debt held by Goldman Sachs Capital I was \$968 million and the outstanding par amount of Trust Preferred securities and common beneficial interests issued by Goldman Sachs Capital I was \$939 million and \$29 million, respectively. Goldman Sachs Capital I is a wholly-owned finance subsidiary of the firm for regulatory and legal purposes but is not consolidated for accounting purposes.

The firm pays interest semi-annually on the junior subordinated debt at an annual rate of 6.345% and the debt matures on February 15, 2034. The coupon rate and the payment dates applicable to the beneficial interests are the same as the interest rate and payment dates for the junior subordinated debt. The firm has the right, from time to time, to defer payment of interest on the junior subordinated debt, and therefore cause payment on Goldman Sachs Capital I's preferred beneficial interests to be deferred, in each case up to ten consecutive semi-annual periods. During any such deferral period, the firm will not be permitted to, among other things, pay dividends on or make certain repurchases of its common stock. Goldman Sachs Capital I is not permitted to pay any distributions on the common beneficial interests held by Group Inc. unless all dividends payable on the preferred beneficial interests have been paid in full.

Notes to Consolidated Financial Statements (Unaudited)

Note 15.

Other Liabilities

The table below presents other liabilities by type.

\$ in millions	As of	
	September 2023	December 2022
Compensation and benefits	\$ 6,534	\$ 7,225
Income tax-related liabilities	2,982	2,669
Operating lease liabilities	2,222	2,154
Noncontrolling interests	471	649
Employee interests in consolidated funds	19	25
Accrued expenses and other	7,855	8,733
Total	\$ 20,083	\$ 21,455

Operating Lease Liabilities

For leases longer than one year, the firm recognizes 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 payments. See Note 12 for information about operating lease right-of-use assets.

The table below presents information about operating lease liabilities.

\$ in millions	Operating lease liabilities
As of September 2023	
Remainder of 2023	\$ 54
2024	365
2025	314
2026	278
2027	247
2028 - thereafter	1,585
Total undiscounted lease payments	2,843
Imputed interest	(621)
Total operating lease liabilities	\$ 2,222
Weighted average remaining lease term	12 years
Weighted average discount rate	4.04%
As of December 2022	
2023	\$ 325
2024	334
2025	283
2026	236
2027	203
2028 - thereafter	1,424
Total undiscounted lease payments	2,805
Imputed interest	(651)
Total operating lease liabilities	\$ 2,154
Weighted average remaining lease term	13 years
Weighted average discount rate	3.66%

In the table above, the weighted average discount rate represents the firm's incremental borrowing rate as of January 2019 for operating leases existing on the date of adoption of ASU No. 2016-02, "Leases (Topic 842)," and at the lease inception date for leases entered into subsequent to the adoption of this ASU.

Operating lease costs were \$124 million for the three months ended September 2023, \$111 million for the three months ended September 2022, \$362 million for the nine months ended September 2023 and \$348 million for the nine months ended September 2022. Variable lease costs, which are included in operating lease costs, were not material for each of the three and nine months ended September 2023 and September 2022. Total occupancy expenses for space held in excess of the firm's current requirements were not material for each of the three and nine months ended September 2023 and September 2022.

Lease payments relating to operating lease arrangements that were signed but had not yet commenced were \$1.10 billion as of September 2023.

Accrued Expenses and Other

Accrued expenses and other included:

- Liabilities classified as held for sale were approximately \$680 million as of September 2023 and were not material as of December 2022. As of September 2023, such liabilities included \$270 million related to GreenSky within Platform Solutions and consisted primarily of customer and other payables. Substantially all of the remaining \$410 million of liabilities classified as held for sale related to certain of the firm's consolidated investments within Asset & Wealth Management. Substantially all such liabilities consisted of other secured financings. See Note 12 for further information about assets held for sale.
- Contract liabilities, which represent consideration received by the firm in connection with its contracts with clients prior to providing the service, were \$112 million as of September 2023 and \$113 million as of December 2022.

Notes to Consolidated Financial Statements (Unaudited)

Note 16.

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.

The firm accounts for a securitization as a sale when it has relinquished control over the transferred financial assets. Prior to securitization, the firm generally accounts for assets pending transfer at fair value and therefore does not typically recognize significant gains or losses upon the transfer of assets. Net revenues from underwriting activities are recognized in connection with the sales of the underlying beneficial interests to investors.

The firm generally receives cash in exchange for the transferred assets but may also have continuing involvement with the transferred financial assets, including ownership of beneficial interests in securitized financial assets, primarily in the form of debt instruments. The firm may also purchase senior or subordinated securities issued by securitization vehicles (which are typically VIEs) in connection with secondary market-making activities.

The primary risks included in beneficial interests and other interests from the firm's continuing involvement with securitization vehicles are the performance of the underlying collateral, the position of the firm's investment in the capital structure of the securitization vehicle and the market yield for the security. Interests accounted for at fair value are primarily classified in level 2 of the fair value hierarchy. Interests not accounted for at fair value are carried at amounts that approximate fair value. See Note 4 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	
<i>\$ in millions</i>	2023	2022	2023	2022
Residential mortgages	\$ 6,894	\$ 6,128	\$ 18,267	\$ 25,069
Commercial mortgages	1,798	2,306	3,196	13,820
Other financial assets	–	902	996	3,519
Total financial assets securitized	\$ 8,692	\$ 9,336	\$ 22,459	\$ 42,408
Retained interests cash flows	\$ 187	\$ 125	\$ 407	\$ 428

The firm securitized assets of \$39 million during the three months ended September 2023, \$382 million during the three months ended September 2022, \$149 million during the nine months ended September 2023 and \$781 million during the nine months ended September 2022, in a non-cash exchange for loans and investments.

The table below presents information about nonconsolidated securitization entities to which the firm sold assets and had continuing involvement as of the end of the period.

<i>\$ in millions</i>	Outstanding Principal Amount	Retained Interests	Purchased Interests
As of September 2023			
U.S. government agency-issued CMOs	\$ 34,962	\$ 2,508	\$ –
Other residential mortgage-backed	29,302	1,186	71
Other commercial mortgage-backed	60,304	1,236	62
Corporate debt and other asset-backed	8,044	508	40
Total	\$ 132,612	\$ 5,438	\$ 173
As of December 2022			
U.S. government agency-issued CMOs	\$ 38,617	\$ 1,835	\$ –
Other residential mortgage-backed	27,075	1,461	117
Other commercial mortgage-backed	59,688	1,349	82
Corporate debt and other asset-backed	8,750	398	46
Total	\$ 134,130	\$ 5,043	\$ 245

Notes to Consolidated Financial Statements (Unaudited)

In the table above:

- CMOs represents collateralized mortgage obligations.
- The outstanding principal amount is presented for the purpose of providing information about the size of the securitization entities and is not representative of the firm's risk of loss.
- The firm's risk of loss from retained or purchased interests is limited to the carrying value of these interests.
- Purchased interests represent senior and subordinated interests, purchased in connection with secondary market-making activities, in securitization entities in which the firm also holds retained interests.
- Substantially all of the total outstanding principal amount and total retained interests relate to securitizations during 2018 and thereafter.
- The fair value of retained interests was \$5.36 billion as of September 2023 and \$5.03 billion as of December 2022.

In addition to the interests in the table above, the firm had other continuing involvement in the form of derivative transactions and commitments with certain nonconsolidated VIEs. The carrying value of these derivatives and commitments was a net asset of \$133 million as of September 2023 and \$72 million as of December 2022, and the notional amount of these derivatives and commitments was \$1.88 billion as of September 2023 and \$1.90 billion as of December 2022. The notional amounts of these derivatives and commitments are included in maximum exposure to loss in the nonconsolidated VIE table in Note 17. Additionally, during the nine months ended September 2023, the firm provided seller financing of approximately \$2.7 billion in connection with the sale of \$3.24 billion of Marcus loans. As of September 2023, the total outstanding principal amount of such seller financing was \$2.18 billion.

The table below presents information about the weighted average key economic assumptions used in measuring the fair value of mortgage-backed retained interests.

<i>\$ in millions</i>	As of	
	September 2023	December 2022
Fair value of retained interests	\$ 4,865	\$ 4,644
Weighted average life (years)	6.3	6.6
Constant prepayment rate	9.3%	7.7%
Impact of 10% adverse change	\$ (47)	\$ (27)
Impact of 20% adverse change	\$ (91)	\$ (48)
Discount rate	8.3%	9.5%
Impact of 10% adverse change	\$ (135)	\$ (138)
Impact of 20% adverse change	\$ (265)	\$ (266)

In the table above:

- Amounts do not reflect the benefit of other financial instruments that are held to mitigate risks inherent in these retained interests.
- Changes in fair value based on an adverse variation in assumptions generally cannot be extrapolated because the relationship of the change in assumptions to the change in fair value is not usually linear.
- The impact of a change in a particular assumption is calculated independently of changes in any other assumption. In practice, simultaneous changes in assumptions might magnify or counteract the sensitivities disclosed above.
- The constant prepayment rate is included only for positions for which it is a key assumption in the determination of fair value.
- The discount rate for retained interests that relate to U.S. government agency-issued CMOs does not include any credit loss. Expected credit loss assumptions are reflected in the discount rate for the remainder of retained interests.

The firm has other retained interests not reflected in the table above with a fair value of \$490 million and a weighted average life of 6.4 years as of September 2023, and a fair value of \$384 million and a weighted average life of 6.4 years as of December 2022. Due to the nature and fair value of certain of these retained interests, the weighted average assumptions for constant prepayment and discount rates and the related sensitivity to adverse changes are not meaningful as of both September 2023 and December 2022. The firm's maximum exposure to adverse changes in the value of these interests is the carrying value of \$508 million as of September 2023 and \$398 million as of December 2022.

Notes to Consolidated Financial Statements (Unaudited)

Note 17.

Variable Interest Entities

A variable interest in a VIE is an investment (e.g., debt or equity) or other interest (e.g., derivatives or loans and lending commitments) that will absorb portions of the VIE's expected losses and/or receive portions of the VIE's expected residual returns.

The firm's variable interests in VIEs include senior and subordinated debt; loans and lending commitments; limited and general partnership interests; preferred and common equity; derivatives that may include foreign currency, equity and/or credit risk; guarantees; and certain of the fees the firm receives from investment funds. Certain interest rate, foreign currency and credit derivatives the firm enters into with VIEs are not variable interests because they create, rather than absorb, risk.

VIEs generally finance the purchase of assets by issuing debt and equity securities that are either collateralized by or indexed to the assets held by the VIE. The debt and equity securities issued by a VIE may include tranches of varying levels of subordination. The firm's involvement with VIEs includes securitization of financial assets, as described in Note 16, and investments in and loans to other types of VIEs, as described below. See Note 3 for the firm's consolidation policies, including the definition of a VIE.

VIE Consolidation Analysis

The enterprise with a controlling financial interest in a VIE is known as the primary beneficiary and consolidates the VIE. The firm determines whether it is the primary beneficiary of a VIE by performing an analysis that principally considers:

- Which variable interest holder has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance;
- Which variable interest holder has the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE;
- The VIE's purpose and design, including the risks the VIE was designed to create and pass through to its variable interest holders;
- The VIE's capital structure;
- The terms between the VIE and its variable interest holders and other parties involved with the VIE; and
- Related-party relationships.

The firm reassesses its evaluation of whether an entity is a VIE when certain reconsideration events occur. The firm reassesses its determination of whether it is the primary beneficiary of a VIE on an ongoing basis based on current facts and circumstances.

VIE Activities

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

Mortgage-Backed VIEs. The firm sells residential and commercial mortgage loans and securities to mortgage-backed VIEs and may retain beneficial interests in the assets sold to these VIEs. The firm purchases and sells beneficial interests issued by mortgage-backed VIEs in connection with market-making activities. In addition, the firm may enter into derivatives with certain of these VIEs, primarily interest rate swaps, which are typically not variable interests. The firm generally enters into derivatives with other counterparties to mitigate its risk.

Real Estate, Credit- and Power-Related and Other Investing VIEs. The firm purchases equity and debt securities issued by and makes loans to VIEs that hold real estate (including qualified affordable housing projects), performing and nonperforming debt, distressed loans, power-related assets and equity securities. The firm generally does not sell assets to, or enter into derivatives with, these VIEs.

Corporate Debt and Other Asset-Backed VIEs. The firm structures VIEs that issue notes to clients, purchases and sells beneficial interests issued by corporate debt and other asset-backed VIEs in connection with market-making activities, and makes loans to VIEs that warehouse corporate debt. Certain of these VIEs synthetically create the exposure for the beneficial interests they issue by entering into credit derivatives with the firm, rather than purchasing the underlying assets. In addition, the firm may enter into derivatives, such as total return swaps, with certain corporate debt and other asset-backed VIEs, under which the firm pays the VIE a return due to the beneficial interest holders and receives the return on the collateral owned by the VIE. The collateral owned by these VIEs is primarily other asset-backed loans and securities. The firm may be removed as the total return swap counterparty and may enter into derivatives with other counterparties to mitigate its risk related to these swaps. The firm may sell assets to the corporate debt and other asset-backed VIEs it structures.

Notes to Consolidated Financial Statements (Unaudited)

Principal-Protected Note VIEs. The firm structures VIEs that issue principal-protected notes to clients. These VIEs own portfolios of assets, principally with exposure to hedge funds. Substantially all of the principal protection on the notes issued by these VIEs is provided by the asset portfolio rebalancing that is required under the terms of the notes. The firm enters into total return swaps with these VIEs under which the firm pays the VIE the return due to the principal-protected note holders and receives the return on the assets owned by the VIE. The firm may enter into derivatives with other counterparties to mitigate its risk. The firm also obtains funding through these VIEs.

Investments in Funds. The firm makes equity investments in certain investment fund VIEs it manages and is entitled to receive fees from these VIEs. The firm has generally not sold assets to, or entered into derivatives with, these VIEs.

Nonconsolidated VIEs

The table below presents a summary of the nonconsolidated VIEs in which the firm holds variable interests.

\$ in millions	As of	
	September 2023	December 2022
Total nonconsolidated VIEs		
Assets in VIEs	\$ 190,941	\$ 181,697
Carrying value of variable interests — assets	\$ 14,076	\$ 12,325
Carrying value of variable interests — liabilities	\$ 924	\$ 659
Maximum exposure to loss:		
Retained interests	\$ 5,438	\$ 5,043
Purchased interests	905	861
Commitments and guarantees	3,994	3,087
Derivatives	8,623	8,802
Debt and equity	7,314	6,026
Total	\$ 26,274	\$ 23,819

In the table above:

- The nature of the firm's variable interests is described in the rows under maximum exposure to loss.
- The firm's exposure to the obligations of VIEs is generally limited to its interests in these entities. In certain instances, the firm provides guarantees, including derivative guarantees, to VIEs or holders of variable interests in VIEs.
- The maximum exposure to loss excludes the benefit of offsetting financial instruments that are held to mitigate the risks associated with these variable interests.
- The maximum exposure to loss from retained interests, purchased interests, and debt and equity is the carrying value of these interests.
- The maximum exposure to loss from commitments and guarantees, and derivatives is the notional amount, which does not represent anticipated losses and has not been reduced by unrealized losses. As a result, the maximum exposure to loss exceeds liabilities recorded for commitments and guarantees, and derivatives.

The table below presents information, by principal business activity, for nonconsolidated VIEs included in the summary table above.

\$ in millions	As of	
	September 2023	December 2022
Mortgage-backed		
Assets in VIEs	\$ 126,178	\$ 127,290
Carrying value of variable interests — assets	\$ 5,187	\$ 4,977
Maximum exposure to loss:		
Retained interests	\$ 4,930	\$ 4,645
Purchased interests	256	332
Commitments and guarantees	34	64
Derivatives	2	2
Total	\$ 5,222	\$ 5,043
Real estate, credit- and power-related and other investing		
Assets in VIEs	\$ 40,553	\$ 29,193
Carrying value of variable interests — assets	\$ 4,543	\$ 4,415
Carrying value of variable interests — liabilities	\$ 346	\$ 2
Maximum exposure to loss:		
Commitments and guarantees	\$ 3,320	\$ 2,679
Debt and equity	4,541	4,414
Total	\$ 7,861	\$ 7,093
Corporate debt and other asset-backed		
Assets in VIEs	\$ 19,827	\$ 19,428
Carrying value of variable interests — assets	\$ 4,254	\$ 2,817
Carrying value of variable interests — liabilities	\$ 578	\$ 657
Maximum exposure to loss:		
Retained interests	\$ 508	\$ 398
Purchased interests	649	529
Commitments and guarantees	638	190
Derivatives	8,621	8,800
Debt and equity	2,681	1,496
Total	\$ 13,097	\$ 11,413
Investments in funds		
Assets in VIEs	\$ 4,383	\$ 5,786
Carrying value of variable interests — assets	\$ 92	\$ 116
Maximum exposure to loss:		
Commitments and guarantees	\$ 2	\$ 154
Debt and equity	92	116
Total	\$ 94	\$ 270

As of both September 2023 and December 2022, the carrying values of the firm's variable interests in nonconsolidated VIEs are included in the consolidated balance sheets as follows:

- Mortgage-backed: Assets primarily included in trading assets and loans.
- Real estate, credit- and power-related and other investing: Assets primarily included in investments and loans, and liabilities included in trading liabilities and other liabilities.
- Corporate debt and other asset-backed: Assets included in loans and trading assets, and liabilities included in trading liabilities.
- Investments in funds: Assets included in investments.

Notes to Consolidated Financial Statements (Unaudited)

Consolidated VIEs

The table below presents a summary of the carrying value and balance sheet classification of assets and liabilities in consolidated VIEs.

\$ in millions	As of	
	September 2023	December 2022
Total consolidated VIEs		
<i>Assets</i>		
Cash and cash equivalents	\$ 382	\$ 348
Customer and other receivables	333	7
Trading assets	131	103
Investments	77	101
Loans	310	1,177
Other assets	237	336
Total	\$ 1,470	\$ 2,072
<i>Liabilities</i>		
Other secured financings	\$ 774	\$ 952
Customer and other payables	2	51
Trading liabilities	–	9
Unsecured short-term borrowings	13	58
Unsecured long-term borrowings	15	16
Other liabilities	89	112
Total	\$ 893	\$ 1,198

In the table above:

- Assets and liabilities are presented net of intercompany eliminations and exclude the benefit of offsetting financial instruments that are held to mitigate the risks associated with the firm's variable interests.
- VIEs in which the firm holds a majority voting interest are excluded if (i) the VIE meets the definition of a business and (ii) the VIE's assets can be used for purposes other than the settlement of its obligations.
- Substantially all assets can only be used to settle obligations of the VIE.

The table below presents information, by principal business activity, for consolidated VIEs included in the summary table above.

\$ in millions	As of	
	September 2023	December 2022
Real estate, credit-related and other investing		
<i>Assets</i>		
Cash and cash equivalents	\$ 362	\$ 339
Customer and other receivables	–	7
Trading assets	38	42
Investments	77	101
Loans	310	1,177
Other assets	237	336
Total	\$ 1,024	\$ 2,002
<i>Liabilities</i>		
Other secured financings	\$ 139	\$ 170
Customer and other payables	2	51
Trading liabilities	–	9
Other liabilities	89	112
Total	\$ 230	\$ 342
Corporate debt and other asset-backed		
<i>Assets</i>		
Cash and cash equivalents	\$ 20	\$ 9
Trading assets	4	20
Total	\$ 24	\$ 29
<i>Liabilities</i>		
Other secured financings	\$ 353	\$ 482
Total	\$ 353	\$ 482
Principal-protected notes		
<i>Assets</i>		
Customer and other receivables	\$ 333	\$ –
Trading assets	89	41
Total	\$ 422	\$ 41
<i>Liabilities</i>		
Other secured financings	\$ 282	\$ 300
Unsecured short-term borrowings	13	58
Unsecured long-term borrowings	15	16
Total	\$ 310	\$ 374

In the table above, creditors and beneficial interest holders of real estate, credit-related and other investing VIEs do not have recourse to the general credit of the firm.

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Note 18.

Commitments, Contingencies and Guarantees

Commitments

The table below presents commitments by type.

\$ in millions	As of	
	September 2023	December 2022
Commitment Type		
Commercial lending:		
Investment-grade	\$ 103,435	\$ 100,438
Non-investment-grade	55,873	53,486
Warehouse financing	9,312	9,116
Consumer	71,077	64,098
Total lending	239,697	227,138
Risk participations	8,651	9,173
Collateralized agreement	107,459	105,301
Collateralized financing	44,667	22,532
Investment	20,745	7,705
Other	7,831	9,690
Total commitments	\$ 429,050	\$ 381,539

The table below presents commitments by expiration.

\$ in millions	As of September 2023			
	Remainder of 2023	2024 - 2025	2026 - 2027	2028 - Thereafter
Commitment Type				
Commercial lending:				
Investment-grade	\$ 3,906	\$ 26,191	\$ 50,308	\$ 23,030
Non-investment-grade	1,227	14,158	26,034	14,454
Warehouse financing	220	5,863	2,973	256
Consumer	69,115	1,962	—	—
Total lending	74,468	48,174	79,315	37,740
Risk participations	1,056	2,842	3,731	1,022
Collateralized agreement	99,463	7,230	—	766
Collateralized financing	40,027	4,586	—	54
Investment	15,246	1,474	1,015	3,010
Other	6,720	887	—	224
Total commitments	\$ 236,980	\$ 65,193	\$ 84,061	\$ 42,816

In the tables above, beginning in the first quarter of 2023, the firm made certain changes to its methodology for determining internal credit ratings. See Note 9 for further information about these changes. Prior period amounts have been conformed to reflect the current methodology. The impact to December 2022 was an increase in commercial lending commitments classified as investment-grade and a decrease in commercial lending commitments classified as non-investment-grade of \$2.78 billion.

Lending Commitments

The firm's commercial and warehouse financing lending commitments are agreements to lend with fixed termination dates and depend on the satisfaction of all contractual conditions to borrowing. These commitments are presented net of amounts syndicated to third parties. The total commitment amount does not necessarily reflect actual future cash flows because the firm may syndicate portions of these commitments. In addition, commitments can expire unused or be reduced or cancelled at the counterparty's request. The firm also provides credit to consumers by issuing credit card lines and through commitments to provide unsecured installment loans.

The table below presents information about lending commitments.

\$ in millions	As of	
	September 2023	December 2022
Held for investment	\$ 232,949	\$ 222,689
Held for sale	5,955	3,355
At fair value	793	1,094
Total	\$ 239,697	\$ 227,138

In the table above:

- Held for investment lending commitments are accounted for at amortized cost. The carrying value of lending commitments was a liability of \$877 million (including allowance for credit losses of \$670 million) as of September 2023 and \$1.01 billion (including allowance for credit losses of \$774 million) as of December 2022. The estimated fair value of such lending commitments was a liability of \$5.33 billion as of September 2023 and \$5.95 billion as of December 2022. Had these lending commitments been carried at fair value and included in the fair value hierarchy, \$2.77 billion as of September 2023 and \$3.11 billion as of December 2022 would have been classified in level 2, and \$2.56 billion as of September 2023 and \$2.84 billion as of December 2022 would have been classified in level 3.
- Held for sale lending commitments are accounted for at the lower of cost or fair value. The carrying value of lending commitments held for sale was a liability of \$58 million as of September 2023 and \$88 million as of December 2022. The estimated fair value of such lending commitments approximates the carrying value. Had these lending commitments been included in the fair value hierarchy, they would have been primarily classified in level 3 as of both September 2023 and December 2022.
- Gains or losses related to lending commitments at fair value, if any, are generally recorded net of any fees in other principal transactions.

Notes to Consolidated Financial Statements (Unaudited)

Commercial Lending. The firm's commercial lending commitments were primarily extended to investment-grade corporate borrowers. Such commitments primarily included \$136.26 billion as of September 2023 and \$127.60 billion as of December 2022, related to relationship lending activities (principally used for operating and general corporate purposes), and \$6.04 billion as of September 2023 and \$7.71 billion as of December 2022, related to other investment banking activities (generally extended for contingent acquisition financing and are often intended to be short-term in nature, as borrowers often seek to replace them with other funding sources). The firm also extends lending commitments in connection with other types of corporate lending, commercial real estate financing and other collateralized lending. See Note 9 for further information about funded loans.

To mitigate the credit risk associated with the firm's commercial lending activities, the firm obtains credit protection on certain loans and lending commitments through credit default swaps, both single-name and index-based contracts, and through the issuance of credit-linked notes.

Warehouse Financing. The firm provides financing to clients who warehouse financial assets. These arrangements are collateralized by the warehoused assets, primarily consisting of residential real estate, consumer and corporate loans.

Consumer. The firm's consumer lending commitments includes:

- Credit card lines issued by the firm to consumers were \$68.39 billion as of September 2023 and \$62.22 billion as of December 2022. These credit card lines are cancellable by the firm.
- Commitments to provide unsecured installment loans to consumers were \$2.68 billion as of September 2023. During the third quarter of 2023, such commitments were classified as held for sale in connection with the planned sale of GreenSky. As of December 2022, commitments to provide unsecured installment loans to consumers were \$1.88 billion.

Risk Participations

The firm also risk participates certain of its commercial lending commitments to other financial institutions. In the event of a risk participant's default, the firm will be responsible to fund the borrower.

Collateralized Agreement Commitments/ Collateralized Financing Commitments

Collateralized agreement commitments includes forward starting resale and securities borrowing agreements, and collateralized financing commitments includes forward starting repurchase and secured lending agreements that settle at a future date, generally within three business days. Collateralized agreement commitments also includes transactions where the firm has entered into commitments to provide contingent financing to its clients and counterparties through resale agreements. The firm's funding of these commitments depends on the satisfaction of all contractual conditions to the resale agreement and these commitments can expire unused.

Investment Commitments

Investment commitments includes commitments to invest in private equity, real estate and other assets directly and through funds that the firm raises and manages. Investment commitments included \$969 million as of September 2023 and \$1.29 billion as of December 2022, related to commitments to invest in funds managed by the firm. If these commitments are called, they would be funded at market value on the date of investment. During the third quarter of 2023, the firm committed to purchase a portfolio of approximately \$15.0 billion of private equity capital call commitments (including approximately \$9.0 billion of funded loans) from the FDIC's auction of Signature Bank's loans. The firm has made a deposit of approximately \$1.0 billion (included in customer and other receivables) with the FDIC in connection with this purchase. As of September 2023, the remaining commitment of approximately \$14.0 billion was included in investment commitments.

Contingencies

Legal Proceedings. See Note 27 for information about legal proceedings.

Notes to Consolidated Financial Statements (Unaudited)

Guarantees

The table below presents derivatives that meet the definition of a guarantee, securities lending and clearing guarantees and certain other financial guarantees.

<i>\$ in millions</i>	Derivatives	Securities lending and clearing	Other financial guarantees
As of September 2023			
Carrying Value of Net Liability	\$ 6,894	\$ –	\$ 405
Maximum Payout/Notional Amount by Period of Expiration			
Remainder of 2023	\$ 46,927	\$ 28,159	\$ 478
2024 - 2025	216,351	–	3,539
2026 - 2027	29,640	–	2,516
2028 - thereafter	33,683	–	878
Total	\$ 326,601	\$ 28,159	\$ 7,411
As of December 2022			
Carrying Value of Net Liability	\$ 7,485	\$ –	\$ 395
Maximum Payout/Notional Amount by Period of Expiration			
2023	\$ 110,599	\$ 20,970	\$ 1,634
2024 - 2025	133,090	–	3,308
2026 - 2027	20,252	–	1,837
2028 - thereafter	27,518	–	93
Total	\$ 291,459	\$ 20,970	\$ 6,872

In the table above:

- The maximum payout is based on the notional amount of the contract and does not represent anticipated losses.
- Amounts exclude certain commitments to issue standby letters of credit that are included in lending commitments. See the tables in “Commitments” above for a summary of the firm’s commitments.
- The carrying value for derivatives included derivative assets of \$363 million as of September 2023 and \$578 million as of December 2022, and derivative liabilities of \$7.26 billion as of September 2023 and \$8.06 billion as of December 2022.

Derivative Guarantees. The firm enters into various derivatives that meet the definition of a guarantee under U.S. GAAP, including written equity and commodity put options, written currency contracts and interest rate caps, floors and swaptions. These derivatives are risk managed together with derivatives that do not meet the definition of a guarantee, and therefore the amounts in the table above do not reflect the firm’s overall risk related to derivative activities. Disclosures about derivatives are not required if they may be cash settled and the firm has no basis to conclude it is probable that the counterparties held the underlying instruments at the inception of the contract. The firm has concluded that these conditions have been met for certain large, internationally active commercial and investment bank counterparties, central clearing counterparties, hedge funds and certain other counterparties. Accordingly, the firm has not included such contracts in the table above. See Note 7 for information about credit derivatives that meet the definition of a guarantee, which are not included in the table above.

Derivatives are accounted for at fair value and therefore the carrying value is considered the best indication of payment/performance risk for individual contracts. However, the carrying values in the table above exclude the effect of counterparty and cash collateral netting.

Securities Lending and Clearing Guarantees. Securities lending and clearing guarantees include the indemnifications and guarantees that the firm provides in its capacity as an agency lender and in its capacity as a sponsoring member of the Fixed Income Clearing Corporation.

As an agency lender, the firm indemnifies most of its securities lending customers against losses incurred in the event that borrowers do not return securities and the collateral held is insufficient to cover the market value of the securities borrowed. The maximum payout of such indemnifications was \$13.88 billion as of September 2023 and \$12.23 billion as of December 2022. Collateral held by the lenders in connection with securities lending indemnifications was \$14.37 billion as of September 2023 and \$12.62 billion as of December 2022. Because the contractual nature of these arrangements requires the firm to obtain collateral with a market value that exceeds the value of the securities lent to the borrower, there is minimal performance risk associated with these indemnifications.

Notes to Consolidated Financial Statements (Unaudited)

As a sponsoring member of the Government Securities Division of the Fixed Income Clearing Corporation, the firm guarantees the performance of its sponsored member clients to the Fixed Income Clearing Corporation in connection with certain resale and repurchase agreements. To minimize potential losses on such guarantees, the firm obtains a security interest in the collateral that the sponsored client placed with the Fixed Income Clearing Corporation. Therefore, the risk of loss on such guarantees is minimal. The maximum payout on this guarantee was \$14.28 billion as of September 2023 and \$8.74 billion as of December 2022. The related collateral held was \$14.25 billion as of September 2023 and \$8.70 billion as of December 2022.

Other Financial Guarantees. In the ordinary course of business, the firm provides other financial guarantees of the obligations of third parties (e.g., standby letters of credit and other guarantees to enable clients to complete transactions and fund-related guarantees). These guarantees represent obligations to make payments to beneficiaries if the guaranteed party fails to fulfill its obligation under a contractual arrangement with that beneficiary. Other financial guarantees also include a guarantee that the firm has provided to the Government of Malaysia that it will receive, by August 2025, at least \$1.4 billion in assets and proceeds from assets seized by governmental authorities around the world related to 1Malaysia Development Berhad, a sovereign wealth fund in Malaysia (1MDB). In connection with this guarantee, the firm agreed to make a one-time interim payment of \$250 million towards the \$1.4 billion if the Government of Malaysia did not receive at least \$500 million in assets and proceeds by August 2022. The firm does not believe that any interim payment is required. Any amounts paid by the firm would, in any event, be subject to reimbursement in the event the assets and proceeds received by the Government of Malaysia through August 18, 2028 exceed \$1.4 billion.

On October 11, 2023, the firm filed a demand for arbitration alleging that the Government of Malaysia had, as of August 2022, recovered assets and proceeds well in excess of \$500 million; it had recovered substantial additional assets and proceeds that should be credited against the guarantee; and it had not used all reasonable efforts to recover other assets and proceeds that could be credited against the guarantee. See Note 27 for further information about matters related to 1MDB.

Guarantees of Securities Issued by Trusts. The firm has established trusts, including Goldman Sachs Capital I, Goldman Sachs Capital II and Goldman Sachs Capital III (the Trusts), and other entities, for the limited purpose of issuing securities to third parties, lending the proceeds to the firm and entering into contractual arrangements with the firm and third parties related to this purpose. The firm does not consolidate these entities. See Notes 14 and 19 for further information about the transactions involving the Trusts.

The firm effectively provides for the full and unconditional guarantee of the securities issued by these entities. Timely payment by the firm of amounts due to these entities under the guarantee, borrowing, preferred stock and related contractual arrangements will be sufficient to cover payments due on the securities issued by these entities. No subsidiary of Group Inc. guarantees the securities of the Trusts.

Management believes that it is unlikely that any circumstances will occur, such as nonperformance on the part of paying agents or other service providers, that would make it necessary for the firm to make payments related to these entities other than those required under the terms of the guarantee, borrowing, preferred stock and related contractual arrangements and in connection with certain expenses incurred by these entities.

Indemnities and Guarantees of Service Providers. In the ordinary course of business, the firm indemnifies and guarantees certain service providers, such as clearing and custody agents, trustees and administrators, against specified potential losses in connection with their acting as an agent of, or providing services to, the firm or its affiliates.

The firm may also be liable to some clients or other parties for losses arising from its custodial role or caused by acts or omissions of third-party service providers, including sub-custodians and third-party brokers. In certain cases, the firm has the right to seek indemnification from these third-party service providers for certain relevant losses incurred by the firm. In addition, the firm is a member of payment, clearing and settlement networks, as well as securities exchanges around the world that may require the firm to meet the obligations of such networks and exchanges in the event of member defaults and other loss scenarios.

In connection with the firm's prime brokerage and clearing businesses, the firm agrees to clear and settle transactions entered into by clients with other brokerage firms. The firm's obligations in respect of such transactions are secured by the assets in the client's account and proceeds received from the transactions cleared and settled by the firm on behalf of the client. In connection with joint venture investments, the firm may issue loan guarantees under which it may be liable in the event of fraud, misappropriation, environmental liabilities and other matters involving the borrower.

Notes to Consolidated Financial Statements (Unaudited)

The firm is unable to develop an estimate of the maximum payout under these guarantees and indemnifications. However, management believes that it is unlikely the firm will have to make any material payments under these arrangements, and no material liabilities related to these guarantees and indemnifications have been recognized in the consolidated balance sheets as of both September 2023 and December 2022.

Other Representations, Warranties and Indemnifications. The firm provides representations and warranties to counterparties in connection with a variety of commercial transactions and occasionally indemnifies them against potential losses caused by the breach of those representations and warranties. The firm may also provide indemnifications protecting against changes in or adverse application of certain U.S. tax laws in connection with ordinary-course transactions, such as securities issuances, borrowings or derivatives.

In addition, the firm may provide indemnifications to some counterparties to protect them in the event additional taxes are owed or payments are withheld, due either to a change in or an adverse application of certain non-U.S. tax laws. These indemnifications, as well as indemnifications provided by the firm on other contractual or other obligations, generally are standard contractual terms and are entered into in the ordinary course of business. Generally, there are no stated or notional amounts included in these indemnifications, and the contingencies triggering the obligation to indemnify are not expected to occur. The firm is unable to develop an estimate of the maximum payout under these guarantees and indemnifications. However, management believes that it is unlikely the firm will have to make any material payments under these arrangements, and no material liabilities related to these arrangements have been recognized in the consolidated balance sheets as of both September 2023 and December 2022.

Guarantees of Subsidiaries. Group Inc. is the entity that fully and unconditionally guarantees the securities issued by GS Finance Corp., a wholly-owned finance subsidiary of the firm. Group Inc. has guaranteed the payment obligations of Goldman Sachs & Co. LLC (GS&Co.), GS Bank USA and Goldman Sachs Paris Inc. et Cie, subject to certain exceptions. In addition, Group Inc. has provided guarantees to Goldman Sachs International (GSI) and GSBE related to agreements that each entity has entered into with certain of its counterparties. Group Inc. guarantees many of the obligations of its other consolidated subsidiaries on a transaction-by-transaction basis, as negotiated with counterparties. Group Inc. is unable to develop an estimate of the maximum payout under its subsidiary guarantees. However, because these obligations are also obligations of consolidated subsidiaries, Group Inc.'s liabilities as guarantor are not separately disclosed.

Note 19.

Shareholders' Equity

Common Equity

As of both September 2023 and December 2022, the firm had 4.00 billion authorized shares of common stock and 200 million authorized shares of nonvoting common stock, each with a par value of \$0.01 per share.

The firm's share repurchase program is intended to help maintain the appropriate level of common equity. The share repurchase program is effected primarily through regular open-market purchases (which may include repurchase plans designed to comply with Rule 10b5-1 and accelerated share repurchases), the amounts and timing of which are determined primarily by the firm's current and projected capital position, and capital deployment opportunities, but which may also be influenced by general market conditions and the prevailing price and trading volumes of the firm's common stock.

The table below presents information about common stock repurchases.

	Three Months Ended September		Nine Months Ended September	
<i>in millions, except per share amounts</i>	2023	2022	2023	2022
Common share repurchases	4.2	3.0	13.5	5.9
Average cost per share	\$ 354.79	\$ 332.32	\$ 354.13	\$ 337.32
Total cost of common share repurchases	\$ 1,500	\$ 1,000	\$ 4,796	\$ 2,000

Pursuant to the terms of certain share-based compensation plans, employees may remit shares to the firm or the firm may cancel share-based awards to satisfy statutory employee tax withholding requirements. Under these plans, during the nine months ended September 2023, 868 shares were remitted with a total value of \$0.3 million and the firm cancelled 3.9 million share-based awards with a total value of \$1.34 billion.

The table below presents common stock dividends declared.

	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Dividends declared per common share	\$ 2.75	\$ 2.50	\$ 7.75	\$ 6.50

On October 12, 2023, the Board of Directors of Group Inc. (Board) declared a dividend of \$2.75 per common share to be paid on December 28, 2023 to common shareholders of record on November 30, 2023.

Notes to Consolidated Financial Statements (Unaudited)

Preferred Equity

The tables below present information about the perpetual preferred stock issued and outstanding as of September 2023.

Series	Shares Authorized	Shares Issued	Shares Outstanding	Depository Shares Per Share
A	50,000	30,000	29,999	1,000
C	25,000	8,000	8,000	1,000
D	60,000	54,000	53,999	1,000
E	17,500	7,667	7,667	N.A.
F	5,000	1,615	1,615	N.A.
K	32,200	28,000	28,000	1,000
O	26,000	26,000	26,000	25
P	66,000	60,000	60,000	25
Q	20,000	20,000	20,000	25
R	24,000	24,000	24,000	25
S	14,000	14,000	14,000	25
T	27,000	27,000	27,000	25
U	30,000	30,000	30,000	25
V	30,000	30,000	30,000	25
W	60,000	60,000	60,000	25
Total	486,700	420,282	420,280	

Series	Earliest Redemption Date	Liquidation Preference	Redemption Value (\$ in millions)
A	Currently redeemable	\$ 25,000	\$ 750
C	Currently redeemable	\$ 25,000	200
D	Currently redeemable	\$ 25,000	1,350
E	Currently redeemable	\$ 100,000	767
F	Currently redeemable	\$ 100,000	161
K	May 10, 2024	\$ 25,000	700
O	November 10, 2026	\$ 25,000	650
P	Currently redeemable	\$ 25,000	1,500
Q	August 10, 2024	\$ 25,000	500
R	February 10, 2025	\$ 25,000	600
S	February 10, 2025	\$ 25,000	350
T	May 10, 2026	\$ 25,000	675
U	August 10, 2026	\$ 25,000	750
V	November 10, 2026	\$ 25,000	750
W	February 10, 2029	\$ 25,000	1,500
Total		\$	11,203

In the tables above:

- All shares have a par value of \$0.01 per share and, where applicable, each share is represented by the specified number of depository shares.
- The earliest redemption date represents the date on which each share of non-cumulative preferred stock is redeemable at the firm's option.
- Prior to redeeming preferred stock, the firm must receive approval from the FRB.
- In August 2023, the firm issued 60,000 shares of Series W 7.50% Fixed-Rate Reset Non-Cumulative Preferred Stock (Series W Preferred Stock).
- The redemption price per share for Series A through F and Series Q through W Preferred Stock is the liquidation preference plus declared and unpaid dividends. The redemption price per share for Series K through P Preferred Stock is the liquidation preference plus accrued and unpaid dividends.

- All series of preferred stock are pari passu and have a preference over the firm's common stock on liquidation.
- The firm's ability to declare or pay dividends on, or purchase, redeem or otherwise acquire, its common stock is subject to certain restrictions in the event that the firm fails to pay or set aside full dividends on the preferred stock for the latest completed dividend period.
- Series E and Series F Preferred Stock are held by Goldman Sachs Capital II and Goldman Sachs Capital III, respectively. These trusts are Delaware statutory trusts sponsored by the firm and wholly-owned finance subsidiaries of the firm for regulatory and legal purposes but are not consolidated for accounting purposes.

In the third quarter of 2023, the firm redeemed all outstanding shares of its Series J 5.50% Fixed-to-Floating Rate Non-Cumulative Preferred Stock (Series J Preferred Stock) with a redemption value of \$1 billion (\$25,000 per share), plus accrued and unpaid dividends. The difference between the redemption value and net carrying value was \$10 million, which was recorded as an addition to preferred stock dividends in the third quarter of 2023.

The preferred stock issuance costs in the consolidated statements of shareholders' equity reflects reclassifications of issuance costs to retained earnings on redemptions, net of issuance costs relating to new issuances.

The table below presents the dividend rates of perpetual preferred stock as of September 2023.

Series	Per Annum Dividend Rate
A	3 month term SOFR + 1.01161%, with floor of 3.75%, payable quarterly
C	3 month term SOFR + 1.01161%, with floor of 4.00%, payable quarterly
D	3 month term SOFR + 0.93161%, with floor of 4.00%, payable quarterly
E	3 month term SOFR + 1.02911%, with floor of 4.00%, payable quarterly
F	3 month term SOFR + 1.03161%, with floor of 4.00%, payable quarterly
K	6.375% to, but excluding, May 10, 2024; 3 month term SOFR + 3.81161% thereafter, payable quarterly
O	5.30%, payable semi-annually, from issuance date to, but excluding, November 10, 2026; 3 month term SOFR + 4.09561%, payable quarterly, thereafter
P	3 month term SOFR + 3.13561%, payable quarterly
Q	5.50%, payable semi-annually, from issuance date to, but excluding, August 10, 2024; 5 year treasury rate + 3.623%, payable semi-annually, thereafter
R	4.95%, payable semi-annually, from issuance date to, but excluding, February 10, 2025; 5 year treasury rate + 3.224%, payable semi-annually, thereafter
S	4.40%, payable semi-annually, from issuance date to, but excluding, February 10, 2025; 5 year treasury rate + 2.85%, payable semi-annually thereafter
T	3.80%, payable semi-annually, from issuance date to, but excluding, May 10, 2026; 5 year treasury rate + 2.969%, payable semi-annually, thereafter
U	3.65%, payable semi-annually, from issuance date to, but excluding, August 10, 2026; 5 year treasury rate + 2.915%, payable semi-annually, thereafter
V	4.125%, payable semi-annually, from issuance date to, but excluding, November 10, 2026; 5 year treasury rate + 2.949%, payable semi-annually, thereafter
W	7.50%, payable semi-annually, from issuance date to, but excluding, February 10, 2029; 5 year treasury rate + 3.156%, payable semi-annually, thereafter

Notes to Consolidated Financial Statements (Unaudited)

In the table above:

- In connection with the cessation of LIBOR, as of July 1, 2023, the firm replaced the three-month LIBOR rate with the three-month term SOFR rate plus the statutorily prescribed tenor spread, consistent with the FRB's final rule implementing the Adjustable Interest Rate (LIBOR) Act.
- Dividends on each series of preferred stock are payable in arrears for the periods specified.

The table below presents preferred stock dividends declared.

Series	2023		2022	
	per share	\$ in millions	per share	\$ in millions
Three Months Ended September				
A	\$ 388.88	\$ 12	\$ 239.58	\$ 7
C	\$ 388.88	3	\$ 255.56	2
D	\$ 383.77	20	\$ 255.56	14
E	\$ 1,600.67	13	\$ 1,022.22	7
F	\$ 1,601.31	2	\$ 1,022.22	2
J	\$ 573.52	23	\$ 343.75	13
K	\$ 398.44	11	\$ 398.44	11
P	\$ 524.58	32	\$ —	—
Q	\$ 687.50	14	\$ 687.50	14
R	\$ 618.75	15	\$ 618.75	15
S	\$ 550.00	8	\$ 550.00	8
U	\$ 456.25	13	\$ 456.25	14
Total		\$ 166		\$ 107
Nine Months Ended September				
A	\$ 1,076.86	\$ 32	\$ 710.93	\$ 21
C	\$ 1,076.86	9	\$ 758.34	6
D	\$ 1,061.69	57	\$ 758.34	41
E	\$ 4,447.01	34	\$ 3,044.44	23
F	\$ 4,448.90	7	\$ 3,044.44	5
J	\$ 1,261.02	51	\$ 1,031.25	41
K	\$ 1,195.32	33	\$ 1,195.32	33
O	\$ 662.50	17	\$ 662.50	17
P	\$ 1,479.53	89	\$ 625.00	38
Q	\$ 1,375.00	28	\$ 1,375.00	28
R	\$ 1,237.50	30	\$ 1,237.50	30
S	\$ 1,100.00	16	\$ 1,100.00	16
T	\$ 475.00	13	\$ 475.00	13
U	\$ 912.50	27	\$ 942.92	28
V	\$ 515.63	15	\$ 547.14	16
Total		\$ 458		\$ 356

On October 9, 2023, Group Inc. declared dividends of \$407.41 per share of Series A Preferred Stock, \$407.41 per share of Series C Preferred Stock, \$402.30 per share of Series D Preferred Stock, \$398.44 per share of Series K Preferred Stock, \$662.50 per share of Series O Preferred Stock, \$543.11 per share of Series P Preferred Stock, \$475.00 per share of Series T Preferred Stock and \$515.63 per share of Series V Preferred Stock to be paid on November 10, 2023 to preferred shareholders of record on October 26, 2023. In addition, the firm declared dividends of \$1,627.56 per share of Series E Preferred Stock and \$1,628.19 per share of Series F Preferred Stock to be paid on December 1, 2023 to preferred shareholders of record on November 16, 2023.

Accumulated Other Comprehensive Income/(Loss)

The table below presents changes in accumulated other comprehensive income/(loss), net of tax, by type.

	Other comprehensive income/(loss) adjustments, net of tax			
<i>\$ in millions</i>	Beginning balance			Ending balance
Three Months Ended September 2023				
Currency translation	\$ (828)	\$ (16)	\$ (844)	
Debt valuation adjustment	281	328	609	
Pension and postretirement liabilities	(475)	9	(466)	
Available-for-sale securities	(2,215)	317	(1,898)	
Total	\$ (3,237)	\$ 638	\$ (2,599)	
Three Months Ended September 2022				
Currency translation	\$ (769)	\$ 26	\$ (743)	
Debt valuation adjustment	1,417	673	2,090	
Pension and postretirement liabilities	(315)	(2)	(317)	
Available-for-sale securities	(2,287)	(615)	(2,902)	
Total	\$ (1,954)	\$ 82	\$ (1,872)	
Nine Months Ended September 2023				
Currency translation	\$ (785)	\$ (59)	\$ (844)	
Debt valuation adjustment	892	(283)	609	
Pension and postretirement liabilities	(499)	33	(466)	
Available-for-sale securities	(2,618)	720	(1,898)	
Total	\$ (3,010)	\$ 411	\$ (2,599)	
Nine Months Ended September 2022				
Currency translation	\$ (738)	\$ (5)	\$ (743)	
Debt valuation adjustment	(511)	2,601	2,090	
Pension and postretirement liabilities	(327)	10	(317)	
Available-for-sale securities	(492)	(2,410)	(2,902)	
Total	\$ (2,068)	\$ 196	\$ (1,872)	

Notes to Consolidated Financial Statements (Unaudited)

Note 20.

Regulation and Capital Adequacy

The FRB is the primary regulator of Group Inc., a bank holding company under the U.S. Bank Holding Company Act of 1956 and a financial holding company under amendments to this Act. The firm is subject to consolidated regulatory capital requirements which are calculated in accordance with the regulations of the FRB (Capital Framework).

The capital requirements are expressed as risk-based capital and leverage ratios that compare measures of regulatory capital to risk-weighted assets (RWAs), average assets and off-balance sheet exposures. Failure to comply with these capital requirements would result in restrictions being imposed by the firm's regulators and could limit the firm's ability to repurchase shares, pay dividends and make certain discretionary compensation payments. The firm's capital levels are also subject to qualitative judgments by the regulators about components of capital, risk weightings and other factors. Furthermore, certain of the firm's subsidiaries are subject to separate regulations and capital requirements.

Capital Framework

The regulations under the Capital Framework are largely based on the Basel Committee on Banking Supervision's (Basel Committee) capital framework for strengthening international capital standards (Basel III) and also implement certain provisions of the Dodd-Frank Act. Under the Capital Framework, the firm is an "Advanced approaches" banking organization and has been designated as a global systemically important bank (G-SIB).

The Capital Framework includes the minimum risk-based capital and the capital conservation buffer requirements. The buffer must consist entirely of capital that qualifies as Common Equity Tier 1 (CET1) capital.

The firm calculates its CET1 capital, Tier 1 capital and Total capital ratios in accordance with both the Standardized and Advanced Capital Rules. Each of the ratios calculated under the Standardized and Advanced Capital Rules must meet its respective capital requirements.

Under the Capital Framework, the firm is also subject to leverage requirements which consist of a minimum Tier 1 leverage ratio and a minimum supplementary leverage ratio (SLR), as well as the SLR buffer.

Consolidated Regulatory Capital Requirements

Risk-Based Capital Ratios. The table below presents the risk-based capital requirements.

	Standardized	Advanced
As of September 2023		
CET1 capital ratio	13.8%	10.0%
Tier 1 capital ratio	15.3%	11.5%
Total capital ratio	17.3%	13.5%
As of December 2022		
CET1 capital ratio	13.3%	9.5%
Tier 1 capital ratio	14.8%	11.0%
Total capital ratio	16.8%	13.0%

In the table above:

- Under both the Standardized and Advanced Capital Rules, the CET1 capital ratio requirement includes a minimum of 4.5%, the Tier 1 capital ratio requirement includes a minimum of 6.0% and the Total capital ratio requirement includes a minimum of 8.0%. These requirements also include the capital conservation buffer requirements, consisting of the G-SIB surcharge (Method 2) of 3.0% as of September 2023 and 2.5% as of December 2022 and the countercyclical capital buffer, which the FRB has set to zero percent. In addition, the capital conservation buffer requirements include the stress capital buffer (SCB) of 6.3% under the Standardized Capital Rules and a buffer of 2.5% under the Advanced Capital Rules.
- The G-SIB surcharge is updated annually based on financial data from the prior year and is generally applicable for the following year. The G-SIB surcharge is calculated using two methodologies, the higher of which is reflected in the firm's risk-based capital requirements. The first calculation (Method 1) is based on the Basel Committee's methodology which, among other factors, relies upon measures of the size, activity and complexity of each G-SIB. The second calculation (Method 2) uses similar inputs but includes a measure of reliance on short-term wholesale funding.

Based on the firm's 2023 Comprehensive Capital Analysis and Review submission, the FRB has set the SCB for the firm at 5.5% under the Standardized Capital Rules for the period from October 1, 2023 through September 30, 2024.

Notes to Consolidated Financial Statements (Unaudited)

The table below presents information about risk-based capital ratios.

<i>\$ in millions</i>	Standardized	Advanced
As of September 2023		
CET1 capital	\$ 98,891	\$ 98,891
Tier 1 capital	\$ 109,752	\$ 109,752
Tier 2 capital	\$ 15,193	\$ 11,245
Total capital	\$ 124,945	\$ 120,997
RWAs	\$ 666,860	\$ 666,205
CET1 capital ratio	14.8%	14.8%
Tier 1 capital ratio	16.5%	16.5%
Total capital ratio	18.7%	18.2%
As of December 2022		
CET1 capital	\$ 98,050	\$ 98,050
Tier 1 capital	\$ 108,552	\$ 108,552
Tier 2 capital	\$ 15,958	\$ 12,115
Total capital	\$ 124,510	\$ 120,667
RWAs	\$ 653,419	\$ 679,450
CET1 capital ratio	15.0%	14.4%
Tier 1 capital ratio	16.6%	16.0%
Total capital ratio	19.1%	17.8%

Leverage Ratios. The table below presents the leverage requirements.

	Requirements
Tier 1 leverage ratio	4.0%
SLR	5.0%

In the table above, the SLR requirement of 5% includes a minimum of 3% and a 2% buffer applicable to G-SIBs.

The table below presents information about leverage ratios.

<i>\$ in millions</i>	For the Three Months Ended or as of	
	September 2023	December 2022
Tier 1 capital	\$ 109,752	\$ 108,552
Average total assets	\$ 1,557,715	\$ 1,500,225
Deductions from Tier 1 capital	(7,216)	(8,259)
Average adjusted total assets	1,550,499	1,491,966
Off-balance sheet and other exposures	414,307	375,392
Total leverage exposure	\$ 1,964,806	\$ 1,867,358
Tier 1 leverage ratio	7.1%	7.3%
SLR	5.6%	5.8%

In the table above:

- Average total assets represents the average daily assets for the quarter adjusted for the impact of Current Expected Credit Losses (CECL) transition.
- Off-balance sheet and other exposures primarily includes the monthly average of off-balance sheet exposures, consisting of derivatives, securities financing transactions, commitments and guarantees.
- Tier 1 leverage ratio is calculated as Tier 1 capital divided by average adjusted total assets.
- SLR is calculated as Tier 1 capital divided by total leverage exposure.

Risk-Based Capital. The table below presents information about risk-based capital.

<i>\$ in millions</i>	As of	
	September 2023	December 2022
Common shareholders' equity	\$ 106,074	\$ 106,486
Impact of CECL transition	553	829
Deduction for goodwill	(5,223)	(5,674)
Deduction for identifiable intangible assets	(1,102)	(1,770)
Other adjustments	(1,411)	(1,821)
CET1 capital	98,891	98,050
Preferred stock	11,203	10,703
Deduction for investments in covered funds	(339)	(199)
Other adjustments	(3)	(2)
Tier 1 capital	\$ 109,752	\$ 108,552
Standardized Tier 2 and Total capital		
Tier 1 capital	\$ 109,752	\$ 108,552
Qualifying subordinated debt	10,306	10,637
Allowance for credit losses	4,907	5,331
Other adjustments	(20)	(10)
Standardized Tier 2 capital	15,193	15,958
Standardized Total capital	\$ 124,945	\$ 124,510
Advanced Tier 2 and Total capital		
Tier 1 capital	\$ 109,752	\$ 108,552
Standardized Tier 2 capital	15,193	15,958
Allowance for credit losses	(4,907)	(5,331)
Other adjustments	959	1,488
Advanced Tier 2 capital	11,245	12,115
Advanced Total capital	\$ 120,997	\$ 120,667

In the table above:

- Beginning in January 2022, the firm started to phase in the estimated reduction to regulatory capital as a result of adopting the CECL model. The total amount of reduction to be phased in from January 1, 2022 through January 1, 2025 (at 25% per year) was \$1.11 billion, of which \$553 million had been phased in as of September 2023. The total amount to be phased in includes the impact of adopting CECL as of January 1, 2020, as well as 25% of the increase in the allowance for credit losses from January 1, 2020 through December 31, 2021. The impact of CECL transition reflects the remaining amount of reduction to be phased in as of both September 2023 and December 2022.
- Deduction for goodwill was net of deferred tax liabilities of \$690 million as of September 2023 and \$700 million as of December 2022.
- Deduction for identifiable intangible assets was net of deferred tax liabilities of \$239 million as of both September 2023 and December 2022.
- Deduction for investments in covered funds represents the firm's aggregate investments in applicable covered funds. See Note 8 for further information about the Volcker Rule.

Notes to Consolidated Financial Statements (Unaudited)

- Other adjustments within CET1 capital and Tier 1 capital primarily include credit valuation adjustments on derivative liabilities, the overfunded portion of the firm's defined benefit pension plan obligation net of associated deferred tax liabilities, disallowed deferred tax assets, debt valuation adjustments and other required credit risk-based deductions. Other adjustments within Advanced Tier 2 capital include eligible credit reserves.
- Qualifying subordinated debt is subordinated debt issued by Group Inc. with an original maturity of five years or greater. The outstanding amount of subordinated debt qualifying for Tier 2 capital is reduced upon reaching a remaining maturity of five years. See Note 14 for further information about the firm's subordinated debt.

The table below presents changes in CET1 capital, Tier 1 capital and Tier 2 capital.

<i>\$ in millions</i>	Standardized	Advanced
Nine Months Ended September 2023		
CET1 capital		
Beginning balance	\$ 98,050	\$ 98,050
Change in:		
Common shareholders' equity	(412)	(412)
Impact of CECL transition	(276)	(276)
Deduction for goodwill	451	451
Deduction for identifiable intangible assets	668	668
Other adjustments	410	410
Ending balance	\$ 98,891	\$ 98,891
Tier 1 capital		
Beginning balance	\$ 108,552	\$ 108,552
Change in:		
CET1 capital	841	841
Preferred stock	500	500
Deduction for investments in covered funds	(140)	(140)
Other adjustments	(1)	(1)
Ending balance	109,752	109,752
Tier 2 capital		
Beginning balance	15,958	12,115
Change in:		
Qualifying subordinated debt	(331)	(331)
Allowance for credit losses	(424)	–
Other adjustments	(10)	(539)
Ending balance	15,193	11,245
Total capital	\$ 124,945	\$ 120,997

RWAs. RWAs are calculated in accordance with both the Standardized and Advanced Capital Rules.

Credit Risk

Credit RWAs are calculated based on measures of exposure, which are then risk weighted under the Standardized and Advanced Capital Rules:

- The Standardized Capital Rules apply prescribed risk-weights, which depend largely on the type of counterparty. The exposure measures for derivatives and securities financing transactions are based on specific formulas which take certain factors into consideration.
- Under the Advanced Capital Rules, the firm computes risk-weights for wholesale and retail credit exposures in accordance with the Advanced Internal Ratings-Based approach. The exposure measures for derivatives and securities financing transactions are computed utilizing internal models.
- For both Standardized and Advanced credit RWAs, the risk-weights for securitizations and equities are based on specific required formulaic approaches.

Market Risk

RWAs for market risk in accordance with the Standardized and Advanced Capital Rules are generally consistent. Market RWAs are calculated based on measures of exposure which include the following:

- Value-at-Risk (VaR) is the potential loss in value of trading assets and liabilities, as well as certain investments, loans, and other financial assets and liabilities accounted for at fair value, due to adverse market movements over a defined time horizon with a specified confidence level.

Notes to Consolidated Financial Statements (Unaudited)

For both risk management purposes and regulatory capital calculations, the firm uses a single VaR model which captures risks, including those related to interest rates, equity prices, currency rates and commodity prices. However, VaR used for risk management purposes differs from VaR used for regulatory capital requirements (regulatory VaR) due to differences in time horizons, confidence levels and the scope of positions on which VaR is calculated. For risk management purposes, a 95% one-day VaR is used, whereas for regulatory capital requirements, a 99% 10-day VaR is used to determine Market RWAs and a 99% one-day VaR is used to determine regulatory VaR exceptions. In addition, the daily net revenues used to determine risk management VaR exceptions (i.e., comparing the daily net revenues to the VaR measure calculated as of the end of the prior business day) include intraday activity, whereas the Capital Framework requires that intraday activity be excluded from daily net revenues when calculating regulatory VaR exceptions. Intraday activity includes bid/offer net revenues, which are more likely than not to be positive by their nature. As a result, there may be differences in the number of VaR exceptions and the amount of daily net revenues calculated for regulatory VaR compared to the amounts calculated for risk management VaR.

The firm's positional losses observed on a single day exceeded its 99% one-day regulatory VaR on one occasion during both the nine months ended September 2023 and the year ended 2022. There was no change in the firm's VaR multiplier used to calculate Market RWAs;

- Stressed VaR is the potential loss in value of trading assets and liabilities, as well as certain investments, loans, and other financial assets and liabilities accounted for at fair value, during a period of significant market stress;
- Incremental risk is the potential loss in value of non-securitized positions due to the default or credit migration of issuers of financial instruments over a one-year time horizon;
- Comprehensive risk is the potential loss in value, due to price risk and defaults, within the firm's credit correlation positions; and
- Specific risk is the risk of loss on a position that could result from factors other than broad market movements, including event risk, default risk and idiosyncratic risk. The standardized measurement method is used to determine specific risk RWAs, by applying supervisory defined risk-weighting factors after applicable netting is performed.

Operational Risk

Operational RWAs are only required to be included under the Advanced Capital Rules. The firm utilizes an internal risk-based model to quantify Operational RWAs.

The table below presents information about RWAs.

<i>\$ in millions</i>	Standardized	Advanced
As of September 2023		
Credit RWAs		
Derivatives	\$ 145,133	\$ 99,815
Commitments, guarantees and loans	249,886	200,225
Securities financing transactions	81,423	25,041
Equity investments	31,703	34,301
Other	75,273	95,330
Total Credit RWAs	583,418	454,712
Market RWAs		
Regulatory VaR	16,704	16,704
Stressed VaR	40,343	40,343
Incremental risk	6,779	6,779
Comprehensive risk	2,647	2,647
Specific risk	16,969	16,969
Total Market RWAs	83,442	83,442
Total Operational RWAs	–	128,051
Total RWAs	\$ 666,860	\$ 666,205
As of December 2022		
Credit RWAs		
Derivatives	\$ 142,696	\$ 111,344
Commitments, guarantees and loans	247,026	198,508
Securities financing transactions	73,189	21,659
Equity investments	30,899	33,451
Other	76,335	96,351
Total Credit RWAs	570,145	461,313
Market RWAs		
Regulatory VaR	18,981	18,981
Stressed VaR	37,833	37,833
Incremental risk	6,470	6,470
Comprehensive risk	3,641	3,641
Specific risk	16,349	16,349
Total Market RWAs	83,274	83,274
Total Operational RWAs	–	134,863
Total RWAs	\$ 653,419	\$ 679,450

In the table above:

- Securities financing transactions represents resale and repurchase agreements and securities borrowed and loaned transactions.
- Other includes receivables, certain debt securities, cash and cash equivalents, and other assets.

Notes to Consolidated Financial Statements (Unaudited)

The table below presents changes in RWAs.

<i>\$ in millions</i>	Standardized	Advanced
Nine Months Ended September 2023		
RWAs		
Beginning balance	\$ 653,419	\$ 679,450
Credit RWAs		
Change in:		
Derivatives	2,437	(11,529)
Commitments, guarantees and loans	2,860	1,717
Securities financing transactions	8,234	3,382
Equity investments	804	850
Other	(1,062)	(1,021)
Change in Credit RWAs	13,273	(6,601)
Market RWAs		
Change in:		
Regulatory VaR	(2,277)	(2,277)
Stressed VaR	2,510	2,510
Incremental risk	309	309
Comprehensive risk	(994)	(994)
Specific risk	620	620
Change in Market RWAs	168	168
Change in Operational RWAs	–	(6,812)
Ending balance	\$ 666,860	\$ 666,205

RWAs Rollforward Commentary

Nine Months Ended September 2023. Standardized Credit RWAs as of September 2023 increased by \$13.27 billion compared with December 2022, primarily reflecting an increase in securities financing transactions (principally due to increased funding exposures), an increase in commitments, guarantees and loans (principally due to increased lending activity) and an increase in derivatives (principally due to increased exposures). Standardized Market RWAs as of September 2023 were essentially unchanged compared with December 2022.

Advanced Credit RWAs as of September 2023 decreased by \$6.60 billion compared with December 2022, primarily reflecting a decrease in derivatives (principally due to reduced counterparty credit risk). This decrease was partially offset by an increase in securities financing transactions (principally due to increased funding exposures) and an increase in commitments, guarantees and loans (principally due to increased lending activity). Advanced Market RWAs as of September 2023 were essentially unchanged compared with December 2022. Advanced Operational RWAs as of September 2023 decreased by \$6.81 billion compared with December 2022, reflecting decreased frequency of loss events estimated by the firm's risk-based model.

Bank Subsidiaries

GS Bank USA. GS Bank USA is the firm's primary U.S. bank subsidiary. GS Bank USA is a New York State-chartered bank and a member of the Federal Reserve System, is supervised and regulated by the FRB, the FDIC, the New York State Department of Financial Services (NYDFS) and the Consumer Financial Protection Bureau, and is subject to regulatory capital requirements that are calculated under the Capital Framework. GS Bank USA is an Advanced approaches banking organization under the Capital Framework. The deposits of GS Bank USA are insured by the FDIC to the extent provided by law.

The Capital Framework includes the minimum risk-based capital and the capital conservation buffer requirements (consisting of a 2.5% buffer and the countercyclical capital buffer). The buffer must consist entirely of capital that qualifies as CET1 capital. In addition, the Capital Framework includes the leverage ratio requirement.

GS Bank USA is required to calculate the CET1 capital, Tier 1 capital and Total capital ratios in accordance with both the Standardized and Advanced Capital Rules. The lower of each risk-based capital ratio under the Standardized and Advanced Capital Rules is the ratio against which GS Bank USA's compliance with its risk-based capital requirements is assessed. In addition, under the regulatory framework for prompt corrective action applicable to GS Bank USA, in order to meet the quantitative requirements for a "well-capitalized" depository institution, GS Bank USA must also meet the "well-capitalized" requirements in the table below. GS Bank USA's capital levels and prompt corrective action classification are also subject to qualitative judgments by the regulators about components of capital, risk weightings and other factors. Failure to comply with the capital requirements, including a breach of the buffers described below, would result in restrictions being imposed by the regulators.

The table below presents GS Bank USA's risk-based capital, leverage and "well-capitalized" requirements.

	Requirements	"Well-capitalized" Requirements
Risk-based capital requirements		
CET1 capital ratio	7.0%	6.5%
Tier 1 capital ratio	8.5%	8.0%
Total capital ratio	10.5%	10.0%
Leverage requirements		
Tier 1 leverage ratio	4.0%	5.0%
SLR	3.0%	6.0%

Notes to Consolidated Financial Statements (Unaudited)

In the table above:

- The CET1 capital ratio requirement includes a minimum of 4.5%, the Tier 1 capital ratio requirement includes a minimum of 6.0% and the Total capital ratio requirement includes a minimum of 8.0%. These requirements also include the capital conservation buffer requirements consisting of a 2.5% buffer and the countercyclical capital buffer, which the FRB has set to zero percent.
- The “well-capitalized” requirements are the binding requirements for leverage ratios.

The table below presents information about GS Bank USA’s risk-based capital ratios.

<i>\$ in millions</i>	Standardized	Advanced
As of September 2023		
CET1 capital	\$ 52,216	\$ 52,216
Tier 1 capital	\$ 52,216	\$ 52,216
Tier 2 capital	\$ 6,179	\$ 3,021
Total capital	\$ 58,395	\$ 55,237
RWAs	\$ 375,207	\$ 290,941
CET1 capital ratio	13.9%	17.9%
Tier 1 capital ratio	13.9%	17.9%
Total capital ratio	15.6%	19.0%
As of December 2022		
CET1 capital	\$ 46,845	\$ 46,845
Tier 1 capital	\$ 46,845	\$ 46,845
Tier 2 capital	\$ 8,042	\$ 5,382
Total capital	\$ 54,887	\$ 52,227
RWAs	\$ 357,112	\$ 275,451
CET1 capital ratio	13.1%	17.0%
Tier 1 capital ratio	13.1%	17.0%
Total capital ratio	15.4%	19.0%

In the table above:

- The lower of the Standardized or Advanced ratio is the ratio against which GS Bank USA’s compliance with the capital requirements is assessed under the risk-based Capital Rules, and therefore, the Standardized ratios applied to GS Bank USA as of both September 2023 and December 2022.
- Beginning in January 2022, GS Bank USA started to phase in the estimated reduction to regulatory capital as a result of adopting the CECL model at 25% per year through January 2025. The total amount to be phased in includes the impact of adopting CECL as of January 1, 2020, as well as 25% of the increase in the allowance for credit losses from January 1, 2020 through December 31, 2021.
- The Standardized and Advanced CET1 and Tier 1 capital ratios and Standardized Total capital ratio increased from December 2022 to September 2023, primarily reflecting an increase in capital, principally due to net earnings, partially offset by an increase in Credit RWAs.

The table below presents information about GS Bank USA’s leverage ratios.

<i>\$ in millions</i>	For the Three Months Ended or as of	
	September 2023	December 2022
Tier 1 capital	\$ 52,216	\$ 46,845
Average adjusted total assets	\$ 511,837	\$ 499,108
Total leverage exposure	\$ 709,811	\$ 671,215
Tier 1 leverage ratio	10.2%	9.4%
SLR	7.4%	7.0%

In the table above:

- Average adjusted total assets represents the average daily assets for the quarter adjusted for deductions from Tier 1 capital and the impact of CECL transition.
- Tier 1 leverage ratio is calculated as Tier 1 capital divided by average adjusted total assets.
- SLR is calculated as Tier 1 capital divided by total leverage exposure.

The FRB requires that GS Bank USA maintain cash reserves with the Federal Reserve. As of both September 2023 and December 2022, the reserve requirement ratio was zero percent. See Note 26 for further information about cash deposits held by the firm at the Federal Reserve.

GS Bank USA is a registered swap dealer with the CFTC and a registered security-based swap dealer with the SEC. As of both September 2023 and December 2022, GS Bank USA was subject to and in compliance with applicable capital requirements for swap dealers and security-based swap dealers.

GSIB. GSIB is the firm’s U.K. bank subsidiary regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). GSIB is subject to the U.K. capital framework, which is largely based on Basel III. The eligible retail deposits of GSIB are covered by the U.K. Financial Services Compensation Scheme to the extent provided by law.

The table below presents GSIB’s risk-based capital requirements.

	As of	
	September 2023	December 2022
Risk-based capital requirements		
CET1 capital ratio	10.1%	9.7%
Tier 1 capital ratio	12.4%	11.9%
Total capital ratio	15.4%	14.9%

Notes to Consolidated Financial Statements (Unaudited)

The table below presents information about GSIB's risk-based capital ratios.

\$ in millions	As of	
	September 2023	December 2022
Risk-based capital and risk-weighted assets		
CET1 capital	\$ 3,782	\$ 3,395
Tier 1 capital	\$ 3,782	\$ 3,395
Tier 2 capital	\$ 826	\$ 828
Total capital	\$ 4,608	\$ 4,223
RWAs	\$ 16,722	\$ 15,766
Risk-based capital ratios		
CET1 capital ratio	22.6%	21.5%
Tier 1 capital ratio	22.6%	21.5%
Total capital ratio	27.6%	26.8%

In the table above, the risk-based capital ratios as of September 2023 reflected profits after foreseeable charges that are still subject to audit by GSIB's external auditors and approval by GSIB's Board of Directors for inclusion in risk-based capital. These profits contributed approximately 232 basis points to the CET1 capital ratio as of September 2023.

The table below presents GSIB's leverage ratio requirement which became effective in January 2023 and the leverage ratio.

	As of September 2023
Leverage ratio requirement	3.6%
Leverage ratio	5.8%

In the table above, the leverage ratio as of September 2023 reflected profits after foreseeable charges that are still subject to audit by GSIB's external auditors and approval by GSIB's Board of Directors for inclusion in risk-based capital. These profits contributed approximately 59 basis points to the leverage ratio as of September 2023.

GSIB is subject to minimum reserve requirements at central banks in certain of the jurisdictions in which it operates. As of both September 2023 and December 2022, GSIB was in compliance with these requirements.

GSBE. GSBE is the firm's German bank subsidiary supervised by the European Central Bank, BaFin and Deutsche Bundesbank. GSBE is a non-U.S. banking subsidiary of GS Bank USA and is also subject to standalone regulatory capital requirements noted below. GSBE is subject to the capital requirements prescribed in the amended E.U. Capital Requirements Directive (CRD) and E.U. Capital Requirements Regulation (CRR), which are largely based on Basel III. The deposits of GSBE are covered by the German statutory deposit protection program to the extent provided by law. In addition, GSBE has elected to participate in the German voluntary deposit protection program which provides insurance for certain eligible deposits not covered by the German statutory deposit program.

The table below presents GSBE's risk-based capital requirements.

	As of	
	September 2023	December 2022
Risk-based capital requirements		
CET1 capital ratio	10.1%	9.2%
Tier 1 capital ratio	12.1%	11.3%
Total capital ratio	14.9%	14.0%

The table below presents information about GSBE's risk-based capital ratios.

\$ in millions	As of	
	September 2023	December 2022
Risk-based capital and risk-weighted assets		
CET1 capital	\$ 13,442	\$ 9,536
Tier 1 capital	\$ 13,442	\$ 9,536
Tier 2 capital	\$ 21	\$ 21
Total capital	\$ 13,463	\$ 9,557
RWAs	\$ 36,281	\$ 30,154
Risk-based capital ratios		
CET1 capital ratio	37.0%	31.6%
Tier 1 capital ratio	37.0%	31.6%
Total capital ratio	37.1%	31.7%

In the table above, the risk-based capital ratios as of September 2023 reflected profits after foreseeable charges that are still subject to audit by GSBE's external auditors and approval by GSBE's shareholder (GS Bank USA) for inclusion in risk-based capital. These profits contributed approximately 156 basis points to the CET1 capital ratio as of September 2023.

Notes to Consolidated Financial Statements (Unaudited)

The table below presents GSBE's leverage ratio requirement and leverage ratio.

	As of	
	September 2023	December 2022
Leverage ratio requirement	3.0%	3.0%
Leverage ratio	10.6%	10.6%

In the table above, the leverage ratio as of September 2023 reflected profits after foreseeable charges that are still subject to audit by GSBE's external auditors and approval by GSBE's shareholder (GS Bank USA) for inclusion in risk-based capital. These profits contributed approximately 45 basis points to the leverage ratio as of September 2023.

GSBE is subject to minimum reserve requirements at central banks in certain of the jurisdictions in which it operates. As of both September 2023 and December 2022, GSBE was in compliance with these requirements.

GSBE is a registered swap dealer with the CFTC and a registered security-based swap dealer with the SEC. As of both September 2023 and December 2022, GSBE was subject to and in compliance with applicable capital requirements for swap dealers and security-based swap dealers.

Restrictions on Payments

Group Inc. may be limited in its ability to access capital held at certain subsidiaries as a result of regulatory, tax or other constraints. These limitations include provisions of applicable law and regulations and other regulatory restrictions that limit the ability of those subsidiaries to declare and pay dividends without prior regulatory approval. For example, the amount of dividends that may be paid by GS Bank USA are limited to the lesser of the amounts calculated under a recent earnings test and an undivided profits test. As a result of dividends paid in connection with the acquisition of GSBE in July 2021, GS Bank USA cannot currently declare any additional dividends without prior regulatory approval.

In addition, subsidiaries not subject to separate regulatory capital requirements may hold capital to satisfy local tax and legal guidelines, rating agency requirements (for entities with assigned credit ratings) or internal policies, including policies concerning the minimum amount of capital a subsidiary should hold based on its underlying level of risk.

Group Inc.'s equity investment in subsidiaries was \$133.60 billion as of September 2023 and \$134.59 billion as of December 2022, of which Group Inc. was required to maintain \$95.65 billion as of September 2023 and \$82.52 billion as of December 2022, of minimum equity capital in its regulated subsidiaries in order to satisfy the regulatory requirements of such subsidiaries.

Group Inc.'s capital invested in certain non-U.S. dollar functional currency subsidiaries is exposed to foreign exchange risk, substantially all of which is managed through a combination of non-U.S. dollar-denominated debt and derivatives. See Note 7 for information about the firm's net investment hedges used to hedge this risk.

Notes to Consolidated Financial Statements (Unaudited)

Note 21.

Earnings Per Common Share

Basic earnings per common share (EPS) is calculated by dividing net earnings to common by the weighted average number of common shares outstanding and RSUs for which the delivery of the underlying common stock is not subject to satisfaction of future service, performance or market conditions (collectively, basic shares). Diluted EPS includes the determinants of basic EPS and, in addition, reflects the dilutive effect of the common stock deliverable for RSUs for which the delivery of the underlying common stock is subject to satisfaction of future service, performance or market conditions.

The table below presents information about basic and diluted EPS.

<i>in millions, except per share amounts</i>	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Net earnings to common	\$ 1,882	\$ 2,962	\$ 6,040	\$ 9,579
Weighted average basic shares	338.7	352.8	342.5	353.0
Effect of dilutive RSUs	5.2	6.4	4.9	5.6
Weighted average diluted shares	343.9	359.2	347.4	358.6
Basic EPS	\$ 5.52	\$ 8.35	\$ 17.52	\$ 27.03
Diluted EPS	\$ 5.47	\$ 8.25	\$ 17.39	\$ 26.71

In the table above:

- Net earnings to common represents net earnings applicable to common shareholders, which is calculated as net earnings less preferred stock dividends.
- Unvested share-based awards that have non-forfeitable rights to dividends or dividend equivalents are treated as a separate class of securities under the two-class method. Distributed earnings allocated to these securities reduce net earnings to common to calculate EPS under this method. The impact of applying this methodology was a reduction in basic EPS of \$0.04 for the three months ended September 2023, \$0.05 for the three months ended September 2022, \$0.12 for the nine months ended September 2023 and \$0.11 for the nine months ended September 2022.
- Diluted EPS does not include antidilutive RSUs, including those that are subject to market or performance conditions, of 0.3 million for the three months ended September 2023, 0.4 million for the nine months ended September 2023, and 0.5 million for both the three and nine months ended September 2022.

Note 22.

Transactions with Affiliated Funds

The firm has formed nonconsolidated investment funds with third-party investors. As the firm generally acts as the investment manager for these funds, it is entitled to receive management fees and, in certain cases, advisory fees or incentive fees from these funds. Additionally, the firm invests alongside the third-party investors in certain funds.

The tables below present information about affiliated funds.

<i>\$ in millions</i>	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Fees earned from funds	\$ 1,179	\$ 1,172	\$ 3,496	\$ 3,422

<i>\$ in millions</i>	As of	
	September 2023	December 2022
Fees receivable from funds	\$ 1,369	\$ 1,175
Aggregate carrying value of interests in funds	\$ 4,025	\$ 3,801

The firm has waived, and may waive in the future, certain management fees on selected money market funds to enhance the yield for investors in such funds. Management fees waived were \$8 million for the three months ended September 2023, \$11 million for the three months ended September 2022, \$24 million for the nine months ended September 2023 and \$110 million for the nine months ended September 2022.

In accordance with the Volcker Rule, the firm does not provide financial support to covered funds. However, in the ordinary course of business, the firm may choose to provide voluntary financial support to funds that are not subject to the Volcker Rule, although any such support is not expected to be material to the results of operations of the firm. Except for the fee waivers noted above, the firm did not provide any additional financial support to its affiliated funds during either the three or nine months ended September 2023 or September 2022.

In addition, in the ordinary course of business, the firm may also engage in other activities with its affiliated funds, including, among others, securities lending, trade execution, market-making, custody, and acquisition and bridge financing. See Note 18 for information about the firm's investment commitments related to these funds.

Notes to Consolidated Financial Statements (Unaudited)

Note 23.

Interest Income and Interest Expense

Interest is recorded over the life of the instrument on an accrual basis based on contractual interest rates.

The table below presents sources of interest income and interest expense.

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Deposits with banks	\$ 3,065	\$ 1,107	\$ 8,331	\$ 1,392
Collateralized agreements	4,287	1,542	11,744	1,712
Trading assets	2,222	1,334	5,990	3,551
Investments	1,001	578	2,729	1,433
Loans	3,797	2,487	10,942	5,937
Other interest	3,885	1,502	10,295	2,588
Total interest income	18,257	8,550	50,031	16,613
Deposits	4,433	1,811	11,959	2,975
Collateralized financings	3,635	990	9,131	1,308
Trading liabilities	633	513	1,769	1,427
Short-term borrowings	317	152	848	333
Long-term borrowings	2,913	1,503	8,285	3,433
Other interest	4,779	1,538	13,027	1,533
Total interest expense	16,710	6,507	45,019	11,009
Net interest income	\$ 1,547	\$ 2,043	\$ 5,012	\$ 5,604

In the table above:

- Collateralized agreements includes rebates paid and interest income on securities borrowed.
- Loans excludes interest on loans held for sale that are accounted for at the lower of cost or fair value. Such interest is included within other interest.
- Other interest income includes interest income on customer debit balances, other interest-earning assets and loans held for sale that are accounted for at the lower of cost or fair value.
- Collateralized financings consists of repurchase agreements and securities loaned.
- Short- and long-term borrowings include both secured and unsecured borrowings.
- Other interest expense includes rebates received on other interest-bearing liabilities and interest expense on customer credit balances.

Note 24.

Income Taxes

Provision for Income Taxes

Income taxes are provided for using the asset and liability method under which deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and tax bases of assets and liabilities. The firm reports interest expense related to income tax matters in provision for taxes and income tax penalties in other expenses.

Deferred Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the financial reporting and tax bases of assets and liabilities. These temporary differences result in taxable or deductible amounts in future years and are measured using the tax rates and laws that will be in effect when such differences are expected to reverse. Valuation allowances are established to reduce deferred tax assets to the amount that more likely than not will be realized and primarily relate to the ability to utilize losses in various tax jurisdictions. Tax assets are included in other assets and tax liabilities are included in other liabilities.

Unrecognized Tax Benefits

The firm recognizes tax positions in the consolidated financial statements only when it is more likely than not that the position will be sustained on examination by the relevant taxing authority based on the technical merits of the position. A position that meets this standard is measured at the largest amount of benefit that will more likely than not be realized on settlement. A liability is established for differences between positions taken in a tax return and amounts recognized in the consolidated financial statements.

Regulatory Tax Examinations

The firm is subject to examination by the U.S. Internal Revenue Service (IRS) and other taxing authorities in jurisdictions where the firm has significant business operations, such as the United Kingdom, Japan, Hong Kong and various states, such as New York. The tax years under examination vary by jurisdiction. The firm does not expect completion of these audits to have a material impact on the firm's financial condition, but it may be material to operating results for a particular period, depending, in part, on the operating results for that period.

Notes to Consolidated Financial Statements (Unaudited)

The table below presents the earliest tax years that remain subject to examination by major jurisdiction.

Jurisdiction	As of September 2023
U.S. Federal	2011
New York State and City	2015
United Kingdom	2017
Japan	2017
Hong Kong	2017

The firm has been accepted into the Compliance Assurance Process program by the IRS for each of the tax years from 2013 through 2023. This program allows the firm to work with the IRS to identify and resolve potential U.S. federal tax issues before the filing of tax returns. All issues for the 2011 through 2018 tax years have been resolved and completion is pending final review by the Joint Committee on Taxation. All issues for the 2019 and 2020 tax years have been resolved and will be effectively settled pending administrative completion by the IRS. Final completion of tax years 2011 through 2020 will not have a material impact on the effective tax rate. The 2021 and 2022 tax years remain subject to post-filing review. New York State and City examinations of tax years 2015 through 2018 commenced during 2021.

All years, including and subsequent to the years in the table above, remain open to examination by the taxing authorities. The firm believes that the liability for unrecognized tax benefits it has established is adequate in relation to the potential for additional assessments.

Note 25.

Business Segments

The firm manages and reports its activities in three business segments: Global Banking & Markets, Asset & Wealth Management and Platform Solutions. See Note 1 for information about the firm's business segments.

Compensation and benefits expenses in the firm's segments reflect, among other factors, the overall performance of the firm, as well as the performance of individual businesses. Consequently, pre-tax margins in one segment of the firm's business may be significantly affected by the performance of the firm's other business segments.

The firm allocates assets (including allocations of global core liquid assets and cash, secured client financing and other assets), revenues and expenses among the three business segments. Due to the integrated nature of these segments, estimates and judgments are made in allocating certain assets, revenues and expenses. The allocation process is based on the manner in which management currently views the performance of the segments.

The allocation of common shareholders' equity and preferred stock dividends to each segment is based on the estimated amount of equity required to support the activities of the segment under relevant regulatory capital requirements.

Net earnings for each segment is calculated by applying the firmwide tax rate to each segment's pre-tax earnings.

Management believes that this allocation provides a reasonable representation of each segment's contribution to consolidated net earnings to common, return on average common equity and total assets. Transactions between segments are based on specific criteria or approximate third-party rates.

Notes to Consolidated Financial Statements (Unaudited)

Segment Results

The table below presents a summary of the firm's segment results.

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Global Banking & Markets				
Non-interest revenues	\$ 7,838	\$ 6,933	\$ 22,922	\$ 24,156
Net interest income	171	631	720	1,812
Total net revenues	8,009	7,564	23,642	25,968
Provision for credit losses	29	63	214	462
Operating expenses	4,791	4,224	13,702	13,628
Pre-tax earnings	\$ 3,189	\$ 3,277	\$ 9,726	\$ 11,878
Net earnings	\$ 2,383	\$ 2,668	\$ 7,460	\$ 9,870
Net earnings to common	\$ 2,250	\$ 2,586	\$ 7,108	\$ 9,602
Average common equity	\$ 72,517	\$ 71,850	\$ 70,968	\$ 70,006
Return on average common equity	12.4%	14.4%	13.4%	18.3%
Asset & Wealth Management				
Non-interest revenues	\$ 2,544	\$ 3,085	\$ 7,100	\$ 7,210
Net interest income	686	948	2,393	2,605
Total net revenues	3,230	4,033	9,493	9,815
Provision for credit losses	51	(13)	(499)	339
Operating expenses	3,005	2,955	9,448	8,187
Pre-tax earnings	\$ 174	\$ 1,091	\$ 544	\$ 1,289
Net earnings	\$ 129	\$ 905	\$ 417	\$ 1,071
Net earnings to common	\$ 93	\$ 882	\$ 318	\$ 990
Average common equity	\$ 28,601	\$ 31,516	\$ 30,806	\$ 31,238
Return on average common equity	1.3 %	11.2 %	1.4 %	4.2 %
Platform Solutions				
Non-interest revenues	\$ (112)	\$ (86)	\$ (98)	\$ (198)
Net interest income	690	464	1,899	1,187
Total net revenues	578	378	1,801	989
Provision for credit losses	(73)	465	736	942
Operating expenses	1,258	525	2,850	1,258
Pre-tax earnings/(loss)	\$ (607)	\$ (612)	\$ (1,785)	\$ (1,211)
Net earnings/(loss)	\$ (454)	\$ (504)	\$ (1,369)	\$ (1,006)
Net earnings/(loss) to common	\$ (461)	\$ (506)	\$ (1,386)	\$ (1,013)
Average common equity	\$ 4,227	\$ 3,944	\$ 4,060	\$ 3,471
Return on average common equity	(43.6)%	(51.3)%	(45.5)%	(38.9)%
Total				
Non-interest revenues	\$ 10,270	\$ 9,932	\$ 29,924	\$ 31,168
Net interest income	1,547	2,043	5,012	5,604
Total net revenues	11,817	11,975	34,936	36,772
Provision for credit losses	7	515	451	1,743
Operating expenses	9,054	7,704	26,000	23,073
Pre-tax earnings	\$ 2,756	\$ 3,756	\$ 8,485	\$ 11,956
Net earnings	\$ 2,058	\$ 3,069	\$ 6,508	\$ 9,935
Net earnings to common	\$ 1,882	\$ 2,962	\$ 6,040	\$ 9,579
Average common equity	\$105,345	\$107,310	\$105,834	\$104,715
Return on average common equity	7.1%	11.0%	7.6%	12.2%

In the table above:

- Revenues and expenses directly associated with each segment are included in determining pre-tax earnings.
- Net revenues in the firm's segments include allocations of interest income and expense to specific positions in relation to the cash generated by, or funding requirements of, such positions. Net interest is included in segment net revenues as it is consistent with how management assesses segment performance.
- Expenses not directly associated with specific segments are allocated based on an estimate of support provided to each segment.

The table below presents depreciation and amortization expense by segment.

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Global Banking & Markets	\$ 275	\$ 257	\$ 837	\$ 775
Asset & Wealth Management	607	344	1,954	804
Platform Solutions	630	65	1,285	149
Total	\$ 1,512	\$ 666	\$ 4,076	\$ 1,728

In the table above:

- Asset & Wealth Management included impairments related to commercial real estate included within consolidated investment entities of \$358 million for the three months ended September 2023 and \$1.20 billion for the nine months ended September 2023.
- Platform Solutions included the \$506 million write-down related to GreenSky for both the three and nine months ended September 2023, and an impairment of goodwill of \$504 million related to Consumer platforms for the nine months ended September 2023.

Segment Assets

The table below presents assets by segment.

\$ in millions	As of	
	September 2023	December 2022
Global Banking & Markets	\$ 1,318,009	\$ 1,169,539
Asset & Wealth Management	191,307	214,970
Platform Solutions	67,837	57,290
Total	\$ 1,577,153	\$ 1,441,799

Notes to Consolidated Financial Statements (Unaudited)

Geographic Information

Due to the highly integrated nature of international financial markets, the firm manages its businesses based on the profitability of the enterprise as a whole. The methodology for allocating profitability to geographic regions is dependent on estimates and management judgment because a significant portion of the firm's activities require cross-border coordination in order to facilitate the needs of the firm's clients. Geographic results are generally allocated as follows:

- Global Banking & Markets: Investment banking fees and Other: location of the client and investment banking team; FICC intermediation and Equities intermediation: location of the market-making desk; FICC financing and Equities financing: location of the desk.
- Asset & Wealth Management (excluding direct-to-consumer business, Equity investments and Debt investments): location of the sales team and/or investments; Direct-to-consumer business: location of the client; Equity investments and Debt investments: location of the investment or investment professional.
- Platform Solutions: location of the client.

The table below presents total net revenues and pre-tax earnings by geographic region.

<i>\$ in millions</i>	2023		2022	
Three Months Ended September				
Americas	\$ 7,570	64%	\$ 7,435	62%
EMEA	2,811	24%	3,154	26%
Asia	1,436	12%	1,386	12%
Total net revenues	\$ 11,817	100%	\$ 11,975	100%
Americas	\$ 1,590	58%	\$ 2,207	59%
EMEA	927	33%	1,277	34%
Asia	239	9%	272	7%
Total pre-tax earnings	\$ 2,756	100%	\$ 3,756	100%
Nine Months Ended September				
Americas	\$ 21,565	62%	\$ 21,749	59%
EMEA	9,263	26%	10,454	29%
Asia	4,108	12%	4,569	12%
Total net revenues	\$ 34,936	100%	\$ 36,772	100%
Americas	\$ 4,209	50%	\$ 6,271	53%
EMEA	3,391	40%	4,474	37%
Asia	885	10%	1,211	10%
Total pre-tax earnings	\$ 8,485	100%	\$ 11,956	100%

In the table above:

- Americas pre-tax earnings for both the three and nine months ended September 2023 were impacted by impairments related to commercial real estate included within consolidated investment entities and a write-down related to GreenSky. Additionally, Americas pre-tax earnings for the nine months ended September 2023 were impacted by an impairment of goodwill related to Consumer platforms.
- Substantially all of the amounts in Americas were attributable to the U.S.
- Asia includes Australia and New Zealand.

Note 26.

Credit Concentrations

The firm's concentrations of credit risk arise from its market-making, client facilitation, investing, underwriting, lending and collateralized transactions, and cash management activities, and may be impacted by changes in economic, industry or political factors. These activities expose the firm to many different industries and counterparties, and may also subject the firm to a concentration of credit risk to a particular central bank, counterparty, borrower or issuer, including sovereign issuers, or to a particular clearinghouse or exchange. The firm seeks to mitigate credit risk by actively monitoring exposures and obtaining collateral from counterparties as deemed appropriate.

The firm measures and monitors its credit exposure based on amounts owed to the firm after taking into account risk mitigants that the firm considers when determining credit risk. Such risk mitigants include netting and collateral arrangements and economic hedges, such as credit derivatives, futures and forward contracts. Netting and collateral agreements permit the firm to offset receivables and payables with such counterparties and/or enable the firm to obtain collateral on an upfront or contingent basis.

The table below presents the credit concentrations included in trading cash instruments and investments.

<i>\$ in millions</i>	As of	
	September 2023	December 2022
U.S. government and agency obligations	\$ 265,459	\$ 205,935
Percentage of total assets	16.8%	14.3%
Non-U.S. government and agency obligations	\$ 77,168	\$ 40,334
Percentage of total assets	4.9%	2.8%

In addition, the firm had \$205.39 billion as of September 2023 and \$208.53 billion as of December 2022 of cash deposits held at central banks (included in cash and cash equivalents), of which \$122.53 billion as of September 2023 and \$165.77 billion as of December 2022 was held at the Federal Reserve.

As of both September 2023 and December 2022, the firm did not have credit exposure to any other counterparty that exceeded 2% of total assets.

Collateral obtained by the firm related to derivative assets is principally cash and is held by the firm or a third-party custodian. Collateral obtained by the firm related to resale agreements and securities borrowed transactions is primarily U.S. government and agency obligations, and non-U.S. government and agency obligations. See Note 11 for further information about collateralized agreements and financings.

Notes to Consolidated Financial Statements (Unaudited)

The table below presents U.S. government and agency obligations, and non-U.S. government and agency obligations that collateralize resale agreements and securities borrowed transactions.

\$ in millions	As of	
	September 2023	December 2022
U.S. government and agency obligations	\$ 114,609	\$ 164,897
Non-U.S. government and agency obligations	\$ 91,398	\$ 76,456

In the table above:

- Non-U.S. government and agency obligations primarily consists of securities issued by the governments of the U.K., Japan, Germany, France and Italy.
- Given that the firm's primary credit exposure on such transactions is to the counterparty to the transaction, the firm would be exposed to the collateral issuer only in the event of counterparty default.

Note 27.

Legal Proceedings

The firm is involved in a number of judicial, regulatory and arbitration proceedings (including those described below) concerning matters arising in connection with the conduct of the firm's businesses. Many of these proceedings are in early stages, and many of these cases seek an indeterminate amount of damages.

Under ASC 450, an event is "reasonably possible" if "the chance of the future event or events occurring is more than remote but less than likely" and an event is "remote" if "the chance of the future event or events occurring is slight." Thus, references to the upper end of the range of reasonably possible loss for cases in which the firm is able to estimate a range of reasonably possible loss mean the upper end of the range of loss for cases for which the firm believes the risk of loss is more than slight.

With respect to matters described below for which management has been able to estimate a range of reasonably possible loss where (i) actual or potential plaintiffs have claimed an amount of money damages, (ii) the firm is being, or threatened to be, sued by purchasers in a securities offering and is not being indemnified by a party that the firm believes will pay the full amount of any judgment, or (iii) the purchasers are demanding that the firm repurchase securities, management has estimated the upper end of the range of reasonably possible loss based on (a) in the case of (i), the amount of money damages claimed, (b) in the case of (ii), the difference between the initial sales price of the securities that the firm sold in such offering and the estimated lowest subsequent price of such securities prior to the action being commenced and (c) in the case of (iii), the price that purchasers paid for the securities less the estimated value, if any, as of September 2023 of the relevant securities, in each of cases (i), (ii) and (iii), taking into account any other factors believed to be relevant to the particular matter or matters of that type. As of the date hereof, the firm has estimated the upper end of the range of reasonably possible aggregate loss for such matters and for any other matters described below where management has been able to estimate a range of reasonably possible aggregate loss to be approximately \$2.2 billion in excess of the aggregate reserves for such matters.

Management is generally unable to estimate a range of reasonably possible loss for matters other than those included in the estimate above, including where (i) actual or potential plaintiffs have not claimed an amount of money damages, except in those instances where management can otherwise determine an appropriate amount, (ii) matters are in early stages, (iii) matters relate to regulatory investigations or reviews, except in those instances where management can otherwise determine an appropriate amount, (iv) there is uncertainty as to the likelihood of a class being certified or the ultimate size of the class, (v) there is uncertainty as to the outcome of pending appeals or motions, (vi) there are significant factual issues to be resolved, and/or (vii) there are novel legal issues presented. For example, the firm's potential liabilities with respect to the investigations and reviews described below in "Regulatory Investigations and Reviews and Related Litigation" generally are not included in management's estimate of reasonably possible loss. However, management does not believe, based on currently available information, that the outcomes of such other matters will have a material adverse effect on the firm's financial condition, though the outcomes could be material to the firm's operating results for any particular period, depending, in part, upon the operating results for such period.

Notes to Consolidated Financial Statements (Unaudited)

1MDB-Related Matters

Between 2012 and 2013, subsidiaries of the firm acted as arrangers or purchasers of approximately \$6.5 billion of debt securities of 1MDB.

On November 1, 2018, the U.S. Department of Justice (DOJ) unsealed a criminal information and guilty plea by Tim Leissner, a former participating managing director of the firm, and an indictment against Ng Chong Hwa, a former managing director of the firm. On August 28, 2018, Leissner was adjudicated guilty by the U.S. District Court for the Eastern District of New York of conspiring to launder money and to violate the U.S. Foreign Corrupt Practices Act's (FCPA) anti-bribery and internal accounting controls provisions. Ng was charged with conspiring to launder money and to violate the FCPA's anti-bribery and internal accounting controls provisions, and on April 8, 2022, Ng was found guilty on all counts following a trial.

On August 18, 2020, the firm announced that it entered into a settlement agreement with the Government of Malaysia to resolve the criminal and regulatory proceedings in Malaysia involving the firm, which includes a guarantee that the Government of Malaysia receives at least \$1.4 billion in assets and proceeds from assets seized by governmental authorities around the world related to 1MDB. See Note 18 for further information about this guarantee, including related arbitration proceedings.

On October 22, 2020, the firm announced that it reached settlements of governmental and regulatory investigations relating to 1MDB with the DOJ, the SEC, the FRB, the NYDFS, the FCA, the PRA, the Singapore Attorney General's Chambers, the Singapore Commercial Affairs Department, the Monetary Authority of Singapore and the Hong Kong Securities and Futures Commission. Group Inc. entered into a three-year deferred prosecution agreement with the DOJ, in which a charge against the firm, one count of conspiracy to violate the FCPA, was filed and will later be dismissed if the firm abides by the terms of the agreement. In addition, GS Malaysia pleaded guilty to one count of conspiracy to violate the FCPA, and was sentenced on June 9, 2021. In May 2021, the U.S. Department of Labor granted the firm a five-year exemption to maintain its status as a qualified professional asset manager (QPAM).

On December 20, 2018, a putative securities class action lawsuit was filed in the U.S. District Court for the Southern District of New York against Group Inc. and certain former officers of the firm alleging violations of the anti-fraud provisions of the Exchange Act with respect to Group Inc.'s disclosures and public statements concerning 1MDB and seeking unspecified damages. The plaintiff filed the second amended complaint on October 28, 2019. On June 28, 2021, the court dismissed the claims against one of the individual defendants but denied the defendants' motion to dismiss with respect to the firm and the remaining individual defendants. On August 4, 2023, the plaintiff filed a third amended complaint. On September 29, 2023, the plaintiff moved for class certification.

Mortgage-Related Matters

Beginning in April 2010, a number of purported securities law class actions were filed in the U.S. District Court for the Southern District of New York challenging the adequacy of Group Inc.'s public disclosure of, among other things, the firm's activities in the collateralized debt obligation market, and the firm's conflict of interest management.

The consolidated amended complaint filed on July 25, 2011, which named as defendants Group Inc. and certain current and former officers and employees of Group Inc. and its affiliates, generally alleges violations of Sections 10(b) and 20(a) of the Exchange Act and seeks monetary damages. The defendants have moved for summary judgment. On April 7, 2020, the U.S. Court of Appeals for the Second Circuit affirmed the district court's August 14, 2018 grant of class certification. On June 21, 2021, the United States Supreme Court vacated the judgment of the Second Circuit and remanded the case for further proceedings, and on August 26, 2021, the Second Circuit vacated the district court's grant of class certification and remanded the case for further proceedings. On December 8, 2021, the district court granted the plaintiffs' motion for class certification. On March 9, 2022, the Second Circuit granted defendants' petition seeking interlocutory review of the district court's grant of class certification and, on August 10, 2023, reversed the district court's class certification order and remanded with instructions to decertify the class.

Notes to Consolidated Financial Statements (Unaudited)

Complaints were filed in the U.S. District Court for the Southern District of New York on July 25, 2019 and May 29, 2020 against Goldman Sachs Mortgage Company and GS Mortgage Securities Corp. by U.S. Bank National Association, as trustee for two residential mortgage-backed securitization trusts that issued \$1.7 billion of securities. The complaints generally allege that mortgage loans in the trusts failed to conform to applicable representations and warranties and seek specific performance or, alternatively, compensatory damages and other relief. On November 23, 2020, the court granted in part and denied in part defendants' motion to dismiss the complaint in the first action and denied defendants' motion to dismiss the complaint in the second action. On January 14, 2021, amended complaints were filed in both actions.

Currencies-Related Litigation

GS&Co. is among the defendants named in a putative class action filed in the U.S. District Court for the Southern District of New York on August 4, 2021. The amended complaint, filed on January 6, 2022, generally asserts claims under federal antitrust law and state common law in connection with an alleged conspiracy among the defendants to manipulate auctions for foreign exchange transactions on an electronic trading platform, as well as claims under the Racketeer Influenced and Corrupt Organizations Act. The complaint seeks declaratory and injunctive relief, as well as unspecified amounts of treble and other damages. On May 18, 2023, the court dismissed certain state common law claims, but denied dismissal of the remaining claims. On July 7, 2023, the plaintiffs filed a second amended complaint.

Banco Espirito Santo S.A. and Oak Finance

Beginning in February 2015, GSI commenced actions against Novo Banco S.A. (Novo Banco) in the English Commercial Court and the Bank of Portugal (BoP) in Portuguese Administrative Court in response to BoP's decisions in December 2014, September 2015 and December 2015 to reverse an earlier transfer to Novo Banco of an \$835 million facility agreement (the Facility), structured by GSI, between Oak Finance Luxembourg S.A. (Oak Finance), a special purpose vehicle formed in connection with the Facility, and Banco Espirito Santo S.A. (BES) prior to the failure of BES. In July 2018, the English Supreme Court found that the English courts will not have jurisdiction over GSI's action unless and until the Portuguese Administrative Court finds against BoP in GSI's parallel action. In July 2018, the Liquidation Committee for BES issued a decision seeking to claw back from GSI \$54 million paid to GSI and \$50 million allegedly paid to Oak Finance in connection with the Facility, alleging that GSI acted in bad faith in extending the Facility, including because GSI allegedly knew that BES was at risk of imminent failure. In October 2018, GSI commenced an action in Lisbon Commercial Court challenging the Liquidation Committee's decision and has since also issued a claim against the Portuguese State seeking compensation for losses of approximately \$222 million related to the failure of BES, together with a contingent claim for the \$104 million sought by the Liquidation Committee. On April 11, 2023, GSI commenced administrative proceedings against the BoP, seeking the nullification of the BoP's September 2015 and December 2015 decisions on new grounds.

Financial Advisory Services

Group Inc. and certain of its affiliates are from time to time parties to various civil litigation and arbitration proceedings and other disputes with clients and third parties relating to the firm's financial advisory activities. These claims generally seek, among other things, compensatory damages and, in some cases, punitive damages, and in certain cases allege that the firm did not appropriately disclose or deal with conflicts of interest.

Notes to Consolidated Financial Statements (Unaudited)

Archegos-Related Matters

GS&Co. is among the underwriters named as defendants in a putative securities class action filed on August 13, 2021 in New York Supreme Court, County of New York, relating to ViacomCBS Inc.'s (ViacomCBS) March 2021 public offerings of \$1.7 billion of common stock and \$1.0 billion of preferred stock. In addition to the underwriters, the defendants include ViacomCBS and certain of its officers and directors. GS&Co. underwrote 646,154 shares of common stock representing an aggregate offering price of approximately \$55 million and 323,077 shares of preferred stock representing an aggregate offering price of approximately \$32 million. The complaint asserts claims under the federal securities laws and alleges that the offering documents contained material misstatements and omissions, including, among other things, that the offering documents failed to disclose that Archegos Capital Management, LP (Archegos) had substantial exposure to ViacomCBS, including through total return swaps to which certain of the underwriters, including GS&Co., were allegedly counterparties, and that such underwriters failed to disclose their exposure to Archegos. On December 21, 2021, the plaintiffs filed a corrected amended complaint. The complaint seeks rescission and compensatory damages in unspecified amounts. On January 4, 2022, the plaintiffs moved for class certification. On February 6, 2023, the court dismissed the claims against ViacomCBS and the individual defendants, but denied the defendants' motions to dismiss with respect to GS&Co. and the other underwriter defendants. On February 15, 2023, the underwriter defendants appealed the court's denial of the motion to dismiss. On March 10, 2023, the plaintiffs appealed the court's dismissal of the claims against ViacomCBS and the individual defendants. On April 18, 2023, the plaintiffs moved for class certification. On June 12, 2023, the court denied the underwriter defendants' motion to stay the proceedings pending their appeal of the court's denial of the motion to dismiss, and on June 27, 2023 the underwriter defendants appealed.

Group Inc. is also a defendant in putative securities class actions filed beginning in October 2021 and consolidated in the U.S. District Court for the Southern District of New York. The complaints allege that Group Inc., along with another financial institution, sold shares in Baidu Inc. (Baidu), Discovery Inc. (Discovery), GSX Techedu Inc. (Gaotu), iQIYI Inc. (iQIYI), Tencent Music Entertainment Group (Tencent), ViacomCBS, and Vipshop Holdings Ltd. (Vipshop) based on material nonpublic information regarding the liquidation of Archegos' position in Baidu, Discovery, Gaotu, iQIYI, Tencent, ViacomCBS and Vipshop, respectively. The complaints generally assert violations of Sections 10(b), 20A and 20(a) of the Exchange Act and seek unspecified damages. On June 13, 2022, the plaintiffs in the class actions filed amended complaints. On March 31, 2023, the court granted the defendants' motions to dismiss the amended complaints without prejudice. In May 2023, the plaintiffs in the class actions filed second amended complaints, and on July 18, 2023, the defendants moved to dismiss the second amended complaints.

On January 24, 2022, the firm received a demand from an alleged shareholder under Section 220 of the Delaware General Corporation Law for books and records relating to, among other things, the firm's involvement with Archegos and the firm's controls with respect to insider trading.

Silicon Valley Bank Matters

GS&Co. is among the underwriters named as defendants in a putative securities class action filed on April 7, 2023 in the U.S. District Court for the Northern District of California relating to SVB Financial Group's (SVBFG) January 2021 public offerings of \$500 million principal amount of senior notes and \$750 million of depositary shares representing interests in preferred stock, March 2021 public offering of approximately \$1.2 billion of common stock, May 2021 public offerings of \$1.0 billion of depositary shares representing interests in preferred stock and \$500 million principal amount of senior notes, August 2021 public offering of approximately \$1.3 billion of common stock, and April 2022 public offering of \$800 million aggregate principal amount of senior notes, among other public offerings of securities. In addition to the underwriters, the defendants include certain of SVBFG's officers and directors and its auditor. GS&Co. underwrote an aggregate of 831,250 depositary shares representing an aggregate offering price of approximately \$831 million, an aggregate of 3,266,108 shares of common stock representing an aggregate offering price of approximately \$1.8 billion and senior notes representing an aggregate price to the public of approximately \$727 million. The complaint asserts claims under the federal securities laws and alleges that the offering documents contained material misstatements and omissions. The complaint seeks compensatory damages in unspecified amounts. On March 17, 2023, SVBFG filed for Chapter 11 bankruptcy in the U.S. Bankruptcy Court for the Southern District of New York.

The firm is also cooperating with and providing information to various governmental bodies in connection with their investigations and inquiries regarding SVBFG and its affiliates (collectively SVB), including the firm's business with SVB in or around March 2023, when SVB engaged the firm to assist with a proposed capital raise and SVB sold the firm a portfolio of securities.

Notes to Consolidated Financial Statements (Unaudited)

Underwriting Litigation

Firm affiliates are among the defendants in a number of proceedings in connection with securities offerings. In these proceedings, including those described below, the plaintiffs assert class action or individual claims under federal and state securities laws and in some cases other applicable laws, allege that the offering documents for the securities that they purchased contained material misstatements and omissions, and generally seek compensatory and rescissory damages in unspecified amounts, as well as rescission. Certain of these proceedings involve additional allegations.

Uber Technologies, Inc. GS&Co. is among the underwriters named as defendants in several putative securities class actions filed beginning in September 2019 in California Superior Court, County of San Francisco and the U.S. District Court for the Northern District of California, relating to Uber Technologies, Inc.'s (Uber) \$8.1 billion May 2019 initial public offering. In addition to the underwriters, the defendants include Uber and certain of its officers and directors. GS&Co. underwrote 35,864,408 shares of common stock representing an aggregate offering price of approximately \$1.6 billion. On November 16, 2020, the court in the state court action granted defendants' motion to dismiss the consolidated amended complaint filed on February 11, 2020, and on December 16, 2020, plaintiffs appealed. On August 7, 2020, defendants' motion to dismiss the district court action was denied. On September 25, 2020, the plaintiffs in the district court action moved for class certification. On December 5, 2020, the plaintiffs in the state court action filed a complaint in the district court, which was consolidated with the existing district court action on January 25, 2021. On May 14, 2021, the plaintiffs filed a second amended complaint in the district court, purporting to add the plaintiffs from the state court action as additional class representatives. On October 1, 2021, defendants' motion to dismiss the additional class representatives from the second amended complaint was denied, and on July 26, 2022, the district court granted the plaintiffs' motion for class certification. On February 27, 2023, the U.S. Court of Appeals for the Ninth Circuit denied the defendants' petition seeking interlocutory review of the district court's grant of class certification.

GoHealth, Inc. GS&Co. is among the underwriters named as defendants in putative securities class actions filed beginning on September 21, 2020 and consolidated in the U.S. District Court for the Northern District of Illinois relating to GoHealth, Inc.'s (GoHealth) \$914 million July 2020 initial public offering. In addition to the underwriters, the defendants include GoHealth, certain of its officers and directors and certain of its shareholders. GS&Co. underwrote 11,540,550 shares of common stock representing an aggregate offering price of approximately \$242 million. On February 25, 2021, the plaintiffs filed a consolidated complaint. On April 5, 2022, the defendants' motion to dismiss the consolidated complaint was denied. On September 23, 2022, the plaintiffs moved for class certification.

Array Technologies, Inc. GS&Co. is among the underwriters named as defendants in a putative securities class action filed on May 14, 2021 in the U.S. District Court for the Southern District of New York relating to Array Technologies, Inc.'s (Array) \$1.2 billion October 2020 initial public offering of common stock, \$1.3 billion December 2020 offering of common stock and \$993 million March 2021 offering of common stock. In addition to the underwriters, the defendants include Array and certain of its officers and directors. GS&Co. underwrote an aggregate of 31,912,213 shares of common stock in the three offerings representing an aggregate offering price of approximately \$877 million. On December 7, 2021, the plaintiffs filed an amended consolidated complaint, and on May 19, 2023, the court granted the defendants' motion to dismiss the amended consolidated complaint. On July 5, 2023, the court denied the plaintiffs' request for leave to amend the amended consolidated complaint and dismissed the case with prejudice. On August 4, 2023, plaintiffs appealed to the U.S. Court of Appeals for the Second Circuit.

ContextLogic Inc. GS&Co. is among the underwriters named as defendants in putative securities class actions filed beginning on May 17, 2021 and consolidated in the U.S. District Court for the Northern District of California, relating to ContextLogic Inc.'s (ContextLogic) \$1.1 billion December 2020 initial public offering of common stock. In addition to the underwriters, the defendants include ContextLogic and certain of its officers and directors. GS&Co. underwrote 16,169,000 shares of common stock representing an aggregate offering price of approximately \$388 million. On July 15, 2022, the plaintiffs filed a consolidated amended complaint, and on March 10, 2023, the court granted the defendants' motion to dismiss the consolidated amended complaint with leave to amend. On April 10, 2023, the plaintiffs filed a second consolidated amended complaint, and on June 9, 2023, the defendants moved to dismiss the second consolidated amended complaint.

Notes to Consolidated Financial Statements (Unaudited)

DiDi Global Inc. Goldman Sachs (Asia) L.L.C. (GS Asia) is among the underwriters named as defendants in putative securities class actions filed beginning on July 6, 2021 in the U.S. District Courts for the Southern District of New York and the Central District of California and New York Supreme Court, County of New York, relating to DiDi Global Inc.'s (DiDi) \$4.4 billion June 2021 initial public offering of American Depositary Shares (ADS). In addition to the underwriters, the defendants include DiDi and certain of its officers and directors. GS Asia underwrote 104,554,000 ADS representing an aggregate offering price of approximately \$1.5 billion. On September 22, 2021, plaintiffs in the California action voluntarily dismissed their claims without prejudice. On May 5, 2022, plaintiffs in the consolidated federal action filed a second consolidated amended complaint, which includes allegations of violations of Sections 10(b) and 20A of the Exchange Act against the underwriter defendants. On June 3, 2022, the defendants moved to dismiss the second consolidated amended complaint.

Vroom Inc. GS&Co. is among the underwriters named as defendants in an amended complaint for a putative securities class action filed on October 4, 2021 in the U.S. District Court for the Southern District of New York relating to Vroom Inc.'s (Vroom) approximately \$589 million September 2020 public offering of common stock. In addition to the underwriters, the defendants include Vroom and certain of its officers and directors. GS&Co. underwrote 3,886,819 shares of common stock representing an aggregate offering price of approximately \$212 million. On December 20, 2021, the defendants served a motion to dismiss the consolidated complaint.

Zymergen Inc. GS&Co. is among the underwriters named as defendants in a putative securities class action filed on August 4, 2021 in the U.S. District Court for the Northern District of California relating to Zymergen Inc.'s (Zymergen) \$575 million April 2021 initial public offering of common stock. In addition to the underwriters, the defendants include Zymergen and certain of its officers and directors. GS&Co. underwrote 5,750,345 shares of common stock representing an aggregate offering price of approximately \$178 million. On February 24, 2022, the plaintiffs filed an amended complaint, and on November 29, 2022, the court granted in part and denied in part the defendants' motion to dismiss the amended complaint, denying dismissal of the claims for violations of Section 11 of the Securities Act. On August 11, 2023, the court granted the plaintiffs' motion for class certification. On October 3, 2023, Zymergen and three affiliates filed Chapter 11 bankruptcy petitions in the U.S. Bankruptcy Court for the District of Delaware.

Waterdrop Inc. GS Asia is among the underwriters named as defendants in a putative securities class action filed on September 14, 2021 in the U.S. District Court for the Southern District of New York relating to Waterdrop Inc.'s (Waterdrop) \$360 million May 2021 initial public offering of ADS. In addition to the underwriters, the defendants include Waterdrop and certain of its officers and directors. GS Asia underwrote 15,300,000 ADS representing an aggregate offering price of approximately \$184 million. On February 21, 2022, the plaintiffs filed an amended complaint, and on February 3, 2023, the court granted the defendants' motion to dismiss the amended complaint. On March 6, 2023, plaintiffs appealed to the U.S. Court of Appeals for the Second Circuit.

Sea Limited. GS Asia is among the underwriters named as defendants in putative securities class actions filed on February 11, 2022 and June 17, 2022, respectively, in New York Supreme Court, County of New York, relating to Sea Limited's approximately \$4.0 billion September 2021 public offering of ADS and approximately \$2.9 billion September 2021 public offering of convertible senior notes, respectively. In addition to the underwriters, the defendants include Sea Limited, certain of its officers and directors and certain of its shareholders. GS Asia underwrote 8,222,500 ADS representing an aggregate offering price of approximately \$2.6 billion and convertible senior notes representing an aggregate offering price of approximately \$1.9 billion. On August 3, 2022, the actions were consolidated, and on August 9, 2022, the plaintiffs filed a consolidated amended complaint. The defendants had previously moved to dismiss the action on July 15, 2022, with the parties stipulating that the motion would apply to the consolidated amended complaint. On May 15, 2023, the court granted the defendants' motion to dismiss the consolidated amended complaint with prejudice, and on June 15, 2023, the plaintiffs moved for a rehearing or for leave to amend the consolidated amended complaint and also appealed.

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Rivian Automotive Inc. GS&Co. is among the underwriters named as defendants in putative securities class actions filed on March 7, 2022 and February 28, 2023 in the U.S. District Court for the Central District of California and in the Superior Court of the State of California, County of Orange, respectively, relating to Rivian Automotive Inc.'s (Rivian) approximately \$13.7 billion November 2021 initial public offering. In addition to the underwriters, the defendants include Rivian and certain of its officers and directors. GS&Co. underwrote 44,733,050 shares of common stock representing an aggregate offering price of approximately \$3.5 billion. On March 2, 2023, the plaintiffs in the federal court action filed an amended consolidated complaint, and on July 3, 2023, the court denied the defendants' motion to dismiss the amended consolidated complaint. On June 30, 2023, the court in the state court action granted the defendants' motion to dismiss the complaint, and on September 1, 2023, the plaintiffs appealed.

Natera Inc. GS&Co. is among the underwriters named as defendants in putative securities class actions in New York Supreme Court, County of New York and the U.S. District Court for the Western District of Texas filed on March 10, 2022 and October 7, 2022, respectively, relating to Natera Inc.'s (Natera) approximately \$585 million July 2021 public offering of common stock. In addition to the underwriters, the defendants include Natera and certain of its officers and directors. GS&Co. underwrote 1,449,000 shares of common stock representing an aggregate offering price of approximately \$164 million. On July 15, 2022, the parties in the state court action filed a stipulation and proposed order approving the discontinuance of the action without prejudice. On September 11, 2023, the federal court granted in part and denied in part the defendants' motion to dismiss.

Robinhood Markets, Inc. GS&Co. is among the underwriters named as defendants in a putative securities class action filed on December 17, 2021 in the U.S. District Court for the Northern District of California relating to Robinhood Markets, Inc.'s (Robinhood) approximately \$2.2 billion July 2021 initial public offering. In addition to the underwriters, the defendants include Robinhood and certain of its officers and directors. GS&Co. underwrote 18,039,706 shares of common stock representing an aggregate offering price of approximately \$686 million. On February 10, 2023, the court granted the defendants' motion to dismiss the complaint with leave to amend, and on March 13, 2023, the plaintiffs filed a second amended complaint. On May 12, 2023, the defendants moved to dismiss the second amended complaint.

ON24, Inc. GS&Co. is among the underwriters named as defendants in a putative securities class action filed on November 3, 2021 in the U.S. District Court for the Northern District of California relating to ON24, Inc.'s (ON24) approximately \$492 million February 2021 initial public offering of common stock. In addition to the underwriters, the defendants include ON24 and certain of its officers and directors, including a director who was a Managing Director of GS&Co. at the time of the initial public offering. GS&Co. underwrote 3,616,785 shares of common stock representing an aggregate offering price of approximately \$181 million. On March 18, 2022, the plaintiffs filed a consolidated complaint, and on July 7, 2023, the court granted the defendants' motion to dismiss the consolidated complaint with leave to amend. On September 1, 2023, the plaintiffs filed an amended consolidated complaint, and on October 16, 2023, the defendants moved to dismiss the amended consolidated complaint.

Oscar Health, Inc. GS&Co. is among the underwriters named as defendants in a putative securities class action filed on May 12, 2022 in the U.S. District Court for the Southern District of New York relating to Oscar Health, Inc.'s (Oscar Health) approximately \$1.4 billion March 2021 initial public offering. In addition to the underwriters, the defendants include Oscar Health and certain of its officers and directors. GS&Co. underwrote 12,760,633 shares of common stock representing an aggregate offering price of approximately \$498 million. On December 5, 2022, the plaintiffs filed an amended complaint. On April 4, 2023, the defendants moved to dismiss the amended complaint.

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Oak Street Health, Inc. GS&Co. is among the underwriters named as defendants in an amended complaint for a putative securities class action filed on May 25, 2022 in the U.S. District Court for the Northern District of Illinois relating to Oak Street Health, Inc.'s (Oak Street) \$377 million August 2020 initial public offering, \$298 million December 2020 secondary equity offering, \$691 million February 2021 secondary equity offering and \$747 million May 2021 secondary equity offering. In addition to the underwriters, the defendants include Oak Street, certain of its officers and directors and certain of its shareholders. GS&Co. underwrote 4,157,103 shares of common stock in the August 2020 initial public offering representing an aggregate offering price of approximately \$87 million, 1,503,944 shares of common stock in the December 2020 secondary equity offering representing an aggregate offering price of approximately \$69 million, 3,083,098 shares of common stock in the February 2021 secondary equity offering representing an aggregate offering price of approximately \$173 million and 3,013,065 shares of common stock in the May 2021 secondary equity offering representing an aggregate offering price of approximately \$187 million. On February 10, 2023, the court granted in part and denied in part the defendants' motion to dismiss, dismissing the claim alleging a violation of Section 12(a)(2) of the Securities Act and, with respect to the May 2021 secondary equity offering only, the claim alleging a violation of Section 11 of the Securities Act, but declining to dismiss the remaining claims.

Reata Pharmaceuticals, Inc. GS&Co. is among the underwriters named as defendants in a consolidated amended complaint for a putative securities class action filed on June 21, 2022 in the U.S. District Court for the Eastern District of Texas relating to Reata Pharmaceuticals, Inc.'s (Reata) approximately \$282 million December 2020 public offering of common stock. In addition to the underwriters, the defendants include Reata and certain of its officers and directors. GS&Co. underwrote 1,000,000 shares of common stock representing an aggregate offering price of approximately \$141 million. On September 7, 2022, the defendants moved to dismiss the consolidated amended complaint. In October 2023, the parties reached a settlement, subject to court approval, to resolve this action. The settlement would not require a contribution from GS&Co.

Bright Health Group, Inc. GS&Co. is among the underwriters named as defendants in an amended complaint for a putative securities class action filed on June 24, 2022 in the U.S. District Court for the Eastern District of New York relating to Bright Health Group, Inc.'s (Bright Health) approximately \$924 million June 2021 initial public offering of common stock. In addition to the underwriters, the defendants include Bright Health and certain of its officers and directors. GS&Co. underwrote 11,297,000 shares of common stock representing an aggregate offering price of approximately \$203 million. On October 12, 2022, the defendants moved to dismiss the amended complaint.

17 Education & Technology Group Inc. GS Asia is among the underwriters named as defendants in a putative securities class action filed on July 19, 2022 in the U.S. District Court for the Central District of California and transferred to the U.S. District Court for the Southern District of New York in November 2022 relating to 17 Education & Technology Group Inc.'s (17EdTech) approximately \$331 million December 2020 initial public offering of ADS. In addition to the underwriters, the defendants include 17EdTech and certain of its officers and directors. GS Asia underwrote 12,604,000 ADS representing an aggregate offering price of approximately \$132 million. On January 31, 2023, the plaintiffs filed an amended complaint. On March 31, 2023, the defendants moved to dismiss the amended complaint. On August 3, 2023, the plaintiffs filed objections with the district court to the Magistrate Judge's July 20, 2023 report recommending that the defendants' motion to dismiss the amended complaint be granted.

LifeStance Health Group, Inc. GS&Co. is among the underwriters named as defendants in a putative securities class action filed on August 10, 2022 in the U.S. District Court for the Southern District of New York relating to LifeStance Health Group, Inc.'s (LifeStance) approximately \$828 million June 2021 initial public offering of common stock. In addition to the underwriters, the defendants include LifeStance and certain of its officers and directors. GS&Co. underwrote 10,580,000 shares of common stock representing an aggregate offering price of approximately \$190 million. On December 19, 2022, the plaintiffs filed an amended complaint, and on April 10, 2023, the defendants' motion to dismiss the amended complaint was denied. On September 7, 2023, the court granted the plaintiffs' motion for class certification. On October 25, 2023, the court preliminarily approved a settlement, which would not require a contribution from GS&Co.

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MINISO Group Holding Limited. GS Asia is among the underwriters named as defendants in a putative securities class action filed on August 17, 2022 in the U.S. District Court for the Central District of California and transferred to the U.S. District Court for the Southern District of New York on November 18, 2022 relating to MINISO Group Holding Limited's (MINISO) approximately \$656 million October 2020 initial public offering of ADS. In addition to the underwriters, the defendants include MINISO and certain of its officers and directors. GS Asia underwrote 16,408,093 ADS representing an aggregate offering price of approximately \$328 million. On April 24, 2023, the plaintiffs filed a second amended complaint, and on June 23, 2023, the defendants moved to dismiss the second amended complaint.

Coupang, Inc. GS&Co. is among the underwriters named as defendants in a putative securities class action filed on August 26, 2022 in the U.S. District Court for the Southern District of New York relating to Coupang, Inc.'s (Coupang) approximately \$4.6 billion March 2021 initial public offering of common stock. In addition to the underwriters, the defendants include Coupang and certain of its officers and directors. GS&Co. underwrote 42,900,000 shares of common stock representing an aggregate offering price of approximately \$1.5 billion. On May 24, 2023, the plaintiffs filed an amended complaint, and on July 28, 2023, the defendants moved to dismiss the amended complaint.

Yatsen Holding Limited. GS Asia is among the underwriters named as defendants in a putative securities class action filed on September 23, 2022 in the U.S. District Court for the Southern District of New York relating to Yatsen Holding Limited's (Yatsen) approximately \$617 million November 2020 initial public offering of ADS. In addition to the underwriters, the defendants include Yatsen and certain of its officers and directors. GS Asia underwrote 22,912,500 ADS representing an aggregate offering price of approximately \$241 million. On October 4, 2023, the plaintiffs filed an amended complaint.

Rent the Runway, Inc. GS&Co. is among the underwriters named as defendants in a putative securities class action filed on November 14, 2022 in the U.S. District Court for the Eastern District of New York relating to Rent the Runway, Inc.'s (Rent the Runway) \$357 million October 2021 initial public offering of common stock. In addition to the underwriters, the defendants include Rent the Runway and certain of its officers and directors. GS&Co. underwrote 5,254,304 shares of common stock representing an aggregate offering price of approximately \$110 million. On September 5, 2023, the plaintiffs filed an amended complaint, and on October 20, 2023, the defendants served a motion to dismiss the amended complaint.

Opendoor Technologies Inc. GS&Co. is among the underwriters named as defendants in a putative securities class action filed on November 22, 2022 in the U.S. District Court for the District of Arizona relating to, among other things, Opendoor Technologies Inc.'s (Opendoor) approximately \$886 million February 2021 public offering of common stock. In addition to the underwriters, the defendants include Opendoor and certain of its officers and directors. GS&Co. underwrote 10,173,401 shares of common stock representing an aggregate offering price of approximately \$275 million. On April 17, 2023, the plaintiffs filed a consolidated amended complaint, and on June 30, 2023, the defendants moved to dismiss the consolidated amended complaint.

FIGS, Inc. GS&Co. is among the underwriters named as defendants in a putative securities class action filed on December 8, 2022 in the U.S. District Court for the Central District of California relating to FIGS, Inc.'s (FIGS) approximately \$668 million May 2021 initial public offering and approximately \$413 million September 2021 secondary equity offering. In addition to the underwriters, the defendants include FIGS, certain of its officers and directors and certain of its shareholders. GS&Co. underwrote 9,545,073 shares of common stock in the May 2021 initial public offering representing an aggregate offering price of approximately \$210 million and 3,179,047 shares of common stock in the September 2021 secondary equity offering representing an aggregate offering price of approximately \$128 million. On April 10, 2023, the plaintiffs filed a consolidated complaint, and on May 25, 2023, the defendants moved to dismiss the consolidated complaint.

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Silvergate Capital Corporation. GS&Co. is among the underwriters and sales agents named as defendants in a putative securities class action filed on January 19, 2023 in the U.S. District Court for the Southern District of California, as amended on May 11, 2023, relating to Silvergate Capital Corporation's (Silvergate) approximately \$288 million January 2021 public offering of common stock, approximately \$300 million "at-the-market" offering of common stock conducted from March through May 2021, approximately \$200 million July 2021 public offering of depositary shares representing interests in preferred stock, and approximately \$552 million December 2021 public offering of common stock. In addition to the underwriters and sales agents, the defendants include Silvergate and certain of its officers and directors. GS&Co. underwrote 1,711,313 shares of common stock in the January 2021 public offering of common stock representing an aggregate offering price of approximately \$108 million, acted as a sales agent with respect to up to a \$300 million aggregate offering price of shares of common stock in the March through May 2021 "at-the-market" offering, underwrote 1,600,000 depositary shares in the July 2021 public offering representing an aggregate offering price of approximately \$40 million, and underwrote 1,375,397 shares of common stock in the December 2021 public offering of common stock representing an aggregate offering price of approximately \$199 million. On July 10, 2023, the defendants moved to dismiss the consolidated amended complaint.

Centessa Pharmaceuticals plc. GS&Co. is among the underwriters named as defendants in an amended complaint for a putative securities class action filed on February 10, 2023 in the U.S. District Court for the Southern District of New York relating to Centessa Pharmaceuticals plc's (Centessa) approximately \$380 million May 2021 initial public offering of ADS. In addition to the underwriters, the defendants include Centessa and certain of its officers and directors. GS&Co. underwrote 6,072,000 ADS representing an aggregate offering price of approximately \$121 million. On June 7, 2023, the defendants moved to dismiss the amended complaint.

iQIYI, Inc. GS Asia is among the underwriters named as defendants in a putative securities class action filed on June 1, 2021 in the U.S. District Court for the Eastern District of New York relating to iQIYI's approximately \$2.4 billion March 2018 initial public offering of ADS. In addition to the underwriters, the defendants include iQIYI, certain of its officers and directors and its controlling shareholder. GS Asia underwrote 69,751,212 ADS representing an aggregate offering price of approximately \$1.3 billion. On November 30, 2022, the defendants served a motion to dismiss the amended complaint.

F45 Training Holdings Inc. GS&Co. is among the underwriters named as defendants in an amended complaint for a putative securities class action filed on May 19, 2023 in the U.S. District Court for the Western District of Texas relating to F45 Training Holdings Inc.'s (F45) approximately \$350 million July 2021 initial public offering of common stock. In addition to the underwriters, the defendants include F45, certain of its officers and directors and certain of its shareholders. GS&Co. acted as a qualified independent underwriter for the offering and underwrote 8,303,744 shares of common stock representing an aggregate offering price of approximately \$133 million. On August 7, 2023, the defendants filed a motion to dismiss the amended complaint.

Olaplex Holdings, Inc. GS&Co. is among the underwriters named as defendants in a putative securities class action filed on April 28, 2023 in the U.S. District Court for the Central District of California relating to Olaplex Holdings, Inc.'s (Olaplex) approximately \$1.8 billion September 2021 initial public offering of common stock. In addition to the underwriters, the defendants include Olaplex, certain of its officers and directors and selling shareholders. GS&Co. underwrote 19,419,420 shares of common stock representing an aggregate offering price of approximately \$408 million. On June 22, 2023, the plaintiffs filed a revised consolidated complaint. On July 19, 2023, the defendants moved to dismiss the revised consolidated complaint.

Investment Management Services

Group Inc. and certain of its affiliates are parties to various civil litigation and arbitration proceedings and other disputes with clients relating to losses allegedly sustained as a result of the firm's investment management services. These claims generally seek, among other things, restitution or other compensatory damages and, in some cases, punitive damages.

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Securities Lending Antitrust Litigation

Group Inc. and GS&Co. were among the defendants named in a putative antitrust class action and three individual actions relating to securities lending practices filed in the U.S. District Court for the Southern District of New York beginning in August 2017. The complaints generally assert claims under federal and state antitrust law and state common law in connection with an alleged conspiracy among the defendants to preclude the development of electronic platforms for securities lending transactions. The individual complaints also assert claims for tortious interference with business relations and under state trade practices law and, in the second and third individual actions, unjust enrichment under state common law. The complaints seek declaratory and injunctive relief, as well as unspecified amounts of compensatory, treble, punitive and other damages. Group Inc. was voluntarily dismissed from the putative class action on January 26, 2018. Defendants' motion to dismiss the class action complaint was denied on September 27, 2018. Defendants' motion to dismiss the first individual action was granted on August 7, 2019. On September 30, 2021, the defendants' motion to dismiss the second and third individual actions, which were consolidated in June 2019, was granted, and on March 24, 2023, the U.S. Court of Appeals for the Second Circuit affirmed the dismissal. On June 30, 2022, the Magistrate Judge recommended that the plaintiffs' motion for class certification in the putative class action be granted in part and denied in part. On August 15, 2022, the plaintiffs and defendants filed objections to the Magistrate Judge's report and recommendation with the district court. On September 1, 2023, the court preliminarily approved a settlement among the plaintiffs and certain defendants, including the firm, to resolve this action. The firm had reserved the full amount of its proposed contribution to the settlement.

Variable Rate Demand Obligations Antitrust Litigation

Group Inc. and GS&Co. were among the defendants named in a putative class action relating to variable rate demand obligations (VRDOs), filed beginning in February 2019 under separate complaints and consolidated in the U.S. District Court for the Southern District of New York. The consolidated amended complaint, filed on May 31, 2019, generally asserts claims under federal antitrust law and state common law in connection with an alleged conspiracy among the defendants to manipulate the market for VRDOs. The complaint seeks declaratory and injunctive relief, as well as unspecified amounts of compensatory, treble and other damages. Group Inc. was voluntarily dismissed from the putative class action on June 3, 2019. On November 2, 2020, the court granted in part and denied in part the defendants' motion to dismiss, dismissing the state common law claims against GS&Co., but denying dismissal of the federal antitrust law claims.

GS&Co. is also among the defendants named in a related putative class action filed on June 2, 2021 in the U.S. District Court for the Southern District of New York. The complaint alleges the same conspiracy in the market for VRDOs as that alleged in the consolidated amended complaint filed on May 31, 2019, and asserts federal antitrust law, state law and state common law claims against the defendants. The complaint seeks declaratory and injunctive relief, as well as unspecified amounts of compensatory, treble and other damages. On August 6, 2021, plaintiffs in the May 31, 2019 action filed an amended complaint consolidating the June 2, 2021 action with the May 31, 2019 action. On September 14, 2021, defendants filed a joint partial motion to dismiss the August 6, 2021 amended consolidated complaint. On June 28, 2022, the court granted in part and denied in part the defendants' motion to dismiss, dismissing the state breach of fiduciary duty claim against GS&Co., but declining to dismiss any portion of the federal antitrust law claims. On September 21, 2023, the court granted the plaintiffs' motion for class certification.

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Interest Rate Swap Antitrust Litigation

Group Inc., GS&Co., GSI, GS Bank USA and Goldman Sachs Financial Markets, L.P. are among the defendants named in a putative antitrust class action relating to the trading of interest rate swaps, filed in November 2015 and consolidated in the U.S. District Court for the Southern District of New York. The same Goldman Sachs entities are also among the defendants named in two antitrust actions relating to the trading of interest rate swaps, commenced in April 2016 and June 2018, respectively, in the U.S. District Court for the Southern District of New York by three operators of swap execution facilities and certain of their affiliates. These actions have been consolidated for pretrial proceedings. The complaints generally assert claims under federal antitrust law and state common law in connection with an alleged conspiracy among the defendants to preclude exchange trading of interest rate swaps. The complaints in the individual actions also assert claims under state antitrust law. The complaints seek declaratory and injunctive relief, as well as treble damages in an unspecified amount. Defendants moved to dismiss the class and the first individual action and the district court dismissed the state common law claims asserted by the plaintiffs in the first individual action and otherwise limited the state common law claim in the putative class action and the antitrust claims in both actions to the period from 2013 to 2016. On November 20, 2018, the court granted in part and denied in part the defendants' motion to dismiss the second individual action, dismissing the state common law claims for unjust enrichment and tortious interference, but denying dismissal of the federal and state antitrust claims. On March 13, 2019, the court denied the plaintiffs' motion in the putative class action to amend their complaint to add allegations related to conduct from 2008 to 2012, but granted the motion to add limited allegations from 2013 to 2016, which the plaintiffs added in a fourth consolidated amended complaint filed on March 22, 2019. The plaintiffs in the putative class action moved for class certification on March 7, 2019.

Commodities-Related Litigation

GSI is among the defendants named in putative class actions relating to trading in platinum and palladium, filed beginning on November 25, 2014 and most recently amended on May 15, 2017, in the U.S. District Court for the Southern District of New York. The amended complaint generally alleges that the defendants violated federal antitrust laws and the Commodity Exchange Act in connection with an alleged conspiracy to manipulate a benchmark for physical platinum and palladium prices and seek declaratory and injunctive relief, as well as treble damages in an unspecified amount. On March 29, 2020, the court granted the defendants' motions to dismiss and for reconsideration, resulting in the dismissal of all claims, and on February 27, 2023, the U.S. Court of Appeals for the Second Circuit reversed the district court's dismissal of certain plaintiffs' antitrust claims and vacated the district court's dismissal of the plaintiffs' Commodity Exchange Act claim. On April 12, 2023, the defendants' petition for rehearing or rehearing en banc with the U.S. Court of Appeals for the Second Circuit was denied. On July 21, 2023, the defendants filed a motion for judgment on the pleadings.

GS&Co., GSI, J. Aron & Company and Metro International Trade Services (Metro), a previously consolidated subsidiary of Group Inc. that was sold in the fourth quarter of 2014, are among the defendants in a number of putative class and individual actions filed beginning on August 1, 2013 and consolidated in the U.S. District Court for the Southern District of New York. The complaints generally allege violations of federal antitrust laws and state laws in connection with the storage of aluminum and aluminum trading. The complaints seek declaratory, injunctive and other equitable relief, as well as unspecified monetary damages, including treble damages. In December 2016, the district court granted defendants' motions to dismiss and on August 27, 2019, the Second Circuit vacated the district court's dismissals and remanded the case to district court for further proceedings. On July 23, 2020, the district court denied the class plaintiffs' motion for class certification, and on December 16, 2020 the Second Circuit denied leave to appeal the denial. On February 17, 2021, the district court granted defendants' motion for summary judgment with respect to the claims of most of the individual plaintiffs. On April 14, 2021, the plaintiffs appealed to the U.S. Court of Appeals for the Second Circuit. On May 31, 2022, the two remaining individual plaintiffs entered into a settlement with the defendants. The firm has paid the full amount of its contribution to the settlement.

In connection with the sale of Metro, the firm agreed to provide indemnities to the buyer, including for any potential liabilities for legal or regulatory proceedings arising out of the conduct of Metro's business while the firm owned it.

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U.S. Treasury Securities Litigation

GS&Co. is among the primary dealers named as defendants in several putative class actions relating to the market for U.S. Treasury securities, filed beginning in July 2015 and consolidated in the U.S. District Court for the Southern District of New York. GS&Co. is also among the primary dealers named as defendants in a similar individual action filed in the U.S. District Court for the Southern District of New York on August 25, 2017. The consolidated class action complaint, filed on December 29, 2017, generally alleges that the defendants violated antitrust laws in connection with an alleged conspiracy to manipulate the when-issued market and auctions for U.S. Treasury securities and that certain defendants, including GS&Co., colluded to preclude trading of U.S. Treasury securities on electronic trading platforms in order to impede competition in the bidding process. The individual action alleges a similar conspiracy regarding manipulation of the when-issued market and auctions, as well as related futures and options in violation of the Commodity Exchange Act. The complaints seek declaratory and injunctive relief, treble damages in an unspecified amount and restitution. Defendants' motion to dismiss was granted on March 31, 2021. On May 14, 2021, plaintiffs filed an amended complaint. Defendants' motion to dismiss the amended complaint was granted on March 31, 2022. On April 28, 2022, plaintiffs appealed to the U.S. Court of Appeals for the Second Circuit.

Corporate Bonds Antitrust Litigation

Group Inc. and GS&Co. are among the dealers named as defendants in a putative class action relating to the secondary market for odd-lot corporate bonds, filed on April 21, 2020 in the U.S. District Court for the Southern District of New York. The amended consolidated complaint, filed on October 29, 2020, asserts claims under federal antitrust law in connection with alleged anti-competitive conduct by the defendants in the secondary market for odd-lots of corporate bonds, and seeks declaratory and injunctive relief, as well as unspecified monetary damages, including treble and punitive damages and restitution. On October 25, 2021, the court granted defendants' motion to dismiss with prejudice. On November 23, 2021, plaintiffs appealed to the U.S. Court of Appeals for the Second Circuit. On November 10, 2022, the district court denied the plaintiffs' motion for an indicative ruling that the judgment should be vacated because the wife of the district judge owned stock in one of the defendants and the district judge did not recuse himself.

Credit Default Swap Antitrust Litigation

Group Inc., GS&Co. and GSI were among the defendants named in a putative antitrust class action relating to the settlement of credit default swaps, filed on June 30, 2021 in the U.S. District Court for the District of New Mexico. The complaint generally asserts claims under federal antitrust law and the Commodity Exchange Act in connection with an alleged conspiracy among the defendants to manipulate the benchmark price used to value credit default swaps for settlement. The complaint also asserts a claim for unjust enrichment under state common law. The complaint seeks declaratory and injunctive relief, as well as unspecified amounts of treble and other damages. On November 15, 2021, the defendants filed a motion to dismiss the complaint. On February 4, 2022, the plaintiffs filed an amended complaint and voluntarily dismissed Group Inc. from the action. On June 5, 2023, the court dismissed the claims against certain foreign defendants for lack of personal jurisdiction but denied the defendants' motion to dismiss with respect to GS&Co., GSI and the remaining defendants.

Employment-Related Matters

On September 15, 2010, a putative class action was filed in the U.S. District Court for the Southern District of New York by three female former employees. The complaint, as subsequently amended, alleges that Group Inc. and GS&Co. have systematically discriminated against female employees in respect of compensation, promotion and performance evaluations. The complaint alleges a class consisting of all female employees employed at specified levels in specified areas by Group Inc. and GS&Co. since July 2002, and asserts claims under federal and New York City discrimination laws.

On May 15, 2023, the court preliminarily approved a settlement among the parties pursuant to which the firm agreed to a payment of \$215 million. The settlement also provides that the firm will engage an independent expert to complete standard validation studies of its performance evaluation and promotion from vice president to managing director processes, continue or implement certain practices as part of its performance evaluation and promotion processes, and engage an independent expert to perform an annual pay equity analysis for the 2023, 2024 and 2025 year-end compensation cycles.

Notes to Consolidated Financial Statements (Unaudited)

Consumer Investigation and Review

The firm is cooperating with the Consumer Financial Protection Bureau and other governmental bodies relating to investigations and/or inquiries concerning GS Bank USA's credit card account management practices and is providing information regarding the application of refunds, crediting of nonconforming payments, billing error resolution, advertisements, reporting to credit bureaus, and any other consumer-related information requested by them.

Regulatory Investigations and Reviews and Related Litigation

Group Inc. and certain of its affiliates are subject to a number of other investigations and reviews by, and in some cases have received subpoenas and requests for documents and information from, various governmental and regulatory bodies and self-regulatory organizations and litigation and shareholder requests relating to various matters relating to the firm's businesses and operations, including:

- The securities offering process and underwriting practices;
- The firm's investment management and financial advisory services;
- Conflicts of interest;
- Research practices, including research independence and interactions between research analysts and other firm personnel, including investment banking personnel, as well as third parties;
- Transactions involving government-related financings and other matters, municipal securities, including wall-cross procedures and conflict of interest disclosure with respect to state and municipal clients, the trading and structuring of municipal derivative instruments in connection with municipal offerings, political contribution rules, municipal advisory services and the possible impact of credit default swap transactions on municipal issuers;
- Consumer lending, as well as residential mortgage lending, servicing and securitization, and compliance with related consumer laws;
- The offering, auction, sales, trading and clearance of corporate and government securities, currencies, commodities and other financial products and related sales and other communications and activities, as well as the firm's supervision and controls relating to such activities, including compliance with applicable short sale rules, algorithmic, high-frequency and quantitative trading, the firm's U.S. alternative trading system (dark pool), futures trading, options trading, when-issued trading, transaction and regulatory reporting, technology systems and controls, communications recordkeeping and recording, securities lending practices, prime brokerage activities, trading and clearance of credit derivative instruments and interest rate swaps, commodities activities and metals storage, private placement practices, allocations of and trading in securities, and trading activities and communications in connection with the establishment of benchmark rates, such as currency rates;
- Compliance with the FCPA;
- The firm's hiring and compensation practices;
- The firm's system of risk management and controls; and
- Insider trading, the potential misuse and dissemination of material nonpublic information regarding corporate and governmental developments and the effectiveness of the firm's insider trading controls and information barriers.

The firm is cooperating with all such governmental and regulatory investigations and reviews.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of The Goldman Sachs Group, Inc.:

Results of Review of Interim Financial Statements

We have reviewed the accompanying consolidated balance sheet of The Goldman Sachs Group, Inc. and its subsidiaries (the Company) as of September 30, 2023, the related consolidated statements of earnings, comprehensive income and changes in shareholders' equity for the three and nine month periods ended September 30, 2023 and 2022, and the consolidated statements of cash flows for the nine month periods ended September 30, 2023 and 2022, including the related notes (collectively referred to as the "interim financial statements"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2022, and the related consolidated statements of earnings, comprehensive income, changes in shareholders' equity and cash flows for the year then ended (not presented herein), and in our report dated February 23, 2023, which included a paragraph describing a change in the manner of accounting for credit losses on certain financial instruments in the 2020 consolidated financial statements, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2022, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

These interim financial statements are the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our review in accordance with the standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ PricewaterhouseCoopers LLP

New York, New York

November 3, 2023

Statistical Disclosures

Distribution of Assets, Liabilities and Shareholders' Equity

The tables below present information about average balances, interest and average interest rates.

\$ in millions	Average Balance for the			
	Three Months		Nine Months	
	Ended September	2022	Ended September	2022
2023	2023	2022	2023	2022
Assets				
U.S.	\$ 140,127	\$ 168,084	\$ 138,467	\$ 149,241
Non-U.S.	130,387	120,200	127,841	112,938
Deposits with banks	270,514	288,284	266,308	262,179
U.S.	210,743	227,090	206,090	249,144
Non-U.S.	155,246	174,042	161,926	173,144
Collateralized agreements	365,989	401,132	368,016	422,288
U.S.	209,673	165,218	196,817	163,125
Non-U.S.	147,591	125,816	140,177	127,958
Trading assets	357,264	291,034	336,994	291,083
U.S.	126,566	106,377	120,499	90,758
Non-U.S.	15,049	13,569	15,138	15,069
Investments	141,615	119,946	135,637	105,827
U.S.	154,948	150,531	154,604	141,455
Non-U.S.	18,777	21,543	19,663	22,861
Loans	173,725	172,074	174,267	164,316
U.S.	85,503	91,188	88,061	98,721
Non-U.S.	54,623	68,052	56,507	64,623
Other interest-earning assets	140,126	159,240	144,568	163,344
Interest-earning assets	1,449,233	1,431,710	1,425,790	1,409,037
Cash and due from banks	5,508	7,619	6,330	8,053
Other non-interest-earning assets	102,421	140,926	110,822	140,390
Assets	\$1,557,162	\$1,580,255	\$1,542,942	\$1,557,480
Liabilities				
U.S.	\$ 307,812	\$ 316,845	\$ 304,903	\$ 300,297
Non-U.S.	85,904	71,787	79,661	75,102
Interest-bearing deposits	393,716	388,632	384,564	375,399
U.S.	166,256	106,562	148,679	110,478
Non-U.S.	102,897	89,191	93,525	87,584
Collateralized financings	269,153	195,753	242,204	198,062
U.S.	58,727	90,801	63,401	84,748
Non-U.S.	77,769	83,924	74,885	86,175
Trading liabilities	136,496	174,725	138,286	170,923
U.S.	50,022	36,371	46,391	32,875
Non-U.S.	25,974	30,263	26,483	29,788
Short-term borrowings	75,996	66,634	72,874	62,663
U.S.	190,429	218,298	200,382	224,555
Non-U.S.	44,613	39,900	44,774	36,047
Long-term borrowings	235,042	258,198	245,156	260,602
U.S.	144,973	166,913	152,537	167,553
Non-U.S.	93,142	100,113	95,673	98,679
Other interest-bearing liabilities	238,115	267,026	248,210	266,232
Interest-bearing liabilities	1,348,518	1,350,968	1,331,294	1,333,881
Non-interest-bearing deposits	4,731	4,509	4,750	4,875
Other non-interest-bearing liabilities	87,615	106,765	90,261	103,306
Liabilities	1,440,864	1,462,242	1,426,305	1,442,062
Shareholders' equity				
Preferred stock	10,953	10,703	10,803	10,703
Common stock	105,345	107,310	105,834	104,715
Shareholders' equity	116,298	118,013	116,637	115,418
Liabilities and shareholders' equity	\$1,557,162	\$1,580,255	\$1,542,942	\$1,557,480
Percentage attributable to non-U.S. operations				
Interest-earning assets	36.00%	36.55%	36.56%	36.66%
Interest-bearing liabilities	31.91%	30.73%	31.17%	30.99%

\$ in millions	Interest for the			
	Three Months		Nine Months	
	Ended September	2022	Ended September	2022
2023	2023	2022	2023	2022
Assets				
U.S.	\$ 1,911	\$ 958	\$ 5,522	\$ 1,330
Non-U.S.	1,154	149	2,809	62
Deposits with banks	3,065	1,107	8,331	1,392
U.S.	2,892	1,176	8,028	1,448
Non-U.S.	1,395	366	3,716	264
Collateralized agreements	4,287	1,542	11,744	1,712
U.S.	1,482	843	3,958	2,282
Non-U.S.	740	491	2,032	1,269
Trading assets	2,222	1,334	5,990	3,551
U.S.	788	458	2,129	1,027
Non-U.S.	213	120	600	406
Investments	1,001	578	2,729	1,433
U.S.	3,403	2,212	9,760	5,160
Non-U.S.	394	275	1,182	777
Loans	3,797	2,487	10,942	5,937
U.S.	2,299	972	6,136	1,777
Non-U.S.	1,586	530	4,159	811
Other interest-earning assets	3,885	1,502	10,295	2,588
Interest-earning assets	\$ 18,257	\$ 8,550	\$ 50,031	\$ 16,613
Liabilities				
U.S.	\$ 3,580	\$ 1,568	\$ 9,900	\$ 2,522
Non-U.S.	853	243	2,059	453
Interest-bearing deposits	4,433	1,811	11,959	2,975
U.S.	2,526	718	6,291	998
Non-U.S.	1,109	272	2,840	310
Collateralized financings	3,635	990	9,131	1,308
U.S.	246	217	692	649
Non-U.S.	387	296	1,077	778
Trading liabilities	633	513	1,769	1,427
U.S.	305	110	778	241
Non-U.S.	12	42	70	92
Short-term borrowings	317	152	848	333
U.S.	2,842	1,471	8,090	3,333
Non-U.S.	71	32	195	100
Long-term borrowings	2,913	1,503	8,285	3,433
U.S.	3,124	887	8,226	728
Non-U.S.	1,655	651	4,801	805
Other interest-bearing liabilities	4,779	1,538	13,027	1,533
Interest-bearing liabilities	\$ 16,710	\$ 6,507	\$ 45,019	\$ 11,009
Net interest income				
U.S.	\$ 152	\$ 1,648	\$ 1,556	\$ 4,553
Non-U.S.	1,395	395	3,456	1,051
Net interest income	\$ 1,547	\$ 2,043	\$ 5,012	\$ 5,604

Statistical Disclosures

	Annualized Average Rate for the			
	Three Months		Nine Months	
	Ended September	2022	Ended September	2022
	2023		2023	2022
Assets				
U.S.	5.46%	2.26%	5.32%	1.19%
Non-U.S.	3.54%	0.49%	2.93%	0.07%
Deposits with banks	4.53%	1.52%	4.17%	0.71%
U.S.	5.49%	2.05%	5.19%	0.77%
Non-U.S.	3.59%	0.83%	3.06%	0.20%
Collateralized agreements	4.69%	1.52%	4.25%	0.54%
U.S.	2.83%	2.02%	2.68%	1.87%
Non-U.S.	2.01%	1.54%	1.93%	1.32%
Trading assets	2.49%	1.81%	2.37%	1.63%
U.S.	2.49%	1.70%	2.36%	1.51%
Non-U.S.	5.66%	3.50%	5.28%	3.59%
Investments	2.83%	1.91%	2.68%	1.81%
U.S.	8.78%	5.81%	8.42%	4.86%
Non-U.S.	8.39%	5.05%	8.02%	4.53%
Loans	8.74%	5.72%	8.37%	4.82%
U.S.	10.76%	4.22%	9.29%	2.40%
Non-U.S.	11.61%	3.08%	9.81%	1.67%
Other interest-earning assets	11.09%	3.73%	9.49%	2.11%
Interest-earning assets	5.04%	2.36%	4.68%	1.57%
Liabilities				
U.S.	4.65%	1.96%	4.33%	1.12%
Non-U.S.	3.97%	1.34%	3.45%	0.80%
Interest-bearing deposits	4.50%	1.84%	4.15%	1.06%
U.S.	6.08%	2.67%	5.64%	1.20%
Non-U.S.	4.31%	1.21%	4.05%	0.47%
Collateralized financings	5.40%	2.00%	5.03%	0.88%
U.S.	1.68%	0.95%	1.46%	1.02%
Non-U.S.	1.99%	1.40%	1.92%	1.20%
Trading liabilities	1.85%	1.16%	1.71%	1.11%
U.S.	2.44%	1.20%	2.24%	0.98%
Non-U.S.	0.18%	0.55%	0.35%	0.41%
Short-term borrowings	1.67%	0.90%	1.55%	0.71%
U.S.	5.97%	2.67%	5.38%	1.98%
Non-U.S.	0.64%	0.32%	0.58%	0.37%
Long-term borrowings	4.96%	2.30%	4.51%	1.76%
U.S.	8.62%	2.10%	7.19%	0.58%
Non-U.S.	7.11%	2.57%	6.69%	1.09%
Other interest-bearing liabilities	8.03%	2.28%	7.00%	0.77%
Interest-bearing liabilities	4.96%	1.91%	4.51%	1.10%
Interest rate spread	0.08%	0.45%	0.17%	0.47%
U.S.	0.07%	0.72%	0.23%	0.68%
Non-U.S.	1.07%	0.30%	0.88%	0.27%
Net yield on interest-earning assets	0.43%	0.56%	0.47%	0.53%

In the tables above:

- Assets, liabilities and interest are classified as U.S. and non-U.S. based on the location of the legal entity in which the assets and liabilities are held.
- Derivative instruments and commodities are included in other non-interest-earning assets and other non-interest-bearing liabilities.
- Average collateralized agreements included \$174.40 billion of resale agreements and \$191.59 billion of securities borrowed for the three months ended September 2023, \$201.70 billion of resale agreements and \$199.43 billion of securities borrowed for the three months ended September 2022, \$175.00 billion of resale agreements and \$193.01 billion of securities borrowed for the nine months ended September 2023, and \$228.21 billion of resale agreements and \$194.08 billion of securities borrowed for the nine months ended September 2022.
- Other interest-earning assets primarily consists of certain receivables from customers and counterparties.
- Collateralized financings included \$215.00 billion of repurchase agreements and \$54.15 billion of securities loaned for the three months ended September 2023, \$158.89 billion of repurchase agreements and \$36.86 billion of securities loaned for the three months ended September 2022, \$195.28 billion of repurchase agreements and \$46.92 billion of securities loaned for the nine months ended September 2023, and \$156.99 billion of repurchase agreements and \$41.07 billion of securities loaned for the nine months ended September 2022.
- Substantially all other interest-bearing liabilities consists of certain payables to customers and counterparties.
- Interest rates for borrowings include the effects of interest rate swaps accounted for as hedges.
- Loans exclude loans held for sale that are accounted for at the lower of cost or fair value. Such loans are included within other interest-earning assets.
- Short- and long-term borrowings include both secured and unsecured borrowings.

Management's Discussion and Analysis**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations****Introduction**

The Goldman Sachs Group, Inc. (Group Inc. or parent company), a Delaware corporation, together with its consolidated subsidiaries, is a leading global financial institution that delivers a broad range of financial services to a large and diversified client base that includes corporations, financial institutions, governments and individuals. Founded in 1869, we are headquartered in New York and maintain offices in all major financial centers around the world. We manage and report our activities in three business segments: Global Banking & Markets, Asset & Wealth Management and Platform Solutions. See "Results of Operations" for further information about our business segments.

When we use the terms "we," "us" and "our," we mean Group Inc. and its consolidated subsidiaries. When we use the term "our subsidiaries," we mean the consolidated subsidiaries of Group Inc.

Group Inc. is a bank holding company and a financial holding company regulated by the Board of Governors of the Federal Reserve System (FRB).

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2022. References to "the 2022 Form 10-K" are to our Annual Report on Form 10-K for the year ended December 31, 2022. References to "this Form 10-Q" are to our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023. All references to "the consolidated financial statements" or "Statistical Disclosures" are to Part I, Item 1 of this Form 10-Q. The consolidated financial statements are unaudited. All references to September 2023, June 2023 and September 2022 refer to our periods ended, or the dates, as the context requires, September 30, 2023, June 30, 2023 and September 30, 2022, respectively. All references to December 2022 refer to the date December 31, 2022. 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.

Executive Overview

Three Months Ended September 2023 versus September 2022. We generated net earnings of \$2.06 billion for the third quarter of 2023, compared with \$3.07 billion for the third quarter of 2022. Diluted earnings per common share (EPS) was \$5.47 for the third quarter of 2023, compared with \$8.25 for the third quarter of 2022. Annualized return on average common shareholders' equity (ROE) was 7.1% for the third quarter of 2023, compared with 11.0% for the third quarter of 2022. Book value per common share was \$313.83 as of September 2023, 1.5% higher compared with June 2023 and 3.4% higher compared with December 2022.

Net revenues were \$11.82 billion for the third quarter of 2023, essentially unchanged compared with the third quarter of 2022, reflecting significantly lower net revenues in Asset & Wealth Management, offset by higher net revenues in Global Banking & Markets and Platform Solutions. Net revenues in Asset & Wealth Management primarily reflected net losses in Equity investments compared with net gains in the prior year period, partially offset by higher Management and other fees. Net revenues in Global Banking & Markets reflected improved results in Other and higher net revenues in Equities, partially offset by lower net revenues in Fixed Income, Currency and Commodities (FICC) compared with a strong prior year period. Net revenues in Platform Solutions reflected significantly higher net revenues in Consumer platforms.

Provision for credit losses was \$7 million for the third quarter of 2023, compared with \$515 million for the third quarter of 2022. Provisions for the third quarter of 2023 reflected net provisions related to both the credit card portfolio (primarily driven by net charge-offs) and wholesale loans (driven by impairments, partially offset by a reserve reduction based on increased stability in the macroeconomic environment), offset by a net release related to the GreenSky, Inc. (GreenSky) loan portfolio (including a reserve reduction related to the transfer of the portfolio to held for sale). Provisions for the third quarter of 2022 primarily reflected consumer portfolio growth, net charge-offs and the impact of continued broad concerns on the macroeconomic outlook.

Management's Discussion and Analysis

Operating expenses were \$9.05 billion for the third quarter of 2023, 18% higher than the third quarter of 2022, primarily due to higher compensation and benefits expenses (reflecting an increase in the quarter in the year-to-date ratio of compensation and benefits to net revenues, net of provision for credit losses, and a reduction in the year-to-date ratio in the prior year period), a \$506 million write-down of identifiable intangible assets related to GreenSky and impairments of \$358 million related to commercial real estate included within consolidated investment entities. Our efficiency ratio (total operating expenses divided by total net revenues) was 76.6% for the third quarter of 2023, compared with 64.3% for the third quarter of 2022.

During the quarter, we returned a total of \$2.44 billion of capital to common shareholders, including common stock repurchases of \$1.50 billion and common stock dividends of \$937 million. As of September 2023, our Common Equity Tier 1 (CET1) capital ratio was 14.8% under both the Standardized and Advanced Capital Rules. See Note 20 to the consolidated financial statements for further information about our capital ratios.

Nine Months Ended September 2023 versus September 2022. We generated net earnings of \$6.51 billion for the first nine months of 2023, compared with \$9.94 billion for the first nine months of 2022. Diluted EPS was \$17.39 for the first nine months of 2023, compared with \$26.71 for the first nine months of 2022. Annualized ROE was 7.6% for the first nine months of 2023, compared with 12.2% for the first nine months of 2022.

Net revenues were \$34.94 billion for the first nine months of 2023, 5% lower than the first nine months of 2022, reflecting lower net revenues in Global Banking & Markets and slightly lower net revenues in Asset & Wealth Management, partially offset by higher net revenues in Platform Solutions. Net revenues in Global Banking & Markets reflected lower net revenues in FICC compared with a strong prior year period and lower Investment banking fees. Net revenues in Asset & Wealth Management reflected net losses in Equity investments compared with net gains in the prior year period and significantly lower Incentive fees, partially offset by higher Management and other fees and higher net revenues in Private banking and lending. Net revenues in Platform Solutions reflected significantly higher net revenues in Consumer platforms.

Provision for credit losses was \$451 million for the first nine months of 2023, compared with \$1.74 billion for the first nine months of 2022. Provisions for the first nine months of 2023 reflected net provisions related to both the credit card portfolio (primarily driven by net charge-offs) and wholesale loans (primarily driven by impairments), partially offset by a reserve reduction related to the sale of substantially all of the Marcus loans portfolio and a net release related to the GreenSky loan portfolio (including a reserve reduction related to the transfer of the portfolio to held for sale). Provisions for the first nine months of 2022 primarily reflected consumer portfolio growth (primarily in credit cards) and the impact of broad macroeconomic and geopolitical concerns.

Operating expenses were \$26.00 billion for the first nine months of 2023, 13% higher than the first nine months of 2022, primarily due to impairments of \$1.20 billion related to commercial real estate included within consolidated investment entities, higher compensation and benefits expenses, a \$506 million write-down related to GreenSky and an impairment of goodwill of \$504 million related to Consumer platforms. Our efficiency ratio was 74.4% for the first nine months of 2023, compared with 62.7% for the first nine months of 2022.

During the first nine months of 2023, we returned a total of \$7.47 billion of capital to common shareholders, including common stock repurchases of \$4.80 billion and common stock dividends of \$2.67 billion.

Business Environment

During the third quarter of 2023, the operating environment was generally characterized by continued broad macroeconomic concerns, including the outlook for economic growth and global central bank policy. Early in the quarter, there were positive developments in inflation and labor market measures, however indicators later in the quarter led to market expectations of higher interest rates for a longer period. In addition, geopolitical stresses, including the war in Ukraine and ongoing tensions with China, remained elevated. These factors contributed to higher yields on 10-year government bonds and lower global equity prices compared with the end of the second quarter of 2023, while the commercial real estate market remained under pressure.

In October 2023, geopolitical tensions escalated with the conflict in the Middle East, which has elevated the uncertainty of economic growth and stability in the U.S. and around the world. There also remains uncertainty and concerns about global central bank policy, inflation, the commercial real estate sector and potential increases in regulatory capital requirements. See “Results of Operations — Segment Assets and Operating Results — Segment Operating Results” for further information about the operating environment for each of our business segments.

Critical Accounting Policies

Fair Value

Fair Value Hierarchy. Trading assets and liabilities, certain investments and loans, and certain other financial assets and liabilities, are included in our consolidated balance sheets at fair value (i.e., marked-to-market), with related gains or losses generally recognized in our consolidated statements of earnings. The use of fair value to measure financial instruments is fundamental to our risk management practices and is our most critical accounting policy.

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

The fair values for substantially all of our financial assets and 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 liabilities may require appropriate valuation adjustments that a market participant would require to arrive at fair value for factors, such as counterparty and our credit quality, funding risk, transfer restrictions, liquidity and bid/offer spreads.

Instruments classified in level 3 of the fair value hierarchy are those which require one or more significant inputs that are not observable. Level 3 financial assets represented 1.6% as of September 2023, 1.7% as of June 2023 and 1.8% as of December 2022 of our total assets. See Notes 4 and 5 to the consolidated financial statements for further information about level 3 financial assets, including changes in level 3 financial assets and related fair value measurements. Absent evidence to the contrary, instruments classified in level 3 of the fair value hierarchy are initially valued at transaction price, which is considered to be the best initial estimate of fair value. Subsequent to the transaction date, we use other methodologies to determine fair value, which vary based on the type of instrument. Estimating the fair value of level 3 financial instruments requires judgments to be made. These judgments include:

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

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

Controls Over Valuation of Financial Instruments.

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

Management's Discussion and Analysis

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

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

See Note 4 to the consolidated financial statements for further information about fair value measurements.

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

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

Allowance for Credit Losses

We estimate and record an allowance for credit losses related to our loans held for investment that are accounted for at amortized cost. To determine the allowance for credit losses, we classify our loans accounted for at amortized cost into wholesale and consumer portfolios. These portfolios represent the level at which we have developed and documented our methodology to determine the allowance for credit losses. The allowance for credit losses is measured on a collective basis for loans that exhibit similar risk characteristics using a modeled approach and on an asset-specific basis for loans that do not share similar risk characteristics.

Management's Discussion and Analysis

The allowance for credit losses takes into account the weighted average of a range of forecasts of future economic conditions over the expected life of the loans and lending commitments. The expected life of each loan or lending commitment is determined based on the contractual term adjusted for extension options or demand features, or is modeled in the case of revolving credit card loans. The forecasts include baseline, favorable and adverse economic scenarios over a three-year period. For loans with expected lives beyond three years, the model reverts to historical loss information based on a non-linear modeled approach. We apply judgment in weighting individual scenarios each quarter based on a variety of factors, including our internally derived economic outlook, market consensus, recent macroeconomic conditions and industry trends. The forecasted economic scenarios consider a number of risk factors relevant to the wholesale and consumer portfolios. Risk factors for wholesale loans include internal credit ratings, industry default and loss data, expected life, macroeconomic indicators (e.g., unemployment rates and GDP), the borrower's capacity to meet its financial obligations, the borrower's country of risk and industry, loan seniority and collateral type. In addition, for loans backed by real estate, risk factors include loan-to-value ratio, debt service ratio and home price index. Risk factors for installment and credit card loans include Fair Isaac Corporation (FICO) credit scores, delinquency status, loan vintage and macroeconomic indicators.

The allowance for credit losses also includes qualitative components which allow management to reflect the uncertain nature of economic forecasting, capture uncertainty regarding model inputs, and account for model imprecision and concentration risk.

Our estimate of credit losses entails judgment about collectability at the reporting dates, and there are uncertainties inherent in those judgments. The allowance for credit losses is subject to a governance process that involves review and approval by senior management within our independent risk oversight and control functions. Personnel within our independent risk oversight and control functions are responsible for forecasting the economic variables that underlie the economic scenarios that are used in the modeling of expected credit losses. While we use 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.

We also record an allowance for credit losses on lending commitments which are held for investment that are accounted for at amortized cost. 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 whether such commitments are cancellable by us.

To estimate the potential impact of an adverse macroeconomic environment on our allowance for credit losses, we, among other things, compared the expected credit losses under the weighted average forecast used in the calculation of allowance for credit losses as of September 2023 (which was weighted towards the baseline and adverse economic scenarios) to the expected credit losses under a 100% weighted adverse economic scenario. The adverse economic scenario of the forecast model reflects a global recession in the fourth quarter of 2023 through the third quarter of 2024, resulting in an economic contraction and rising unemployment rates. A 100% weighting to the adverse economic scenario would have resulted in an approximate \$0.8 billion increase in our allowance for credit losses as of September 2023. This hypothetical increase does not take into consideration any potential adjustments to qualitative reserves. The forecasts of macroeconomic conditions are inherently uncertain and do not take into account any other offsetting or correlated effects. The actual credit loss in an adverse macroeconomic environment may differ significantly from this estimate. See Note 9 to the consolidated financial statements for further information about the allowance for credit losses.

Use of Estimates

U.S. GAAP requires us to make certain estimates and assumptions. In addition to the estimates we make in connection with fair value measurements and the allowance for credit losses on loans and lending commitments held for investment and accounted for at amortized cost, the use of estimates and assumptions is also important in determining discretionary compensation accruals, the accounting for goodwill and identifiable intangible assets, provisions for losses that may arise from litigation and regulatory proceedings (including governmental investigations), and accounting for income taxes.

A substantial portion of our compensation and benefits represents discretionary compensation, which is finalized at year-end. We believe the most appropriate way to allocate estimated year-end discretionary compensation among interim periods is in proportion to the net revenues, net of provision for credit losses, earned in such periods. In addition to the level of net revenues, net of provision for credit losses, our overall compensation expense in any given year is also influenced by, among other factors, overall financial performance, prevailing labor markets, business mix, the structure of our share-based compensation programs and the external environment.

Management's Discussion and Analysis

Goodwill is assessed for impairment annually in the fourth quarter or more frequently if events occur or circumstances change that indicate an impairment may exist. When assessing goodwill for impairment, first, a qualitative assessment can be made to determine whether it is more likely than not that the estimated fair value of a reporting unit is less than its carrying value. If the results of the qualitative assessment are not conclusive, a quantitative goodwill test is performed. Alternatively, a quantitative goodwill test can be performed without performing a qualitative assessment. Estimating the fair value of our reporting units requires judgment. Critical inputs to the fair value estimates include projected earnings and allocated equity. There is inherent uncertainty in the projected earnings. The carrying value of each reporting unit reflects an allocation of total shareholders' equity and represents the estimated amount of total shareholders' equity required to support the activities of the reporting unit under currently applicable regulatory capital requirements. During the second quarter of 2023, in connection with the exploration of a potential sale of GreenSky, we performed a quantitative goodwill test and determined that the goodwill associated with Consumer platforms was impaired, and accordingly, recorded a \$504 million impairment. See Note 12 to the consolidated financial statements for further information about goodwill. If we experience a prolonged or severe period of weakness in the business environment, financial markets, the performance of one or more of our reporting units or our common stock price, or additional increases in capital requirements, our goodwill could be impaired in the future.

Identifiable intangible assets are tested for impairment when events or changes in circumstances suggest that an asset's or asset group's carrying value may not be fully recoverable. Judgment is required to evaluate whether indications of potential impairment have occurred, and to test identifiable intangible assets for impairment, if required. An impairment is recognized if the estimated undiscounted cash flows relating to the asset or asset group is less than the corresponding carrying value. In the third quarter of 2023, in connection with the planned sale of GreenSky, we classified the related identifiable intangible assets, loans and other assets and associated liabilities as held for sale and recognized a \$506 million write-down. See Note 12 to the consolidated financial statements for further information about identifiable intangible assets.

We also estimate and provide for potential losses that may arise out of litigation and regulatory proceedings to the extent that such losses are probable and can be reasonably estimated. In addition, we estimate the upper end of the range of reasonably possible aggregate loss in excess of the related reserves for litigation and regulatory proceedings where we believe the risk of loss is more than slight. See Notes 18 and 27 to the consolidated financial statements for information about certain judicial, litigation and regulatory proceedings. Significant judgment is required in making these estimates and our final liabilities may ultimately be materially different. Our total estimated liability in respect of litigation and regulatory proceedings is determined on a case-by-case basis and represents an estimate of probable losses after considering, among other factors, the progress of each case, proceeding or investigation, our experience and the experience of others in similar cases, proceedings or investigations, and the opinions and views of legal counsel.

In accounting for income taxes, we recognize tax positions in the financial statements only when it is more likely than not that the position will be sustained on examination by the relevant taxing authority based on the technical merits of the position. We use estimates to recognize current and deferred income taxes in the U.S. federal, state and local and non-U.S. jurisdictions in which we operate. The income tax laws in these jurisdictions are complex and can be subject to different interpretations between taxpayers and taxing authorities. Disputes may arise over these interpretations and can be settled by audit, administrative appeals or judicial proceedings. Our interpretations are reevaluated quarterly based on guidance currently available, tax examination experience and the opinions of legal counsel, among other factors. We recognize deferred taxes based on the amount that will more likely than not be realized in the future based on enacted income tax laws. Our estimate for deferred taxes includes estimates for future taxable earnings, including the level and character of those earnings, and various tax planning strategies. See Note 24 to the consolidated financial statements in Part II, Item 8 of the 2022 Form 10-K for further information about income taxes.

Recent Accounting Developments

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

Results of Operations

The composition of our net revenues has varied over time as financial markets and the scope of our operations have changed. The composition of net revenues can also vary over the shorter term due to fluctuations in U.S. and global economic and market conditions. See "Risk Factors" in Part I, Item 1A of the 2022 Form 10-K for further information about the impact of economic and market conditions on our results of operations.

Management's Discussion and Analysis

Financial Overview

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

\$ in millions, except per share amounts	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Net revenues	\$ 11,817	\$ 11,975	\$ 34,936	\$ 36,772
Pre-tax earnings	\$ 2,756	\$ 3,756	\$ 8,485	\$ 11,956
Net earnings	\$ 2,058	\$ 3,069	\$ 6,508	\$ 9,935
Net earnings to common	\$ 1,882	\$ 2,962	\$ 6,040	\$ 9,579
Diluted EPS	\$ 5.47	\$ 8.25	\$ 17.39	\$ 26.71
ROE	7.1%	11.0%	7.6%	12.2%
ROTE	7.7%	12.0%	8.2%	13.1%
Net earnings to average assets	0.5%	0.8%	0.6%	0.9%
Return on shareholders' equity	7.1%	10.4%	7.4%	11.5%
Average equity to average assets	7.5%	7.5%	7.6%	7.4%
Dividend payout ratio	50.3%	30.3%	44.6%	24.3%

Our target (through-the-cycle) is to achieve ROE within a range of 14% to 16% and annualized return on average tangible common shareholders' equity (ROTE) within a range of 15% to 17%.

In the table above:

- Net earnings to common represents net earnings applicable to common shareholders, which is calculated as net earnings less preferred stock dividends.
- ROE, ROTE, net earnings to average total assets and return on average shareholders' equity are annualized amounts.
- ROE is calculated by dividing annualized net earnings to common by average monthly common shareholders' equity.
- ROTE is calculated by dividing annualized net earnings to common by average monthly tangible common shareholders' equity. Tangible common shareholders' equity is calculated as total shareholders' equity less preferred stock, goodwill and identifiable intangible assets. We believe that tangible common shareholders' equity is meaningful because it is a measure that we and investors use to assess capital adequacy and that ROTE is meaningful because it measures the performance of businesses consistently, whether they were acquired or developed internally. Tangible common shareholders' equity and ROTE are non-GAAP measures and may not be comparable to similar non-GAAP measures used by other companies.

The table below presents our average equity and the reconciliation of average common shareholders' equity to average tangible common shareholders' equity.

\$ in millions	Average for the			
	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Total shareholders' equity	\$ 116,298	\$ 118,013	\$ 116,637	\$ 115,418
Preferred stock	(10,953)	(10,703)	(10,803)	(10,703)
Common shareholders' equity	105,345	107,310	105,834	104,715
Goodwill	(5,934)	(6,242)	(6,218)	(5,546)
Identifiable intangible assets	(1,764)	(1,987)	(1,888)	(1,463)
Tangible common shareholders' equity	\$ 97,647	\$ 99,081	\$ 97,728	\$ 97,706

- Net earnings to average assets is calculated by dividing annualized net earnings by average total assets.
- Return on shareholders' equity is calculated by dividing annualized net earnings by average monthly shareholders' equity.
- Average equity to average assets is calculated by dividing average total shareholders' equity by average total assets.
- Dividend payout ratio is calculated by dividing dividends declared per common share by diluted EPS.

Net Revenues

The table below presents our net revenues by line item.

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Investment banking	\$ 1,555	\$ 1,544	\$ 4,565	\$ 5,487
Investment management	2,409	2,283	7,054	6,747
Commissions and fees	883	992	2,864	3,066
Market making	4,958	4,641	14,742	15,583
Other principal transactions	465	472	699	285
Total non-interest revenues	10,270	9,932	29,924	31,168
Interest income	18,257	8,550	50,031	16,613
Interest expense	16,710	6,507	45,019	11,009
Net interest income	1,547	2,043	5,012	5,604
Total net revenues	\$ 11,817	\$ 11,975	\$ 34,936	\$ 36,772

In the table above:

- Investment banking consists of revenues (excluding net interest) from financial advisory and underwriting assignments. These activities are included in Global Banking & Markets.
- Investment management consists of revenues (excluding net interest) from providing asset management and wealth advisory services across all major asset classes to a diverse set of clients. These activities are included in Asset & Wealth Management.
- Commissions and fees consists of revenues from executing and clearing client transactions on major stock, options and futures exchanges worldwide, as well as over-the-counter (OTC) transactions. Substantially all of these activities are included in Global Banking & Markets.
- Market making consists of revenues (excluding net interest) from client execution activities related to making markets in interest rate products, credit products, mortgages, currencies, commodities and equity products. These activities are included in Global Banking & Markets.
- Other principal transactions consists of revenues (excluding net interest) from our equity investing activities, including revenues related to our consolidated investments (included in Asset & Wealth Management), and debt investing and lending activities (included across our three segments).

Management's Discussion and Analysis

Operating Environment. During the third quarter of 2023, the operating environment was generally characterized by continued broad macroeconomic concerns, including the outlook for economic growth and global central bank policy, and elevated geopolitical stresses. These factors contributed to a decline in market-making activity levels and weighed on industry-wide investment banking activity levels. Additionally, global equity and bond prices were generally lower compared with the end of the second quarter of 2023, while the commercial real estate market remained under pressure. In the U.S., inflationary measures improved, the rate of unemployment remained low and the pace of growth in consumer spending increased compared with the second quarter of 2023.

If uncertainty and concerns about geopolitical tensions and the economic outlook remain elevated or grow, including those about global central bank policy, inflation, the commercial real estate sector, and potential increases in regulatory capital requirements, it may lead to a further decline in asset prices, a further decline in market-making activity levels, or a decline in investment banking activity levels, and net revenues and provision for credit losses would likely be negatively impacted. See “Segment Assets and Operating Results — Segment Operating Results” for information about the operating environment and material trends and uncertainties that may impact our results of operations.

Three Months Ended September 2023 versus September 2022. Net revenues in the consolidated statements of earnings were \$11.82 billion for the third quarter of 2023, essentially unchanged compared with the third quarter of 2022, reflecting significantly lower net interest income and lower commissions and fees, offset by higher market making revenues and investment management revenues.

Non-Interest Revenues. Investment banking revenues in the consolidated statements of earnings were \$1.56 billion for the third quarter of 2023, essentially unchanged compared with the third quarter of 2022, due to higher revenues in debt underwriting, primarily driven by leveraged finance activity, and higher revenues in equity underwriting, primarily from initial public offerings, offset by lower revenues in advisory, reflecting a decline in completed mergers and acquisitions transactions.

Investment management revenues in the consolidated statements of earnings were \$2.41 billion for the third quarter of 2023, 6% higher than the third quarter of 2022, due to higher management and other fees, primarily reflecting the impact of higher average assets under supervision (AUS).

Commissions and fees in the consolidated statements of earnings were \$883 million for the third quarter of 2023, 11% lower than the third quarter of 2022, primarily reflecting the impact of GreenSky in the prior year period.

Market making revenues in the consolidated statements of earnings were \$4.96 billion for the third quarter of 2023, 7% higher than the third quarter of 2022, reflecting significantly higher revenues in financing, partially offset by lower revenues in intermediation. The increase from financing activities reflected significantly higher revenues in equity financing products. The decrease from intermediation activities reflected significantly lower revenues in commodities, equity derivatives and currencies, partially offset by significantly improved results in mortgages and higher revenues in interest rate products.

Other principal transactions revenues in the consolidated statements of earnings were \$465 million for the third quarter of 2023, essentially unchanged compared with the third quarter of 2022, reflecting significantly lower net revenues from equity investments, largely offset by net gains from derivatives related to our borrowings and significantly improved results in relationship lending and acquisition financing activities.

Net Interest Income. Net interest income in the consolidated statements of earnings was \$1.55 billion for the third quarter of 2023, 24% lower than the third quarter of 2022, reflecting a significant increase in interest expense primarily related to other interest-bearing liabilities, collateralized financings, deposits, and borrowings, each reflecting the impact of higher average interest rates. The increase in interest expense was largely offset by a significant increase in interest income primarily related to collateralized agreements, other interest-earning assets, deposits with banks and loans, each reflecting the impact of higher average interest rates. See “Statistical Disclosures — Distribution of Assets, Liabilities and Shareholders’ Equity” for further information about our sources of net interest income.

Nine Months Ended September 2023 versus September 2022. Net revenues in the consolidated statements of earnings were \$34.94 billion for the first nine months of 2023, 5% lower than the first nine months of 2022, primarily reflecting lower investment banking revenues, market making revenues and net interest income, partially offset by significantly higher other principal transactions revenues and higher investment management revenues.

Non-Interest Revenues. Investment banking revenues in the consolidated statements of earnings were \$4.57 billion for the first nine months of 2023, 17% lower than the first nine months of 2022, due to significantly lower revenues in advisory, reflecting a significant decline in industry-wide completed mergers and acquisitions transactions, and lower revenues in debt underwriting, primarily reflecting lower net revenues from asset-backed activity, partially offset by significantly higher revenues in equity underwriting, primarily reflecting increased activity in secondary offerings.

Management's Discussion and Analysis

Investment management revenues in the consolidated statements of earnings were \$7.05 billion for the first nine months of 2023, 5% higher than the first nine months of 2022, due to higher management and other fees, primarily reflecting the impact of higher average assets under supervision, including the impact of acquiring NN Investment Partners (NNIP), partially offset by significantly lower incentive fees, driven by significant harvesting in the prior year period.

Commissions and fees in the consolidated statements of earnings were \$2.86 billion for the first nine months of 2023, 7% lower than the first nine months of 2022, primarily reflecting the impact of GreenSky in the prior year period.

Market making revenues in the consolidated statements of earnings were \$14.74 billion for the first nine months of 2023, 5% lower than the first nine months of 2022, reflecting significantly lower revenues in intermediation, partially offset by significantly higher revenues in financing. The decrease from intermediation activities reflected significantly lower revenues in equity derivatives, currencies and commodities, partially offset by improved results in mortgages. The increase from financing activities primarily reflected significantly higher revenues from equity financing products.

Other principal transactions revenues in the consolidated statements of earnings were \$699 million for the first nine months of 2023, 145% higher than the first nine months of 2022, primarily reflecting net gains from derivatives related to our borrowings, partially offset by significantly lower net revenues from equity investments and net revenues of approximately \$(370) million related to the sale of substantially all of the Marcus loans portfolio.

Net Interest Income. Net interest income in the consolidated statements of earnings was \$5.01 billion for the first nine months of 2023, 11% lower than the first nine months of 2022, reflecting a significant increase in interest expense related to other interest-bearing liabilities, deposits, collateralized financings and borrowings, each reflecting the impact of higher average interest rates. The increase in interest expense was partially offset by a significant increase in interest income primarily related to collateralized agreements, other interest-earning assets, and deposits with banks and loans, each reflecting the impact of higher average interest rates. See “Statistical Disclosures — Distribution of Assets, Liabilities and Shareholders’ Equity” for further information about our sources of net interest income.

Provision for Credit Losses

Provision for credit losses consists of provision for credit losses on financial assets and commitments accounted for at amortized cost, including loans and lending commitments held for investment. See Note 9 to the consolidated financial statements for further information about the provision for credit losses on loans and lending commitments.

The table below presents our provision for credit losses.

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Provision for credit losses	\$ 7	\$ 515	\$ 451	\$ 1,743

Three Months Ended September 2023 versus September 2022.

Provision for credit losses in the consolidated statements of earnings was \$7 million for the third quarter of 2023, compared with \$515 million for the third quarter of 2022. Provisions for the third quarter of 2023 reflected net provisions related to both the credit card portfolio (primarily driven by net charge-offs) and wholesale loans (driven by impairments, partially offset by a reserve reduction based on increased stability in the macroeconomic environment), offset by a net release related to the GreenSky loan portfolio (including a reserve reduction of \$637 million related to the transfer of the portfolio to held for sale). Provisions for the third quarter of 2022 primarily reflected consumer portfolio growth, net charge-offs and the impact of continued broad concerns on the macroeconomic outlook.

Nine Months Ended September 2023 versus September 2022.

Provision for credit losses in the consolidated statements of earnings was \$451 million for the first nine months of 2023, compared with \$1.74 billion for the first nine months of 2022. Provisions for the first nine months of 2023 reflected net provisions related to both the credit card portfolio (primarily driven by net charge-offs) and wholesale loans (primarily driven by impairments), partially offset by a reserve reduction of approximately \$440 million related to the sale of substantially all of the Marcus loans portfolio and a net release related to the GreenSky loan portfolio (including a reserve reduction of \$637 million related to the transfer of the portfolio to held for sale). Provisions for the first nine months of 2022 primarily reflected consumer portfolio growth (primarily in credit cards) and the impact of macroeconomic and geopolitical concerns.

Operating Expenses

Our operating expenses are primarily influenced by compensation, headcount and levels of business activity. Compensation and benefits includes salaries, estimated year-end discretionary compensation, amortization of equity awards and other items such as benefits. Discretionary compensation is significantly impacted by, among other factors, the level of net revenues, net of provision for credit losses, overall financial performance, prevailing labor markets, business mix, the structure of our share-based compensation programs and the external environment.

Management's Discussion and Analysis

The table below presents our operating expenses by line item and headcount.

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Compensation and benefits	\$ 4,188	\$ 3,606	\$11,897	\$11,384
Transaction based	1,452	1,317	4,242	3,878
Market development	136	199	454	596
Communications and technology	468	459	1,416	1,327
Depreciation and amortization	1,512	666	4,076	1,728
Occupancy	267	255	785	765
Professional fees	377	465	1,152	1,392
Other expenses	654	737	1,978	2,003
Total operating expenses	\$ 9,054	\$ 7,704	\$26,000	\$23,073
Headcount at period-end	45,900	49,100		

Three Months Ended September 2023 versus September 2022. Operating expenses in the consolidated statements of earnings were \$9.05 billion for the third quarter of 2023, 18% higher than the third quarter of 2022. Our efficiency ratio was 76.6% for the third quarter of 2023, compared with 64.3% for the third quarter of 2022.

The increase in operating expenses compared with the third quarter of 2022 primarily reflected higher compensation and benefits expenses (reflecting an increase in the quarter in the year-to-date ratio of compensation and benefits to net revenues, net of provision for credit losses, and a reduction in the year-to-date ratio in the prior year period), a \$506 million write-down of identifiable intangible assets related to GreenSky and impairments of \$358 million related to commercial real estate included within consolidated investment entities (both in depreciation and amortization). In addition, transaction based expenses were higher. Net provisions for litigation and regulatory proceedings were \$15 million for the third quarter of 2023 compared with \$191 million for the third quarter of 2022.

As of September 2023, headcount increased 3% compared with June 2023, primarily reflecting the timing of campus hires.

Nine Months Ended September 2023 versus September 2022. Operating expenses in the consolidated statements of earnings were \$26.00 billion for the first nine months of 2023, 13% higher than the first nine months of 2022. Our efficiency ratio was 74.4% for the first nine months of 2023, compared with our through-the-cycle target efficiency ratio of approximately 60%. Our efficiency ratio was 62.7% for the first nine months of 2022. The ratio of compensation and benefits to net revenues, net of provision for credit losses, was 34.5% for the first nine months of 2023, compared with 34.0% for the first half of 2023 and 32.5% for the first nine months of 2022.

The increase in operating expenses compared with the first nine months of 2022 primarily reflected impairments of \$1.20 billion related to commercial real estate included within consolidated investment entities, higher compensation and benefits expenses, a \$506 million write-down related to GreenSky and an impairment of goodwill of \$504 million related to Consumer platforms (the above impairments and write-downs were reported in depreciation and amortization). In addition, transaction based expenses and technology expenses were higher. Net provisions for litigation and regulatory proceedings were \$106 million for the first nine months of 2023 compared with \$407 million for the first nine months of 2022.

As of September 2023, headcount decreased 5% compared with December 2022, primarily reflecting a headcount reduction initiative during the year. Severance-related costs included in compensation and benefits expenses were approximately \$275 million for the first nine months of 2023.

Provision for Taxes

The effective income tax rate for the first nine months of 2023 was 23.3%, up from the full year income tax rate of 16.5% for 2022, primarily due to an increase in tax on non-U.S. earnings. The increase compared with 22.3% for the first half of 2023, was primarily due to write-offs of deferred tax assets related to the transfer of GreenSky to held for sale and changes in the geographic mix of earnings.

In May 2023, the New York State fiscal year 2024 budget was enacted. The legislation extends the temporary increase in the New York State corporate income tax rate from 6.5% to 7.25% through calendar year 2026. The legislation is not expected to have a material impact on our 2023 annual effective tax rate.

In July 2023, the U.K. Finance (No. 2) Act 2023 was enacted. The legislation enacts a domestic and multinational top-up tax to implement the Domestic Minimum Top-up Tax and Income Inclusion Rule, two of the Organisation for Economic Co-operation and Development Global Anti-Base Erosion Model Rules (Pillar Two), which will apply to us beginning in calendar year 2024. Pillar Two aims to ensure that multinationals pay a minimum effective corporate tax rate of 15% in each jurisdiction in which they operate. The legislation will not impact our 2023 annual effective tax rate and we are currently evaluating the impact on our 2024 annual effective tax rate.

We expect our 2023 tax rate to be under 23%.

Management's Discussion and Analysis

Segment Assets and Operating Results

Segment Assets. The table below presents assets by segment.

\$ in millions	As of	
	September 2023	December 2022
Global Banking & Markets	\$ 1,318,009	\$1,169,539
Asset & Wealth Management	191,307	214,970
Platform Solutions	67,837	57,290
Total	\$1,577,153	\$1,441,799

The allocation process for segment assets is based on the activities of these segments. The allocation of assets includes allocation of global core liquid assets (GCLA) (which consists of unencumbered, highly liquid securities and cash), which is generally included within cash and cash equivalents, collateralized agreements and trading assets on our balance sheet. Due to the integrated nature of these segments, estimates and judgments are made in allocating these assets. See "Risk Management — Liquidity Risk Management" for further information about our GCLA.

Segment Operating Results. The table below presents our segment operating results.

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Global Banking & Markets				
Net revenues	\$ 8,009	\$ 7,564	\$ 23,642	\$ 25,968
Provision for credit losses	29	63	214	462
Operating expenses	4,791	4,224	13,702	13,628
Pre-tax earnings	\$ 3,189	\$ 3,277	\$ 9,726	\$ 11,878
Net earnings to common	\$ 2,250	\$ 2,586	\$ 7,108	\$ 9,602
Average common equity	\$ 72,517	\$ 71,850	\$ 70,968	\$ 70,006
Return on average common equity	12.4%	14.4%	13.4%	18.3%
Asset & Wealth Management				
Net revenues	\$ 3,230	\$ 4,033	\$ 9,493	\$ 9,815
Provision for credit losses	51	(13)	(499)	339
Operating expenses	3,005	2,955	9,448	8,187
Pre-tax earnings	\$ 174	\$ 1,091	\$ 544	\$ 1,289
Net earnings to common	\$ 93	\$ 882	\$ 318	\$ 990
Average common equity	\$ 28,601	\$ 31,516	\$ 30,806	\$ 31,238
Return on average common equity	1.3%	11.2%	1.4%	4.2%
Platform Solutions				
Net revenues	\$ 578	\$ 378	\$ 1,801	\$ 989
Provision for credit losses	(73)	465	736	942
Operating expenses	1,258	525	2,850	1,258
Pre-tax earnings/(loss)	\$ (607)	\$ (612)	\$ (1,785)	\$ (1,211)
Net earnings/(loss) to common	\$ (461)	\$ (506)	\$ (1,386)	\$ (1,013)
Average common equity	\$ 4,227	\$ 3,944	\$ 4,060	\$ 3,471
Return on average common equity	(43.6)%	(51.3)%	(45.5)%	(38.9)%
Total				
Net revenues	\$ 11,817	\$ 11,975	\$ 34,936	\$ 36,772
Provision for credit losses	7	515	451	1,743
Operating expenses	9,054	7,704	26,000	23,073
Pre-tax earnings	\$ 2,756	\$ 3,756	\$ 8,485	\$ 11,956
Net earnings to common	\$ 1,882	\$ 2,962	\$ 6,040	\$ 9,579
Average common equity	\$105,345	\$107,310	\$105,834	\$104,715
Return on average common equity	7.1%	11.0%	7.6%	12.2%

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

The allocation of common shareholders' equity and preferred stock dividends to each segment is based on the estimated amount of equity required to support the activities of the segment under relevant regulatory capital requirements. Net earnings for each segment is calculated by applying the firmwide tax rate to each segment's pre-tax earnings.

Compensation and benefits expenses within our segments reflect, among other factors, our overall performance, as well as the performance of individual businesses. Consequently, pre-tax margins in one segment of our business may be significantly affected by the performance of our other business segments. A description of segment operating results follows.

Global Banking & Markets

Global Banking & Markets generates revenues from the following:

Investment banking fees. We provide advisory and underwriting services and help companies raise capital to strengthen and grow their businesses. Investment banking fees includes the following:

- **Advisory.** Includes strategic advisory assignments with respect to mergers and acquisitions, divestitures, corporate defense activities, restructurings and spin-offs.
- **Underwriting.** Includes public offerings and private placements for both local and cross-border transactions of a wide range of securities and other financial instruments, including acquisition financing.

FICC. FICC generates revenues from intermediation and financing activities.

- **FICC intermediation.** Includes client execution activities related to making markets in both cash and derivative instruments, as detailed below.

Interest Rate Products. Government bonds (including inflation-linked securities) across maturities, other government-backed securities, and interest rate swaps, options and other derivatives.

Credit Products. Investment-grade and high-yield corporate securities, credit derivatives, exchange-traded funds (ETFs), bank and bridge loans, municipal securities, distressed debt and trade claims.

Mortgages. Commercial mortgage-related securities, loans and derivatives, residential mortgage-related securities, loans and derivatives (including U.S. government agency-issued collateralized mortgage obligations and other securities and loans), and other asset-backed securities, loans and derivatives.

Management's Discussion and Analysis

Currencies. Currency options, spot/forwards and other derivatives on G-10 currencies and emerging-market products.

Commodities. Commodity derivatives and, to a lesser extent, physical commodities, involving crude oil and petroleum products, natural gas, agricultural, base, precious and other metals, electricity, including renewable power, environmental products and other commodity products.

- **FICC financing.** Includes (i) secured lending to our clients through structured credit and asset-backed lending, including warehouse loans backed by mortgages (including residential and commercial mortgage loans), corporate loans and consumer loans (including auto loans and private student loans), (ii) commodity financing to clients through structured transactions and (iii) financing through securities purchased under agreements to resell (resale agreements).

Equities. Equities generates revenues from intermediation and financing activities.

- **Equities intermediation.** We make markets in equity securities and equity-related products, including ETFs, convertible securities, options, futures and OTC derivative instruments. We also structure and make markets in derivatives on indices, industry sectors, financial measures and individual company stocks. Our exchange-based market-making activities include making markets in stocks and ETFs, futures and options on major exchanges worldwide. In addition, we generate commissions and fees from executing and clearing institutional client transactions on major stock, options and futures exchanges worldwide, as well as OTC transactions.
- **Equities financing.** Includes prime financing, which provides financing to our clients for their securities trading activities through margin loans that are collateralized by securities, cash or other acceptable collateral. Prime financing also includes services which involve lending securities to cover institutional clients' short sales and borrowing securities to cover our short sales and to make deliveries into the market. We are also an active participant in broker-to-broker securities lending and third-party agency lending activities. In addition, we execute swap transactions to provide our clients with exposure to securities and indices. Financing activities also include portfolio financing, which clients can utilize to manage their investment portfolios, and other equity financing activities, including securities-based loans to individuals.

Market-Making Activities

As a market maker, we facilitate transactions in both liquid and less liquid markets, primarily for institutional clients, such as corporations, financial institutions, investment funds and governments, to assist clients in meeting their investment objectives and in managing their risks. In this role, we seek to earn the difference between the price at which a market participant is willing to sell an instrument to us and the price at which another market participant is willing to buy it from us, and vice versa (i.e., bid/offer spread). In addition, we maintain (i) market-making positions, typically for a short period of time, in response to, or in anticipation of, client demand, and (ii) positions to actively manage our risk exposures that arise from these market-making activities (collectively, inventory). Our inventory is recorded in trading assets (long positions) or trading liabilities (short positions) in our consolidated balance sheets.

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

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

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

Other. We lend to corporate clients, including through relationship lending and acquisition financing. The hedges related to this lending and financing activity are also reported as part of Other. Other also includes equity and debt investing activities related to our Global Banking & Markets activities.

Management's Discussion and Analysis

The table below presents our Global Banking & Markets assets.

\$ in millions	As of	
	September 2023	December 2022
Cash and cash equivalents	\$ 167,366	\$ 167,203
Collateralized agreements	370,848	380,157
Customer and other receivables	126,963	122,037
Trading assets	406,267	272,788
Investments	120,043	103,229
Loans	109,328	107,648
Other assets	17,194	16,477
Total	\$ 1,318,009	\$ 1,169,539

The table below presents details about our Global Banking & Markets loans.

\$ in millions	As of	
	September 2023	December 2022
Corporate	\$ 24,378	\$ 25,776
Real estate	33,073	33,215
Securities-based	3,744	3,857
Other collateralized	48,965	45,407
Other	517	561
Loans, gross	110,677	108,816
Allowance for loan losses	(1,349)	(1,168)
Total loans	\$ 109,328	\$ 107,648

Our average Global Banking & Markets gross loans were \$109.89 billion for the three months ended September 2023, \$108.48 billion for the three months ended September 2022, \$109.75 billion for the nine months ended September 2023 and \$103.41 billion for the nine months ended September 2022.

The table below presents our Global Banking & Markets operating results.

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Advisory	\$ 831	\$ 972	\$ 2,294	\$ 3,296
Equity underwriting	308	244	901	665
Debt underwriting	415	328	1,369	1,526
Investment banking fees	1,554	1,544	4,564	5,487
FICC intermediation	2,654	2,896	8,023	9,916
FICC financing	730	721	2,003	2,073
FICC	3,384	3,617	10,026	11,989
Equities intermediation	1,713	1,608	4,987	5,553
Equities financing	1,248	1,124	3,955	3,362
Equities	2,961	2,732	8,942	8,915
Other	110	(329)	110	(423)
Net revenues	8,009	7,564	23,642	25,968
Provision for credit losses	29	63	214	462
Operating expenses	4,791	4,224	13,702	13,628
Pre-tax earnings	3,189	3,277	9,726	11,878
Provision for taxes	806	609	2,266	2,008
Net earnings	2,383	2,668	7,460	9,870
Preferred stock dividends	133	82	352	268
Net earnings to common	\$ 2,250	\$ 2,586	\$ 7,108	\$ 9,602
Average common equity	\$72,517	\$71,850	\$70,968	\$70,006
Return on average common equity	12.4%	14.4%	13.4%	18.3%

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

\$ in millions	FICC	Equities
Three Months Ended September 2023		
Market making	\$ 3,060	\$ 1,898
Commissions and fees	–	882
Other principal transactions	243	29
Net interest income	81	152
Total	\$ 3,384	\$ 2,961
Three Months Ended September 2022		
Market making	\$ 3,241	\$ 1,400
Commissions and fees	–	916
Other principal transactions	68	27
Net interest income	308	389
Total	\$ 3,617	\$ 2,732
Nine Months Ended September 2023		
Market making	\$ 8,945	\$ 5,797
Commissions and fees	–	2,807
Other principal transactions	480	76
Net interest income	601	262
Total	\$10,026	\$ 8,942
Nine Months Ended September 2022		
Market making	\$10,208	\$ 5,375
Commissions and fees	–	2,856
Other principal transactions	305	42
Net interest income	1,476	642
Total	\$11,989	\$ 8,915

In the table above:

- See “Net Revenues” for information about market making revenues, commissions and fees, other principal transactions revenues and net interest income. See Note 25 to the consolidated financial statements for net interest income by segment.
- The primary driver of net revenues for FICC intermediation for all periods was client activity.

Management's Discussion and Analysis

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

\$ in billions	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Announced mergers and acquisitions	\$ 249	\$ 177	\$ 585	\$ 998
Completed mergers and acquisitions	\$ 312	\$ 223	\$ 671	\$ 989
Equity and equity-related offerings	\$ 12	\$ 10	\$ 33	\$ 27
Debt offerings	\$ 39	\$ 45	\$ 170	\$ 184

In the table above:

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

Operating Environment. During the third quarter of 2023, Global Banking & Markets operated in an environment generally characterized by continued broad macroeconomic concerns, including the outlook for economic growth and global central bank policy, and elevated geopolitical stresses. These factors contributed to a decline in market-making activity levels and weighed on industry-wide investment banking activity levels.

In investment banking, industry-wide completed mergers and acquisitions transactions remained lower compared with elevated levels in the prior year, while industry-wide equity and debt underwriting volumes remained below historical averages.

In interest rates, the yield on 10-year U.S. Treasury notes increased by 75 basis points, while in commodities, the price of crude oil (WTI) increased 29%, compared with the end of the second quarter of 2023. In equities, the S&P 500 Index and MSCI World Index both decreased by 4%, compared with the end of the second quarter of 2023.

In the future, if market and economic conditions deteriorate further, and market-making activity levels decline further or investment banking activity levels decline, or credit spreads related to hedges on our relationship lending portfolio tighten, net revenues in Global Banking & Markets would likely be negatively impacted. In addition, if economic conditions deteriorate further or if the creditworthiness of borrowers deteriorates, provision for credit losses would likely be negatively impacted.

Three Months Ended September 2023 versus September 2022. Net revenues in Global Banking & Markets were \$8.01 billion for the third quarter of 2023, 6% higher than the third quarter of 2022.

Investment banking fees were \$1.55 billion, essentially unchanged compared with the third quarter of 2022, due to higher net revenues in Debt underwriting, primarily driven by leveraged finance activity, and higher net revenues in Equity underwriting, primarily from initial public offerings, offset by lower net revenues in Advisory, reflecting a decline in completed mergers and acquisitions transactions.

As of September 2023, our Investment banking fees backlog decreased compared with June 2023, primarily due to lower estimated net revenues from potential advisory transactions.

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

Net revenues in FICC were \$3.38 billion, 6% lower than a strong third quarter of 2022, reflecting lower net revenues in FICC intermediation, driven by significantly lower net revenues in currencies and commodities and lower net revenues in credit products, partially offset by significantly higher net revenues in interest rate products and mortgages. Net revenues in FICC financing increased slightly.

Management's Discussion and Analysis

The decrease in FICC intermediation net revenues reflected significantly lower client activity (as activity in the prior year period benefited from volatility in the macroeconomic environment), partially offset by the impact of improved market-making conditions on our inventory. The following provides information about our FICC intermediation net revenues by business, compared with results for the third quarter of 2022:

- Net revenues in currencies, commodities and credit products reflected lower client activity.
- Net revenues in interest rate products and mortgages reflected the impact of improved market-making conditions on our inventory.

Net revenues in Equities were \$2.96 billion, 8% higher than the third quarter of 2022, due to higher net revenues in Equities financing, reflecting significantly higher net revenues in prime financing, partially offset by significantly lower net revenues from portfolio financing, and higher net revenues in Equities intermediation, primarily in derivatives.

Net revenues in Other were \$110 million, compared with \$(329) million for the third quarter of 2022, primarily reflecting significantly lower net losses on hedges and the absence of net markdowns on acquisition financing activities included in the prior year period.

Provision for credit losses was \$29 million for the third quarter of 2023, compared with \$63 million for the third quarter of 2022. Provisions for the third quarter of 2023 reflected individual impairments on loans, offset by a reserve reduction based on increased stability in the macroeconomic environment. Provisions for the third quarter of 2022 primarily reflected the continued impact of broad macroeconomic concerns.

Operating expenses were \$4.79 billion for the third quarter of 2023, 13% higher than the third quarter of 2022, due to significantly higher compensation and benefits expenses and higher transaction based expenses, partially offset by significantly lower net provisions for litigation and regulatory proceedings. Pre-tax earnings were \$3.19 billion for the third quarter of 2023, 3% lower than the third quarter of 2022.

Nine Months Ended September 2023 versus September 2022. Net revenues in Global Banking & Markets were \$23.64 billion for the first nine months of 2023, 9% lower than a strong first nine months of 2022.

Investment banking fees were \$4.56 billion, 17% lower than the first nine months of 2022, due to significantly lower net revenues in Advisory, reflecting a significant decline in industry-wide completed mergers and acquisitions transactions, and lower net revenues in Debt underwriting, primarily reflecting lower net revenues from asset-backed activity, partially offset by significantly higher net revenues in Equity underwriting, primarily reflecting increased activity in secondary offerings.

As of September 2023, our Investment banking fees backlog decreased compared with December 2022, due to lower estimated net revenues from potential advisory transactions and significantly lower estimated net revenues from potential equity underwriting transactions (primarily from initial public offerings).

Net revenues in FICC were \$10.03 billion, 16% lower than the first nine months of 2022, primarily reflecting lower net revenues in FICC intermediation, driven by significantly lower net revenues in currencies and commodities, partially offset by significantly higher net revenues in mortgages and higher net revenues in interest rate products and credit products. Net revenues in FICC financing were slightly lower.

The decrease in FICC intermediation net revenues reflected lower client activity (as activity in the prior year period benefited from volatility in the macroeconomic environment). The following provides information about our FICC intermediation net revenues by business, compared with results for the first nine months of 2022:

- Net revenues in currencies and commodities primarily reflected lower client activity.
- Net revenues in mortgages, interest rate products and credit products reflected the impact of improved market-making conditions on our inventory.

Net revenues in Equities were \$8.94 billion, essentially unchanged compared with the first nine months of 2022, as higher net revenues in Equities financing, primarily in prime financing, were offset by lower net revenues in Equities intermediation, primarily in derivatives.

Net revenues in Other were \$110 million, compared with \$(423) million for the first nine months of 2022, primarily reflecting the absence of net markdowns on acquisition financing activities included in the prior year period.

Provision for credit losses was \$214 million for the first nine months of 2023, compared with \$462 million for the first nine months of 2022. Provisions for the first nine months of 2023 primarily reflected net provisions related to the commercial real estate portfolio. Provisions for the first nine months of 2022 primarily reflected the impact of broad macroeconomic and geopolitical concerns.

Operating expenses were \$13.70 billion for the first nine months of 2023, essentially unchanged compared with the first nine months of 2022. Pre-tax earnings were \$9.73 billion for the first nine months of 2023, 18% lower than the first nine months of 2022.

Management's Discussion and Analysis

Asset & Wealth Management

Asset & Wealth Management provides investment services to help clients preserve and grow their financial assets and achieve their financial goals. We provide these services to our clients, both institutional and individuals, including investors who primarily access our products through a network of third-party distributors around the world.

We manage client assets across a broad range of investment strategies and asset classes, including equity, fixed income and alternative investments. We provide investment solutions, including those managed on a fiduciary basis by our portfolio managers, as well as those managed by third-party managers. We offer our investment solutions in a variety of structures, including separately managed accounts, mutual funds, private partnerships and other commingled vehicles.

We also provide tailored wealth advisory services to clients across the wealth spectrum. We operate globally, serving individuals, families, family offices, and foundations and endowments. Our relationships are established directly or introduced through companies that sponsor financial wellness programs for their employees.

We offer personalized financial planning to individuals and also provide customized investment advisory solutions, and offer structuring and execution capabilities in securities and derivative products across all major global markets. In addition, we offer clients a full range of private banking services, including a variety of deposit alternatives and loans that our clients use to finance investments in both financial and nonfinancial assets, bridge cash flow timing gaps or provide liquidity and flexibility for other needs.

We invest in alternative investments across a range of asset classes that seek to deliver long-term accretive risk-adjusted returns. Our investing activities, which are typically longer-term, include investments in corporate equity, credit, real estate and infrastructure assets.

We also raise deposits and have issued unsecured loans to consumers through Marcus. During the first half of 2023, we completed the sale of substantially all of the Marcus loans portfolio.

Asset & Wealth Management generates revenues from the following:

- **Management and other fees.** We receive fees related to managing assets for institutional and individual clients, providing investing and wealth advisory solutions, providing financial planning and counseling services, and executing brokerage transactions for wealth management clients. The majority of revenues in management and other fees consists of asset-based fees on client assets that we manage. During the third quarter of 2023, we announced an agreement to sell our Personal Financial Management (PFM) business, which is expected to close in the fourth quarter of 2023. For further information about assets under supervision, see "Assets Under Supervision" below. The fees that we charge vary by asset class, client channel and the types of services provided, and are affected by investment performance, as well as asset inflows and redemptions.
- **Incentive fees.** In certain circumstances, we also receive incentive fees based on a percentage of a fund's or a separately managed account's return, or when the return exceeds a specified benchmark or other performance targets. Such fees include overrides, which consist of the increased share of the income and gains derived primarily from our private equity and credit funds when the return on a fund's investments over the life of the fund exceeds certain threshold returns.
- **Private banking and lending.** Our private banking and lending activities include issuing loans to our wealth management clients. We also accept deposits from wealth management clients, including through Marcus. We also issued unsecured loans to consumers through Marcus. During the first half of 2023, we completed the sale of substantially all of this portfolio. Additionally, we provide investing services through *Marcus Invest* to U.S. customers. Private banking and lending revenues include net interest income allocated to deposits and net interest income earned on loans to individual clients.
- **Equity investments.** Includes investing activities related to our asset management activities primarily related to public and private equity investments in corporate, real estate and infrastructure assets. We also make investments through consolidated investment entities (CIEs), substantially all of which are engaged in real estate investment activities.
- **Debt investments.** Includes lending activities related to our asset management activities, including investing in corporate debt, lending to middle-market clients, and providing financing for real estate and other assets. These activities include investments in mezzanine debt, senior debt and distressed debt securities.

Management's Discussion and Analysis

The table below presents our Asset & Wealth Management assets.

\$ in millions	As of	
	September 2023	December 2022
Cash and cash equivalents	\$ 48,916	\$ 54,065
Collateralized agreements	10,860	23,723
Customer and other receivables	13,903	13,409
Trading assets	27,060	19,860
Investments	25,487	27,400
Loans	47,251	56,338
Other assets	17,830	20,175
Total	\$ 191,307	\$ 214,970

The table below presents details about our Asset & Wealth Management loans.

\$ in millions	As of	
	September 2023	December 2022
Corporate	\$ 12,437	\$ 14,359
Real estate	16,552	18,699
Securities-based	11,309	12,814
Other collateralized	6,681	6,295
Installment	201	4,474
Other	1,201	1,700
Loans, gross	48,381	58,341
Allowance for loan losses	(1,130)	(2,003)
Total loans	\$ 47,251	\$ 56,338

The average Asset & Wealth Management gross loans were \$49.61 billion for the three months ended September 2023, \$60.36 billion for the three months ended September 2022, \$53.26 billion for the nine months ended September 2023 and \$59.64 billion for the nine months ended September 2022.

The table below presents our Asset & Wealth Management operating results.

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Management and other fees	\$ 2,405	\$ 2,255	\$ 7,041	\$ 6,533
Incentive fees	24	56	102	320
Private banking and lending	687	675	1,915	1,705
Equity investments	(212)	721	(496)	323
Debt investments	326	326	931	934
Net revenues	3,230	4,033	9,493	9,815
Provision for credit losses	51	(13)	(499)	339
Operating expenses	3,005	2,955	9,448	8,187
Pre-tax earnings	174	1,091	544	1,289
Provision for taxes	45	186	127	218
Net earnings	129	905	417	1,071
Preferred stock dividends	36	23	99	81
Net earnings to common	\$ 93	\$ 882	\$ 318	\$ 990
Average common equity	\$28,601	\$ 31,516	\$30,806	\$31,238
Return on average common equity	1.3%	11.2%	1.4%	4.2%

Our target is to achieve annual firmwide management and other fees of more than \$10 billion (including more than \$2 billion from alternatives) in 2024.

Our target is to achieve pre-tax margins in the mid-twenties and ROE in the mid-teens within the medium term (three to five year time horizon from year-end 2022) for Asset & Wealth Management.

The table below presents our Asset management and Wealth management net revenues by line item in Asset & Wealth Management.

\$ in millions	Asset management	Wealth management	Asset & Wealth Management
Three Months Ended September 2023			
Management and other fees	\$ 1,052	\$ 1,353	\$ 2,405
Incentive fees	24	—	24
Private banking and lending	—	687	687
Equity investments	(212)	—	(212)
Debt investments	326	—	326
Total	\$ 1,190	\$ 2,040	\$ 3,230

Three Months Ended September 2022			
Management and other fees	\$ 1,028	\$ 1,227	\$ 2,255
Incentive fees	56	—	56
Private banking and lending	—	675	675
Equity investments	721	—	721
Debt investments	326	—	326
Total	\$ 2,131	\$ 1,902	\$ 4,033

Nine Months Ended September 2023			
Management and other fees	\$ 3,114	\$ 3,927	\$ 7,041
Incentive fees	102	—	102
Private banking and lending	—	1,915	1,915
Equity investments	(496)	—	(496)
Debt investments	931	—	931
Total	\$ 3,651	\$ 5,842	\$ 9,493

Nine Months Ended September 2022			
Management and other fees	\$ 2,812	\$ 3,721	\$ 6,533
Incentive fees	320	—	320
Private banking and lending	—	1,705	1,705
Equity investments	323	—	323
Debt investments	934	—	934
Total	\$ 4,389	\$ 5,426	\$ 9,815

The table below presents our Equity investments net revenues by equity type and asset class.

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Equity Type				
Private equity	\$ (170)	\$ 503	\$ (440)	\$ 1,307
Public equity	(42)	218	(56)	(984)
Total	\$ (212)	\$ 721	\$ (496)	\$ 323
Asset Class				
Real estate	\$ (129)	\$ 167	\$ (369)	\$ 1,106
Corporate	(83)	554	(127)	(783)
Total	\$ (212)	\$ 721	\$ (496)	\$ 323

The table below presents details about our Debt investments net revenues.

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Fair value net gains/(losses)	\$ (2)	(47)	\$ (146)	(289)
Net interest income	328	373	1,077	1,223
Total	\$ 326	\$ 326	\$ 931	\$ 934

Management's Discussion and Analysis

Operating Environment. During the third quarter of 2023, Asset & Wealth Management operated in an environment generally characterized by continued broad macroeconomic concerns, including continued pressure in the commercial real estate market. Additionally, global equity and bond prices generally declined compared with the end of the second quarter of 2023, negatively affecting assets under supervision.

In the future, if market and economic conditions deteriorate further, it may lead to a further decline in asset prices, or investors transitioning to asset classes that typically generate lower fees or withdrawing their assets, and net revenues in Asset & Wealth Management would likely continue to be negatively impacted.

Three Months Ended September 2023 versus September 2022. Net revenues in Asset & Wealth Management were \$3.23 billion for the third quarter of 2023, 20% lower than the third quarter of 2022, primarily reflecting net losses in Equity investments compared with net gains in the prior year period, partially offset by higher Management and other fees.

Equity investments reflected net losses from investments in private equities, due to net losses from real estate investments and significantly lower net gains from company-specific events, and net losses from investments in public equities, both compared to net gains in the prior year period. The increase in Management and other fees primarily reflected the impact of higher average assets under supervision. Incentive fees were lower, driven by more significant harvesting in the prior year period. Private banking and lending net revenues were slightly higher as the impact of higher deposit balances and spreads was largely offset by the impact of the sale of substantially all of the Marcus loans portfolio earlier in the year. Net revenues in Debt investments were unchanged.

Provision for credit losses was \$51 million for the third quarter of 2023, compared with a net benefit of \$13 million for the third quarter of 2022. Provisions for the third quarter of 2023 reflected net provisions related to wholesale loans, driven by individual impairments.

Operating expenses were \$3.01 billion for the third quarter of 2023, 2% higher than the third quarter of 2022, due to impairments of \$358 million related to commercial real estate within consolidated investment entities, partially offset by lower compensation and benefits expenses (reflecting a decline in operating performance). Pre-tax earnings were \$174 million for the third quarter of 2023, 84% lower than the third quarter of 2022.

Nine Months Ended September 2023 versus September 2022. Net revenues in Asset & Wealth Management were \$9.49 billion for the first nine months of 2023, 3% lower than the first nine months of 2022, reflecting net losses in Equity investments compared with net gains in the prior year period and significantly lower Incentive fees, partially offset by higher Management and other fees and higher net revenues in Private banking and lending. Net revenues in Private banking and lending included net revenues of approximately \$(370) million related to the sale of substantially all of the Marcus loans portfolio (offset by a related reserve reduction of approximately \$440 million in provision for credit losses).

Equity investments reflected net losses from investments in private equities, due to net losses from real estate investments, compared with net gains in the prior year period, partially offset by significantly lower net losses from investments in public equities. The decrease in Incentive fees was driven by significant harvesting in the prior year period. The increase in Management and other fees primarily reflected the impact of higher average assets under supervision, including the impact of acquiring NNIP. The increase in Private banking and lending net revenues primarily reflected the impact of higher deposit spreads and balances, partially offset by the impact of the sale of substantially all of the Marcus loans portfolio. Net revenues in Debt investments were essentially unchanged.

Provision for credit losses was a net benefit of \$499 million for the first nine months of 2023, compared with a provision of \$339 million for the first nine months of 2022. The net benefit for the first nine months of 2023 reflected reserve reductions related to the sale of substantially all of the Marcus loans portfolio and lower balances in corporate loans, partially offset by individual impairments. Provisions for the first nine months of 2022 reflected the impact of broad macroeconomic and geopolitical concerns and growth in the Marcus loans portfolio.

Operating expenses were \$9.45 billion for the first nine months of 2023, 15% higher than the first nine months of 2022, largely due to impairments of \$1.20 billion related to commercial real estate within consolidated investment entities. Pre-tax earnings were \$544 million for the first nine months of 2023, 58% lower than the first nine months of 2022.

Management's Discussion and Analysis

Assets Under Supervision. AUS includes our institutional clients' assets, assets sourced through third-party distributors and high-net-worth clients' assets where we earn a fee for managing assets on a discretionary basis. This includes net assets in our mutual funds, hedge funds, credit funds, private equity funds, real estate funds, and separately managed accounts for institutional and individual investors. AUS also includes client assets invested with third-party managers, private bank deposits and advisory relationships where we earn a fee for advisory and other services, but do not have investment discretion. AUS does not include the self-directed brokerage assets of our clients.

The table below presents information about our firmwide period-end AUS by asset class, client channel, region and vehicle.

\$ in billions	As of September	
	2023	2022
Asset Class		
Alternative investments	\$ 267	\$ 256
Equity	607	516
Fixed income	1,031	955
Total long-term AUS	1,905	1,727
Liquidity products	775	700
Total AUS	\$ 2,680	\$ 2,427
Client Channel		
Institutional	\$ 924	\$ 855
Wealth management	771	667
Third-party distributed	985	905
Total AUS	\$ 2,680	\$ 2,427
Region		
Americas	\$ 1,914	\$ 1,751
EMEA	572	497
Asia	194	179
Total AUS	\$ 2,680	\$ 2,427
Vehicle		
Separate accounts	\$ 1,428	\$ 1,296
Public funds	891	837
Private funds and other	361	294
Total AUS	\$ 2,680	\$ 2,427

In the table above:

- Liquidity products includes money market funds and private bank deposits.
- EMEA represents Europe, Middle East and Africa.

The table below presents changes in our AUS.

\$ in billions	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Beginning balance	\$ 2,714	\$ 2,495	\$ 2,547	\$ 2,470
Net inflows/(outflows):				
Alternative investments	2	7	2	16
Equity	–	(2)	(5)	13
Fixed income	5	4	26	(1)
Total long-term AUS net inflows/(outflows)	7	9	23	28
Liquidity products	11	18	64	5
Total AUS net inflows/(outflows)	18	27	87	33
Acquisitions	–	4	–	316
Net market appreciation/(depreciation)	(52)	(99)	46	(392)
Ending balance	\$ 2,680	\$ 2,427	\$ 2,680	\$ 2,427

In the table above, acquisitions for the third quarter of 2022 included inflows from the acquisition of NextCapital Group, Inc., and acquisitions for the first nine months of 2022 also included inflows from the acquisition of NNIP and from the acquisition of the assets of Bombardier Global Pension Asset Management Inc. For each, substantially all of the inflows were in fixed income and equity assets.

The table below presents information about our average monthly firmwide AUS by asset class.

\$ in billions	Average for the			
	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Asset Class				
Alternative investments	\$ 267	\$ 256	\$ 266	\$ 251
Equity	628	556	606	586
Fixed income	1,054	999	1,044	995
Total long-term AUS	1,949	1,811	1,916	1,832
Liquidity products	768	696	748	681
Total AUS	\$ 2,717	\$ 2,507	\$ 2,664	\$ 2,513

In addition to our AUS, we have discretion over alternative investments where we currently do not earn management fees (non-fee-earning alternative assets).

We earn management fees on client assets that we manage and also receive incentive fees based on a percentage of a fund's or a separately managed account's return, or when the return exceeds a specified benchmark or other performance targets. These incentive fees are recognized when it is probable that a significant reversal of such fees will not occur. Our estimated unrecognized incentive fees were \$3.53 billion as of September 2023 and \$3.33 billion as of December 2022. Such amounts are based on the completion of the funds' financial statements, which is generally one quarter in arrears. These fees will be recognized, assuming no decline in fair value, if and when it is probable that a significant reversal of such fees will not occur, which is generally when such fees are no longer subject to fluctuations in the market value of the assets.

The table below presents our average effective management fee (which excludes non-asset-based fees) earned on our firmwide AUS by asset class.

Effective fees (bps)	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
Alternative investments	65	64	65	64
Equity	57	58	58	58
Fixed income	17	18	18	17
Liquidity products	15	15	15	13
Total average effective fee	31	31	31	31

In the table above, our average effective management fee for liquidity products increased during the first nine months of 2023 compared to the first nine months of 2022, primarily reflecting higher management fee waivers in 2022.

Management's Discussion and Analysis

The table below presents details about our monthly average AUS for alternative investments and the average effective management fee we earned on such assets.

<i>\$ in billions</i>	Direct strategies	Fund of funds	Total
Three Months Ended September 2023			
Average AUS			
Corporate equity	\$ 29	\$ 69	\$ 98
Credit	44	2	46
Real estate	11	9	20
Hedge funds and other	42	22	64
Funds and discretionary accounts	\$ 126	\$ 102	\$ 228
Advisory accounts			39
Total average AUS for alternative investments			\$ 267
Effective Fees (bps)			
Corporate equity	123	62	80
Credit	79	40	77
Real estate	84	42	66
Hedge funds and other	68	54	63
Funds and discretionary accounts	86	58	73
Advisory accounts			17
Total average effective fee			65
Three Months Ended September 2022			
Average AUS			
Corporate equity	\$ 27	\$ 61	\$ 88
Credit	40	2	42
Real estate	10	8	18
Hedge funds and other	44	22	66
Funds and discretionary accounts	\$ 121	\$ 93	\$ 214
Advisory accounts			42
Total average AUS for alternative investments			\$ 256
Effective Fees (bps)			
Corporate equity	139	62	86
Credit	78	55	77
Real estate	82	48	66
Hedge funds and other	63	47	58
Funds and discretionary accounts	86	57	74
Advisory accounts			16
Total average effective fee			64
Nine Months Ended September 2023			
Average AUS			
Corporate equity	\$ 29	\$ 69	\$ 98
Credit	43	2	45
Real estate	11	8	19
Hedge funds and other	42	22	64
Funds and discretionary accounts	\$ 125	\$ 101	\$ 226
Advisory accounts			41
Total average AUS for alternative investments			\$ 267
Effective Fees (bps)			
Corporate equity	127	61	81
Credit	79	47	77
Real estate	81	44	65
Hedge funds and other	67	53	62
Funds and discretionary accounts	86	58	73
Advisory accounts			16
Total average effective fee			65
Nine Months Ended September 2022			
Average AUS			
Corporate equity	\$ 26	\$ 60	\$ 86
Credit	35	2	37
Real estate	10	8	18
Hedge funds and other	46	22	68
Funds and discretionary accounts	\$ 117	\$ 92	\$ 209
Advisory accounts			42
Total average AUS for alternative investments			\$ 251
Effective Fees (bps)			
Corporate equity	134	60	82
Credit	81	56	80
Real estate	89	50	71
Hedge funds and other	64	48	59
Funds and discretionary accounts	87	56	73
Advisory accounts			16
Total average effective fee			64

In the table above, direct strategies primarily includes our private equity, growth equity, private credit, liquid alternatives and real estate strategies. Fund of funds primarily includes our business which invests in leading private equity, hedge fund, real estate and credit third-party managers as a limited partner, secondary-market investor, co-investor or management company partner.

The table below presents information about our period-end AUS for alternative investments, non-fee-earning alternative investments and total alternative investments.

<i>\$ in billions</i>	AUS	Non-fee-earning alternative assets	Total alternative assets
As of September 2023			
Corporate equity	\$ 98	\$ 80	\$ 178
Credit	46	75	121
Real estate	20	32	52
Hedge funds and other	64	2	66
Funds and discretionary accounts	228	189	417
Advisory accounts	39	–	39
Total alternative investments	\$ 267	\$ 189	\$ 456
As of September 2022			
Corporate equity	\$ 92	\$ 75	\$ 167
Credit	41	71	112
Real estate	17	37	54
Hedge funds and other	65	2	67
Funds and discretionary accounts	215	185	400
Advisory accounts	41	–	41
Total alternative investments	\$ 256	\$ 185	\$ 441

In the table above:

- Corporate equity primarily includes private equity.
- Total alternative assets included uncalled capital that is available for future investing of \$55 billion as of September 2023 and \$49 billion as of September 2022.
- Non-fee-earning alternative assets primarily includes investments that we hold on our balance sheet, our unfunded commitments, unfunded commitments of our clients (where we do not charge fees on commitments), credit facilities collateralized by fund assets and employee funds. Our calculation of non-fee-earning alternative assets may not be comparable to similar calculations used by other companies.
- Non-fee-earning alternative assets primarily includes our direct investing strategies, including private equity, growth equity, private credit and real estate strategies.

Management's Discussion and Analysis

We have announced a strategic objective of growing our third-party alternatives business, and have established a target of achieving gross inflows of \$225 billion for alternative investments from 2020 through the end of 2024.

The table below presents information about third-party commitments raised in our alternatives business from 2020 through the third quarter of 2023.

<i>\$ in billions</i>	As of September 2023
Included in AUS	\$ 146
Included in non-fee-earning alternative assets	73
Third-party commitments raised	\$ 219

In the table above, commitments included in non-fee-earning alternative assets included approximately \$55 billion, which will begin to earn fees (and become AUS) if and when the commitments are drawn and assets are invested.

The table below presents information about alternative investments in Asset & Wealth Management that we hold on our balance sheet by asset type.

<i>\$ in billions</i>	As of	
	September 2023	December 2022
Loans	\$ 14.0	\$ 19.0
Debt securities	11.5	12.3
Equity securities	13.5	14.7
CIE investments and other	10.3	12.6
Total	\$ 49.3	\$ 58.6

The table below presents further information about our alternative investments in Asset & Wealth Management that we hold on our balance sheet.

<i>\$ in billions</i>	As of	
	September 2023	December 2022
Client co-invest	\$ 22.1	\$ 23.0
Firmwide initiatives	6.6	5.9
Historical principal investments:		
Loans	4.1	8.4
Debt securities	4.2	5.0
Equity securities	4.5	5.6
CIE investments and other	7.8	10.7
Total historical principal investments	20.6	29.7
Total	\$ 49.3	\$ 58.6

In the table above:

- Client co-invest primarily includes our investments in funds that we raise and manage or where we have invested alongside the third-party investors.
- Firmwide initiatives primarily includes our investments related to the Community Reinvestment Act and our sponsored initiatives, such as *One Million Black Women*.
- Historical principal investments includes our remaining balance sheet alternative investments portfolio that we plan to reduce. Our target is to reduce this portfolio to less than \$15 billion by the end of 2024 and to completely exit this portfolio over the medium term (three to five year time horizon from year-end 2022).

The table below presents the rollforward of our alternative investments categorized as historical principal investments for the nine months ended September 2023.

<i>\$ in billions</i>	Historical principal investments
Beginning balance	\$ 29.7
Additions	1.5
Dispositions	(8.1)
Net markdowns	(2.5)
Ending balance	\$ 20.6

In the table above, dispositions included approximately \$1.2 billion of investments that were transferred out of historical principal investments, primarily to Global Banking & Markets.

The table below presents the commercial real estate investments in Asset & Wealth Management that we hold on our balance sheet.

<i>\$ in billions</i>	As of September 2023
Loans	\$ 2.1
Debt securities	0.6
Equity securities	3.9
CIE investments, net of financings	3.1
Total	\$ 9.7

In the table above:

- Office-related investments included in loans were \$0.2 billion, in debt securities were \$0.1 billion, in equity securities were \$0.3 billion, and in CIE investments, net of financings, were \$0.6 billion.
- Office-related equity securities and CIE investments, net of financings, were marked down or impaired by approximately 50% during the nine months ended September 2023 and non-office-related equity securities and CIE investments, net of financings, were marked down or impaired by approximately 15% during the nine months ended September 2023.
- Commercial real estate investments consisted of approximately 43% of historical principal investments, which we intend to exit over the medium term (three to five year time horizon from year-end 2022).

Management's Discussion and Analysis

Loans and Debt Securities. The table below presents the concentration of loans and debt securities within our alternative investments by accounting classification, region and industry.

\$ in billions	As of	
	September 2023	December 2022
Loans	\$14.0	\$19.0
Debt securities	11.5	12.3
Total	\$25.5	\$31.3
Accounting Classification		
Debt securities at fair value	45%	39%
Loans at amortized cost	50%	49%
Loans at fair value	3%	6%
Loans held for sale	2%	6%
Total	100%	100%
Region		
Americas	52%	51%
EMEA	36%	35%
Asia	12%	14%
Total	100%	100%
Industry		
Consumer & Retail	11%	10%
Financial Institutions	6%	7%
Healthcare	15%	13%
Industrials	17%	16%
Natural Resources & Utilities	2%	2%
Real Estate	12%	20%
Technology, Media & Telecommunications	29%	25%
Other	8%	7%
Total	100%	100%

Equity Securities. The table below presents the concentration of equity securities within our alternative investments by region and industry.

\$ in billions	As of	
	September 2023	December 2022
Equity securities	\$13.5	\$14.7
Region		
Americas	68%	67%
EMEA	16%	15%
Asia	16%	18%
Total	100%	100%
Industry		
Consumer & Retail	6%	6%
Financial Institutions	11%	10%
Healthcare	6%	9%
Industrials	8%	7%
Natural Resources & Utilities	13%	14%
Real Estate	30%	30%
Technology, Media & Telecommunications	24%	23%
Other	2%	1%
Total	100%	100%

In the table above:

- Equity securities included \$12.4 billion as of September 2023 and \$13.0 billion as of December 2022 of private equity positions, and \$1.1 billion as of September 2023 and \$1.7 billion as of December 2022 of public equity positions that converted from private equity upon the initial public offerings of the underlying companies.

- The concentrations for real estate equity securities as of September 2023 were 13% for multifamily (9% as of December 2022), 2% for office (5% as of December 2022), 8% for mixed use (8% as of December 2022) and 7% for other real estate equity securities (8% as of December 2022).

The table below presents the concentration of equity securities within our alternative investments by vintage.

As of September 2023		Vintage
2016 or earlier		27%
2017 - 2019		26%
2020 - thereafter		47%
Total		100%
As of December 2022		
2015 or earlier		26%
2016 - 2018		26%
2019 - thereafter		48%
Total		100%

CIE Investments and Other. CIE investments and other included assets held by CIEs of \$8.9 billion as of September 2023 and \$11.8 billion as of December 2022, which were funded with liabilities of approximately \$5.6 billion as of September 2023 and \$6.3 billion as of December 2022. Substantially all such liabilities were nonrecourse, thereby reducing our equity at risk.

The table below presents the concentration of CIE assets, net of financings, within our alternative investments by region and asset class.

\$ in billions	As of	
	September 2023	December 2022
CIE assets, net of financings	\$3.3	\$5.5
Region		
Americas	66%	65%
EMEA	22%	25%
Asia	12%	10%
Total	100%	100%
Asset Class		
Hospitality	5%	4%
Industrials	15%	15%
Multifamily	19%	23%
Office	19%	22%
Retail	3%	3%
Senior Housing	19%	14%
Student Housing	9%	7%
Other	11%	12%
Total	100%	100%

In the table above, during the second quarter of 2023, certain CIE investments included within the other asset class were reclassified to the industrials asset class. Prior period amounts have been conformed to the current presentation.

Management's Discussion and Analysis

The table below presents the concentration of CIE assets, net of financings, within our alternative investments by vintage.

	Vintage
As of September 2023	
2016 or earlier	10%
2017 - 2019	59%
2020 - thereafter	31%
Total	100%
As of December 2022	
2015 or earlier	5%
2016 - 2018	45%
2019 - thereafter	50%
Total	100%

Platform Solutions

Platform Solutions includes our consumer platforms, such as partnerships offering credit cards and point-of-sale financing, and transaction banking and other platform businesses.

Platform Solutions generates revenues from the following:

Consumer platforms. Our Consumer platforms business issues credit cards and provides point-of-sale financing through GreenSky to consumers to finance the purchases of goods or services. Consumer platforms revenues primarily includes net interest income earned on credit card lending and point-of-sale financing activities. In October 2023, we announced an agreement to sell GreenSky, which is expected to close in the first quarter of 2024. We also accept deposits from Apple Card customers.

Transaction banking and other. We provide transaction banking and other services, including cash management services, such as deposit-taking and payment solutions for corporate and institutional clients. Transaction banking revenues include net interest income attributed to transaction banking deposits.

The table below presents our Platform Solutions assets.

	As of	
	September 2023	December 2022
<i>\$ in millions</i>		
Cash and cash equivalents	\$ 23,597	\$ 20,557
Collateralized agreements	5,912	10,278
Customer and other receivables	—	2
Trading assets	14,733	8,597
Loans	21,678	15,300
Other assets	1,917	2,556
Total	\$ 67,837	\$ 57,290

The table below presents details about our Platform Solutions loans.

	As of	
	September 2023	December 2022
<i>\$ in millions</i>		
Installment	\$ 6,174	\$ 1,852
Credit cards	17,885	15,820
Other	35	—
Loans, gross	24,094	17,672
Allowance for loan losses	(2,416)	(2,372)
Total loans	\$ 21,678	\$ 15,300

The average Platform Solutions gross loans were \$23.04 billion for the three months ended September 2023, \$13.10 billion for the three months ended September 2022, \$20.56 billion for the nine months ended September 2023 and \$11.21 billion for the nine months ended September 2022.

The table below presents our Platform Solutions operating results.

	Three Months Ended September		Nine Months Ended September	
<i>\$ in millions</i>	2023	2022	2023	2022
Consumer platforms	\$ 501	\$ 290	\$ 1,568	\$ 743
Transaction banking and other	77	88	233	246
Net revenues	578	378	1,801	989
Provision for credit losses	(73)	465	736	942
Operating expenses	1,258	525	2,850	1,258
Pre-tax earnings/(loss)	(607)	(612)	(1,785)	(1,211)
Provision/(benefit) for taxes	(153)	(108)	(416)	(205)
Net earnings/(loss)	(454)	(504)	(1,369)	(1,006)
Preferred stock dividends	7	2	17	7
Net earnings/(loss) to common	\$ (461)	\$ (506)	\$ (1,386)	\$ (1,013)
Average common equity	\$ 4,227	\$ 3,944	\$ 4,060	\$ 3,471
Return on average common equity	(43.6)%	(51.3)%	(45.5)%	(38.9)%

Our target is to achieve pre-tax profitability by the end of 2025 for Platform Solutions.

Operating Environment. The operating environment for Platform Solutions is mainly impacted by the economic environment in the U.S., which, during the third quarter of 2023, was generally characterized by improved inflationary measures, a continued low rate of unemployment and an increase in the pace of growth in consumer spending compared with the second quarter of 2023.

In the future, if economic conditions deteriorate, it may lead to a decrease in consumer spending or a deterioration in consumer credit, and net revenues and provision for credit losses in Platform Solutions would likely be negatively impacted.

Three Months Ended September 2023 versus September 2022. Net revenues in Platform Solutions were \$578 million for the third quarter of 2023, 53% higher than the third quarter of 2022, reflecting significantly higher net revenues in Consumer platforms.

The increase in Consumer platforms net revenues primarily reflected significantly higher average credit card balances, partially offset by lower net revenues from the GreenSky loan portfolio, which included a markdown of \$123 million related to the transfer of the portfolio to held for sale. Transaction banking and other net revenues were lower, reflecting lower average deposit balances.

Management's Discussion and Analysis

Provision for credit losses was a net benefit of \$73 million for the third quarter of 2023, compared with a provision of \$465 million for the third quarter of 2022. The net benefit for the third quarter of 2023 reflected a net release related to the GreenSky loan portfolio (including a reserve reduction of \$637 million related to the transfer of the portfolio to held for sale), partially offset by net provisions related to the credit card portfolio (primarily driven by net charge-offs). Provisions for the third quarter of 2022 reflected growth in the credit card portfolio and net charge-offs.

Operating expenses were \$1.26 billion for the third quarter of 2023, 140% higher than the third quarter of 2022, primarily due to a \$506 million write-down of identifiable intangible assets related to GreenSky. Pre-tax loss was \$607 million for the third quarter of 2023, essentially unchanged compared with the third quarter of 2022.

Nine Months Ended September 2023 versus September 2022. Net revenues in Platform Solutions were \$1.80 billion for the first nine months of 2023, 82% higher than the first nine months of 2022, reflecting significantly higher net revenues in Consumer platforms.

The increase in Consumer platforms net revenues primarily reflected significantly higher average credit card balances. Transaction banking and other net revenues were slightly lower.

Provision for credit losses was \$736 million for the first nine months of 2023, compared with \$942 million for the first nine months of 2022. Provisions for the first nine months of 2023 primarily reflected net provisions related to the credit card portfolio (primarily driven by net charge-offs), partially offset by a net release related to the GreenSky loan portfolio (including a reserve reduction related to the transfer of the portfolio to held for sale). Provisions for the first nine months of 2022 primarily reflected growth in the credit card portfolio and net charge-offs.

Operating expenses were \$2.85 billion for the first nine months of 2023, 127% higher than the first nine months of 2022, primarily due to a \$506 million write-down related to GreenSky and an impairment of goodwill of \$504 million related to Consumer platforms. Pre-tax loss was \$1.79 billion for the first nine months of 2023, compared with a pre-tax loss of \$1.21 billion for the first nine months of 2022.

Geographic Data

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

Balance Sheet and Funding Sources

Balance Sheet Management

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

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

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

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

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

Treasury and our independent risk oversight and control functions, along with our revenue-producing units, review current and prior period information and expectations for the year to prepare our balance sheet plan. The specific information reviewed includes asset and liability size and composition, limit utilization, risk and performance measures, and capital usage.

Management's Discussion and Analysis

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

Balance Sheet Limits. The Firmwide Asset Liability Committee and the Firmwide Risk Appetite Committee have the responsibility to review and approve balance sheet limits. These limits are set at levels which are close to actual operating levels, rather than at levels which reflect our maximum risk appetite, in order to ensure prompt escalation and discussion among our revenue-producing units, Treasury and our independent risk oversight and control functions on a routine basis. Requests for changes in limits are evaluated after giving consideration to their impact on our key metrics. Compliance with limits is monitored by our revenue-producing units and Treasury, as well as our independent risk oversight and control functions.

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

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

Balance Sheet Analysis and Metrics

As of September 2023, total assets in our consolidated balance sheets were \$1.58 trillion, an increase of \$135.35 billion from December 2022, reflecting increases in trading assets of \$146.82 billion (due to increases in government obligations and equity securities, reflecting the impact of our and our clients' activities, partially offset by decreases in derivative instruments primarily due to commodity derivatives) and investments of \$14.90 billion (primarily due to an increase in U.S. government obligations accounted for as held-to-maturity), partially offset by a decrease in collateralized agreements of \$26.54 billion (reflecting the impact of our activities).

As of September 2023, total liabilities in our consolidated balance sheets were \$1.46 trillion, an increase of \$135.27 billion from December 2022, reflecting increases in collateralized financings of \$140.31 billion (primarily reflecting our activities) and deposits of \$16.30 billion (due to increases in consumer and other deposits, partially offset by decreases in private bank and deposit sweep program balances), partially offset by a decrease in borrowings of \$14.07 billion (driven by net maturities) and customer and other payables of \$9.70 billion (primarily reflecting our clients' activities).

Our total securities sold under agreements to repurchase (repurchase agreements), accounted for as collateralized financings, were \$225.68 billion as of September 2023 and \$110.35 billion as of December 2022, which were 5% higher as of September 2023 and 15% lower as of December 2022 than the average daily amount of repurchase agreements over the respective quarters. As of September 2023, the increase in our repurchase agreements relative to the average daily amount of repurchase agreements during the quarter resulted from higher levels of our and our clients' activities at the end of the period.

The level of our repurchase agreements fluctuates between and within periods, primarily due to providing clients with access to highly liquid collateral, such as certain government and agency obligations, through collateralized financing activities.

Management's Discussion and Analysis

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

<i>\$ in millions</i>	As of	
	September 2023	December 2022
Total assets	\$ 1,577,153	\$ 1,441,799
Unsecured long-term borrowings	\$ 224,024	\$ 247,138
Total shareholders' equity	\$ 117,277	\$ 117,189
Leverage ratio	13.4x	12.3x
Debt-to-equity ratio	1.9x	2.1x

In the table above:

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

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

<i>\$ in millions, except per share amounts</i>	As of	
	September 2023	December 2022
Total shareholders' equity	\$ 117,277	\$ 117,189
Preferred stock	(11,203)	(10,703)
Common shareholders' equity	106,074	106,486
Goodwill	(5,913)	(6,374)
Identifiable intangible assets	(1,341)	(2,009)
Tangible common shareholders' equity	\$ 98,820	\$ 98,103
Book value per common share	\$ 313.83	\$ 303.55
Tangible book value per common share	\$ 292.37	\$ 279.66

In the table above:

- Tangible common shareholders' equity is calculated as total shareholders' equity less preferred stock, goodwill and identifiable intangible assets. We believe that tangible common shareholders' equity is meaningful because it is a measure that we and investors use to assess capital adequacy. Tangible common shareholders' equity is a non-GAAP measure and may not be comparable to similar non-GAAP measures used by other companies.
- Book value per common share and tangible book value per common share are based on common shares outstanding and restricted stock units granted to employees with no future service requirements and not subject to performance or market conditions (collectively, basic shares) of 338.0 million as of September 2023 and 350.8 million as of December 2022. We believe that tangible book value per common share (tangible common shareholders' equity divided by basic shares) is meaningful because it is a measure that we and investors use to assess capital adequacy. Tangible book value per common share is a non-GAAP measure and may not be comparable to similar non-GAAP measures used by other companies.

Funding Sources

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

The table below presents information about our funding sources.

<i>\$ in millions</i>	As of			
	September 2023		December 2022	
Deposits	\$ 402,962	36%	\$ 386,665	40%
Collateralized financings	295,333	27%	155,022	16%
Unsecured short-term borrowings	70,009	6%	60,961	6%
Unsecured long-term borrowings	224,024	20%	247,138	26%
Total shareholders' equity	117,277	11%	117,189	12%
Total	\$ 1,109,605	100%	\$ 966,975	100%

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

Deposits. Our deposits provide us with a diversified source of funding and reduce our reliance on wholesale funding. We raise deposits, including savings, demand and time deposits, from private bank clients, consumers, transaction banking clients, other institutional clients, and through internal and third-party broker-dealers. Substantially all of our deposits are raised through Goldman Sachs Bank USA (GS Bank USA), Goldman Sachs International Bank (GSIB) and Goldman Sachs Bank Europe SE (GSBE). See Note 13 to the consolidated financial statements for further information about our deposits, including a maturity profile of our time deposits.

Management's Discussion and Analysis

Secured Funding. We fund a significant amount of inventory and a portion of investments on a secured basis. Secured funding includes collateralized financings in the consolidated balance sheets. See Note 11 to the consolidated financial statements for further information about our collateralized financings, including its maturity profile. We may also pledge our inventory and investments as collateral for securities borrowed under a securities lending agreement. We also use our own inventory and investments to cover transactions in which we or our clients have sold securities that have not yet been purchased. Secured funding is less sensitive to changes in our credit quality than unsecured funding, due to our posting of collateral to our lenders. Nonetheless, we analyze the refinancing risk of our secured funding activities, taking into account trade tenors, maturity profiles, counterparty concentrations, collateral eligibility and counterparty rollover probabilities. We seek to mitigate our refinancing risk by executing term trades with staggered maturities, diversifying counterparties, raising excess secured funding and pre-funding residual risk through our GCLA.

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

Assets that may be harder to fund on a secured basis during times of market stress include certain financial instruments in the following categories: mortgage- and other asset-backed loans and securities, non-investment-grade corporate debt securities, equity securities and emerging market securities.

We also raise financing through other types of collateralized financings, such as secured loans and notes. GS Bank USA has access to funding from the Federal Home Loan Bank. Our outstanding borrowings from the Federal Home Loan Bank were \$2.00 billion as of September 2023 and we had no outstanding borrowings as of December 2022. Additionally, we have access to funding through the Federal Reserve discount window. However, we do not rely on this funding in our liquidity planning and stress testing.

Unsecured Short-Term Borrowings. A significant portion of our unsecured short-term borrowings was originally long-term debt that is scheduled to mature within one year of the reporting date. We use unsecured short-term borrowings, including U.S. and non-U.S. hybrid financial instruments and commercial paper, to finance liquid assets and for other cash management purposes. In accordance with regulatory requirements, Group Inc. does not issue debt with an original maturity of less than one year, other than to its subsidiaries. See Note 14 to the consolidated financial statements for further information about our unsecured short-term borrowings.

Unsecured Long-Term Borrowings. Unsecured long-term borrowings, including structured notes, are raised through syndicated U.S. registered offerings, U.S. registered and Rule 144A medium-term note programs, offshore medium-term note offerings and other debt offerings. We issue in different tenors, currencies and products to maximize the diversification of our investor base.

The table below presents our quarterly unsecured long-term borrowings maturity profile.

<i>\$ in millions</i>	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
As of September 2023					
2024	\$ –	\$ –	\$ –	\$ 13,961	\$ 13,961
2025	\$ 12,441	\$ 12,134	\$ 6,799	\$ 7,438	\$ 38,812
2026	\$ 6,819	\$ 4,621	\$ 7,566	\$ 8,752	\$ 27,758
2027	\$ 8,650	\$ 3,223	\$ 6,814	\$ 14,536	\$ 33,223
2028	\$ 10,950	\$ 5,998	\$ 4,668	\$ 2,685	\$ 24,301
2029 - thereafter					\$ 85,969
Total					\$ 224,024

The weighted average maturity of our unsecured long-term borrowings as of September 2023 was approximately seven years. To mitigate refinancing risk, we seek to limit the principal amount of debt maturing over the course of any monthly, quarterly, semi-annual or annual time horizon. We enter into interest rate swaps to convert a portion of our unsecured long-term borrowings into floating-rate obligations to manage our exposure to interest rates. See Note 14 to the consolidated financial statements for further information about our unsecured long-term borrowings.

Shareholders' Equity. Shareholders' equity is a stable and perpetual source of funding. See Note 19 to the consolidated financial statements for further information about our shareholders' equity.

Management's Discussion and Analysis**Capital Management and Regulatory Capital**

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

Capital Management

We determine the appropriate amount and composition of our capital by considering multiple factors, including our current and future regulatory capital requirements, the results of our capital planning and stress testing process, the results of resolution capital models and other factors, such as rating agency guidelines, subsidiary capital requirements, the business environment and conditions in the financial markets.

We manage our capital requirements and the levels of our capital usage principally by setting limits on the balance sheet and/or limits on risk, in each case at both the firmwide and business levels.

We principally manage the level and composition of our capital through issuances and repurchases of our common stock.

We may issue, redeem or repurchase our preferred stock and subordinated debt or other forms of capital as business conditions warrant. Prior to such redemptions or repurchases, we must receive approval from the FRB. See Notes 14 and 19 to the consolidated financial statements for further information about our preferred stock and subordinated debt.

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

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

Our stress tests incorporate our internally designed stress scenarios, including our internally developed severely adverse scenario, and those required by the FRB, and are designed to capture our specific vulnerabilities and risks. We provide further information about our stress test processes and a summary of the results on our website as described in "Available Information."

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

The FRB evaluates us based, in part, on whether we have the capital necessary to continue operating under the baseline and severely adverse scenarios provided by the FRB and those developed internally. This evaluation also takes into account our process for identifying risk, our controls and governance for capital planning, and our guidelines for making capital planning decisions. In addition, the FRB evaluates our plan to make capital distributions (i.e., dividend payments and repurchases or redemptions of stock, subordinated debt or other capital securities) and issue capital, across the range of macroeconomic scenarios and firm-specific assumptions. The FRB determines the stress capital buffer (SCB) applicable to us based on its own annual stress test. The SCB under the Standardized approach is calculated as (i) the difference between our starting and minimum projected CET1 capital ratios under the supervisory severely adverse scenario and (ii) our planned common stock dividends for each of the fourth through seventh quarters of the planning horizon, expressed as a percentage of risk-weighted assets (RWAs).

Based on our 2023 CCAR submission, the FRB reduced our SCB from 6.3% to 5.5% for the period from October 1, 2023 through September 30, 2024. As a result, beginning on October 1, 2023, our Standardized CET1 capital ratio requirement is 13.0%. See "Share Repurchase Program" for further information about common stock repurchases and dividends and "Consolidated Regulatory Capital" for further information about the global systemically important bank (G-SIB) surcharge. We published a summary of our annual DFAST results in June 2023. See "Available Information."

GS Bank USA is required to conduct stress tests on an annual basis and publish a summary of certain results. GS Bank USA published a summary of its annual DFAST results in June 2023. See "Available Information."

Management's Discussion and Analysis

Goldman Sachs International (GSI), GSIB and GSBE also have their own capital planning and stress testing processes, which incorporate internally designed stress tests developed in accordance with the guidelines of their respective regulators.

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

Capital Attribution. We assess the capital usage of each of our businesses based on our attributed equity framework. This framework considers many factors, including our internal assessment of risks as well as the regulatory capital requirements related to our business activities. These regulatory capital requirements take into consideration our most binding capital constraints. Our most binding capital constraint is our CET1 capital ratio requirement under the Standardized Capital Rules. This requirement includes the SCB which is determined by the FRB based on its own annual stress test.

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

During the third quarter of 2023, we returned a total of \$2.44 billion to shareholders, including common stock repurchases of \$1.50 billion and common stock dividends of \$937 million. The Board of Directors of Group Inc. (Board) approved an increase in our common stock dividend from \$2.50 to \$2.75 per share beginning in the third quarter of 2023. Consistent with our capital management philosophy, we will continue prioritizing deployment of capital for our clients where returns are attractive and distribute any excess capital to shareholders through dividends and share repurchases. However, given the uncertainty about the FRB's recently proposed capital rules, we expect to moderate our stock repurchase levels in the fourth quarter of 2023 relative to the third quarter of 2023.

In February 2023, the Board approved a new share repurchase program authorizing repurchases of up to \$30 billion (in aggregate value and inclusive of shares repurchased in 2023) of our common stock. See "Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities" in Part II, Item 2 of this Form 10-Q and Note 19 to the consolidated financial statements for further information about our share repurchase program, and see above for information about our capital planning and stress testing process.

Effective January 1, 2023, a one percent non-deductible federal excise tax (buyback tax) applies to the fair market value of certain corporate share repurchases. The fair market value of share repurchases subject to the tax is reduced by the fair market value of any stock issued during the calendar year, including stock issued to employees. The buyback tax did not have a material impact on our financial condition, results of operations or cash flows for either the three or nine months ended September 2023.

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

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

We submitted our 2023 resolution plan in June 2023. See "Available Information" for information about the public portion of our resolution plan submission.

Rating Agency Guidelines

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

Management's Discussion and Analysis

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

Consolidated Regulatory Capital

We are subject to consolidated regulatory capital requirements which are calculated in accordance with the regulations of the FRB (Capital Framework). Under the Capital Framework, we are an “Advanced approaches” banking organization and have been designated as a G-SIB.

The capital requirements calculated under the Capital Framework include the capital conservation buffer requirements, which are comprised of a 2.5% buffer (under the Advanced Capital Rules), the SCB (under the Standardized Capital Rules), a countercyclical capital buffer (under both Capital Rules) and the G-SIB surcharge (under both Capital Rules). Our G-SIB surcharge is 3.0% for 2023 and 2024. The G-SIB surcharge and countercyclical capital buffer in the future may differ due to additional guidance from our regulators and/or positional changes, and our SCB is likely to change from year to year based on the results of the annual supervisory stress tests. Our target is to maintain capital ratios equal to the regulatory requirements plus a buffer of 50 to 100 basis points.

See Note 20 to the consolidated financial statements for further information about our risk-based capital ratios and leverage ratios, and the Capital Framework.

Total Loss-Absorbing Capacity (TLAC)

We are also subject to the FRB's TLAC and related requirements. Failure to comply with the TLAC and related requirements would result in restrictions being imposed by the FRB and could limit our ability to repurchase shares, pay dividends and make certain discretionary compensation payments.

The table below presents TLAC and external long-term debt requirements.

	As of	
	September 2023	December 2022
TLAC to RWAs	22.0%	21.5%
TLAC to leverage exposure	9.5%	9.5%
External long-term debt to RWAs	9.0%	8.5%
External long-term debt to leverage exposure	4.5%	4.5%

In the table above:

- The TLAC to RWAs requirement included (i) the 18% minimum, (ii) the 2.5% buffer, (iii) the countercyclical capital buffer, which the FRB has set to zero percent and (iv) the G-SIB surcharge (Method 1). The G-SIB surcharge (Method 1) was 1.5% as of September 2023 and 1.0% as of December 2022.
- The TLAC to leverage exposure requirement includes (i) the 7.5% minimum and (ii) the 2.0% leverage exposure buffer.
- The external long-term debt to RWAs requirement includes (i) the 6% minimum and (ii) the G-SIB surcharge (Method 2). The G-SIB surcharge (Method 2) was 3.0% as of September 2023 and 2.5% as of December 2022.
- The external long-term debt to total leverage exposure is the 4.5% minimum.

The table below presents information about our TLAC and external long-term debt ratios.

	For the Three Months Ended or as of	
\$ in millions	September 2023	December 2022
TLAC	\$ 277,052	\$ 297,100
External long-term debt	\$ 154,100	\$ 172,845
RWAs	\$ 666,860	\$ 679,450
Leverage exposure	\$ 1,964,806	\$ 1,867,358
TLAC to RWAs	41.5%	43.7%
TLAC to leverage exposure	14.1%	15.9%
External long-term debt to RWAs	23.1%	25.4%
External long-term debt to leverage exposure	7.8%	9.3%

In the table above:

- TLAC includes common and preferred stock, and eligible long-term debt issued by Group Inc. Eligible long-term debt represents unsecured debt, which has a remaining maturity of at least one year and satisfies additional requirements.
- External long-term debt consists of eligible long-term debt subject to a haircut if it is due to be paid between one and two years.
- In accordance with the TLAC rules, the higher of Advanced or Standardized RWAs are used in the calculation of TLAC and external long-term debt ratios and applicable requirements. RWAs represent Standardized RWAs as of September 2023 and Advanced RWAs as of December 2022.
- Leverage exposure consists of average adjusted total assets and certain off-balance sheet exposures.

See “Business — Regulation” in Part I, Item 1 of the 2022 Form 10-K for further information about TLAC.

Management's Discussion and Analysis**Subsidiary Capital Requirements**

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

Bank Subsidiaries. GS Bank USA is our primary U.S. banking subsidiary and GSIB and GSBE are our primary non-U.S. banking subsidiaries. These entities are subject to regulatory capital requirements. See Note 20 to the consolidated financial statements for further information about the regulatory capital requirements of our bank subsidiaries.

U.S. Regulated Broker-Dealer Subsidiaries. GS&Co., our primary U.S. regulated broker-dealer subsidiary, is also a registered futures commission merchant and a registered swap dealer with the CFTC, and a registered security-based swap dealer with the SEC, and therefore is subject to regulatory capital requirements imposed by the SEC, the Financial Industry Regulatory Authority, Inc., the CFTC, the Chicago Mercantile Exchange and the National Futures Association. Rule 15c3-1 of the SEC and Rules 1.17 and Part 23 Subpart E of the CFTC specify uniform minimum net capital requirements, as defined, for their registrants, and also effectively require that a significant part of the registrants' assets be kept in relatively liquid form. GS&Co. has elected to calculate its minimum capital requirements in accordance with the "Alternative Net Capital Requirement" as permitted by Rule 15c3-1 of the SEC.

GS&Co. had regulatory net capital, as defined by Rule 15c3-1, of \$21.01 billion as of September 2023 and \$22.21 billion as of December 2022, which exceeded the amount required by \$16.25 billion as of September 2023 and \$17.46 billion as of December 2022. In addition to its alternative minimum net capital requirements, GS&Co. is also required to hold tentative net capital in excess of \$5 billion and net capital in excess of \$1 billion in accordance with Rule 15c3-1. GS&Co. is also required to notify the SEC in the event that its tentative net capital is less than \$6 billion. As of both September 2023 and December 2022, GS&Co. had tentative net capital and net capital in excess of both the minimum and the notification requirements.

Non-U.S. Regulated Broker-Dealer Subsidiaries. Our principal non-U.S. regulated broker-dealer subsidiaries include GSI and GSJCL.

GSI, our U.K. broker-dealer, is regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). GSI is subject to the U.K. capital framework, which is largely based on the Basel Committee on Banking Supervision's (Basel Committee) capital framework for strengthening international capital standards (Basel III).

The table below presents GSI's risk-based capital requirements.

	As of	
	September 2023	December 2022
Risk-based capital requirements		
CET1 capital ratio	9.1%	8.7%
Tier 1 capital ratio	11.0%	10.7%
Total capital ratio	13.6%	13.3%

In the table above, the risk-based capital requirements incorporate capital guidance received from the PRA and could change in the future.

The table below presents information about GSI's risk-based capital ratios.

	As of	
	September 2023	December 2022
<i>\$ in millions</i>		
Risk-based capital and risk-weighted assets		
CET1 capital	\$ 33,123	\$ 31,780
Tier 1 capital	\$ 38,623	\$ 40,080
Tier 2 capital	\$ 6,877	\$ 5,377
Total capital	\$ 45,500	\$ 45,457
RWAs	\$ 271,452	\$ 247,653
Risk-based capital ratios		
CET1 capital ratio	12.2%	12.8%
Tier 1 capital ratio	14.2%	16.2%
Total capital ratio	16.8%	18.4%

In the table above, the risk-based capital ratios as of September 2023 reflected profits after dividends paid and foreseeable charges that are still subject to verification by GSI's external auditors and approval by the PRA for inclusion in risk-based capital. These profits contributed approximately 44 basis points to the CET1 capital ratio as of September 2023.

Management's Discussion and Analysis

The table below presents GSI's leverage ratio requirement which became effective in January 2023 and the leverage ratio.

	As of September 2023
Leverage ratio requirement	3.5%
Leverage ratio	5.1%

In the table above, the leverage ratio as of September 2023 reflected profits after dividends paid and foreseeable charges that are still subject to verification by GSI's external auditors and approval by the PRA for inclusion in risk-based capital. These profits contributed approximately 16 basis points to the leverage ratio as of September 2023.

GSI is a registered swap dealer with the CFTC and a registered security-based swap dealer with the SEC. As of both September 2023 and December 2022, GSI was subject to and in compliance with applicable capital requirements for swap dealers and security-based swap dealers.

GSI is also subject to a minimum requirement for own funds and eligible liabilities issued to affiliates. This requirement is subject to a transitional period which began to phase in from January 2019 and became fully effective beginning in January 2022. As of both September 2023 and December 2022, GSI was in compliance with this requirement.

GSJCL, our Japanese broker-dealer, is regulated by Japan's Financial Services Agency. GSJCL and certain other non-U.S. subsidiaries are also subject to capital requirements promulgated by authorities of the countries in which they operate. As of both September 2023 and December 2022, these subsidiaries were in compliance with their local capital requirements.

Regulatory and Other Matters

Regulatory Matters

Our businesses are subject to extensive regulation and supervision worldwide. Regulations have been adopted or are being considered by regulators and policy makers worldwide. Given that many of the new and proposed rules are highly complex, the full impact of regulatory reform will not be known until the rules are implemented and market practices develop under the final regulations.

See "Business — Regulation" in Part I, Item 1 of the 2022 Form 10-K for further information about the laws, rules and regulations and proposed laws, rules and regulations that apply to us and our operations.

Basel III Reforms. In July 2023, the U.S. federal bank regulatory authorities proposed a rule implementing the Basel Committee's finalization of the post-crisis regulatory capital reforms. The proposed effective date is July 1, 2025 with a three-year transition period for the calculation of Expanded Risk-Based Approach RWAs. The proposal includes the replacement of the Advanced Approach with an Expanded Risk-Based Approach, which eliminates the use of internal models to calculate RWAs for credit and operational risk. The proposal also provides that stress capital requirements through the SCB would be applied to Expanded Risk-Based Approach capital ratios. The credit risk component of the Expanded Risk-Based Approach would include new risk weights for many counterparty and exposure types, a revised collateral haircut approach for certain collateralized transactions and additional restrictions for recognizing collateral in certain securities financing transactions. The operational RWAs are proposed to be calculated primarily based on revenues and historical losses. In addition, the proposal includes the Fundamental Review of the Trading Book, which replaces the market risk rule for both the Standardized and Expanded Risk-Based Approach, and introduces a new credit valuation adjustment (CVA) risk RWA calculation for the Expanded Risk-Based Approach. Separately, the Federal Reserve also proposed a rule to revise the G-SIB surcharge. The proposals are currently open for comment. We continue to evaluate the impact of the proposed rules, but we preliminarily estimate that these rules, if adopted as proposed and if our assets and liabilities remain largely consistent with those as of September 2023, our regulatory capital requirements could increase by approximately 25% on a fully phased-in basis.

Other Matters

Replacement of Interbank Offered Rates (IBORs), including LIBOR. As of July 1, 2023, the publication of all LIBOR settings as representative rates has ceased. The FCA has allowed the publication and use of synthetic rates for certain GBP LIBOR settings in legacy GBP LIBOR-based contracts through March 2024 and for certain USD LIBOR settings in legacy USD LIBOR-based contracts through September 2024. We have facilitated an orderly transition from LIBOR to alternative risk-free reference rates for us and our clients, and our LIBOR-based derivative contracts, unsecured benchmark debt, preferred stocks and loans have been transitioned to alternative risk-free reference rates in accordance with the applicable rules in connection with the cessation of LIBOR.

Off-Balance Sheet Arrangements

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

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

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

We also enter into these arrangements to underwrite client securitization transactions; provide secondary market liquidity; make investments in performing and nonperforming debt, distressed loans, power-related assets, equity securities, real estate and other assets; and provide investors with credit-linked and asset-repackaged notes.

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

Off-Balance Sheet Arrangement	Disclosure in Form 10-Q
Variable interests and other obligations, including contingent obligations, arising from variable interests in nonconsolidated variable interest entities	See Note 17 to the consolidated financial statements.
Guarantees, and lending and other commitments	See Note 18 to the consolidated financial statements.
Derivatives	See "Risk Management — Credit Risk Management — Credit Exposures — OTC Derivatives" and Notes 4, 5, 7 and 18 to the consolidated financial statements.

Risk Management

Risks are inherent in our businesses and include liquidity, market, credit, operational, model, legal, compliance, conduct, regulatory and reputational risks. For further information about our risk management processes, see "Overview and Structure of Risk Management," and for information about our areas of risk, see "Liquidity Risk Management," "Market Risk Management," "Credit Risk Management," "Operational Risk Management," "Model Risk Management" and "Other Risk Management," as well as "Risk Factors" in Part I, Item 1A of the 2022 Form 10-K.

Overview and Structure of Risk Management

Overview

We believe that effective risk management is critical to our success. Accordingly, we have established an enterprise risk management framework that employs a comprehensive, integrated approach to risk management, and is designed to enable comprehensive risk management processes through which we identify, assess, monitor and manage the risks we assume in conducting our activities. Our risk management structure is built around three core components: governance, processes and people.

Governance. Risk management governance starts with the Board, which both directly and through its committees, including its Risk Committee, oversees our risk management policies and practices implemented through the enterprise risk management framework. The Board is also responsible for the annual review and approval of our risk appetite statement. The risk appetite statement describes the levels and types of risk we are willing to accept or to avoid in order to achieve our objectives included in our strategic business plan, while remaining in compliance with regulatory requirements. The Board reviews our strategic business plan and is ultimately responsible for overseeing and providing direction about our strategy and risk appetite.

The Board, including through its committees, receives regular briefings on firmwide risks, including liquidity risk, market risk, credit risk, operational risk, model risk and climate risk, from our independent risk oversight and control functions, including the chief risk officer, and on compliance risk and conduct risk from the chief compliance officer, on legal and regulatory enforcement matters from the chief legal officer, and on other matters impacting our reputation from the chair and vice-chairs of our Firmwide Reputational Risk Committee. The chief risk officer reports to our chief executive officer and to the Risk Committee of the Board. As part of the review of the firmwide risk portfolio, the chief risk officer regularly advises the Risk Committee of the Board of relevant risk metrics and material exposures, including risk limits and thresholds established in our risk appetite statement.

Management's Discussion and Analysis

The implementation of our risk governance structure and core risk management processes is overseen by Enterprise Risk, which reports to our chief risk officer, and is responsible for ensuring that our enterprise risk management framework provides the Board, our risk committees and senior management with a consistent and integrated approach to managing our various risks in a manner consistent with our risk appetite.

Our revenue-producing units, as well as Treasury, Engineering, Human Capital Management, Operations, and Corporate and Workplace Solutions, are considered our first line of defense. They are accountable for the outcomes of our risk-generating activities, as well as for assessing and managing those risks within our risk appetite.

Our independent risk oversight and control functions are considered our second line of defense and provide independent assessment, oversight and challenge of the risks taken by our first line of defense, as well as lead and participate in risk committees. Independent risk oversight and control functions include Compliance, Conflicts Resolution, Controllers, Legal, Risk and Tax.

Internal Audit is considered our third line of defense, and our director of Internal Audit reports to the Audit Committee of the Board and administratively to our chief executive officer. Internal Audit includes professionals with a broad range of audit and industry experience, including risk management expertise. Internal Audit is responsible for independently assessing and validating the effectiveness of key controls, including those within the risk management framework, and providing timely reporting to the Audit Committee of the Board, senior management and regulators.

The three lines of defense structure promotes the accountability of first line risk takers, provides a framework for effective challenge by the second line and empowers independent review from the third line.

Processes. We maintain various processes that are critical components of our risk management framework, including (i) risk identification and control assessment, (ii) risk appetite, limit and threshold setting, (iii) risk metrics, reporting and monitoring, and (iv) risk decision-making.

- **Risk Identification and Control Assessment.** We believe the identification of our risks and related control assessment is a critical step in providing our Board and senior management transparency and insight into the range and materiality of our risks. We have a comprehensive data collection process, including firmwide policies and procedures that require all employees to report and escalate risk events. Our approach for risk identification and control assessment is comprehensive across all risk types, is dynamic and forward-looking to reflect and adapt to our changing risk profile and business environment, leverages subject matter expertise, and allows for prioritization of our most critical risks. This approach also encompasses our control assessment, led by our second line of defense, to review and challenge the control environment to ensure it supports our strategic business plan.

To effectively assess our risks, we maintain a daily discipline of marking substantially all of our inventory to current market levels. We carry our inventory at fair value, with changes in valuation reflected immediately in our risk management systems and in net revenues. We do so because we believe this discipline is one of the most effective tools for assessing and managing risk and that it provides transparent and realistic insight into our inventory exposures.

An important part of our risk management process is firmwide stress testing. It allows us to quantify our exposure to tail risks, highlight potential loss concentrations, undertake risk/reward analysis, and assess and mitigate our risk positions. Firmwide stress tests are performed on a regular basis and are designed to ensure a comprehensive analysis of our vulnerabilities and idiosyncratic risks combining financial and nonfinancial risks, including, but not limited to, credit, market, liquidity and funding, operational and compliance, strategic, systemic and emerging risks into a single combined scenario. We also perform ad hoc stress tests in anticipation of market events or conditions. Stress tests are also used to assess capital adequacy as part of our capital planning and stress testing process. See “Capital Management and Regulatory Capital — Capital Management” for further information.

- **Risk Appetite, Limit and Threshold Setting.** We apply a rigorous framework of limits and thresholds to control and monitor risk across transactions, products, businesses and markets. The Board, directly or indirectly through its Risk Committee, approves limits and thresholds included in our risk appetite statement at firmwide, business and product levels. In addition, the Firmwide Risk Appetite Committee, through delegated authority from the Firmwide Enterprise Risk Committee, is responsible for approving our risk limits and thresholds policy, subject to the overall limits approved by the Risk Committee of the Board, and monitoring these limits.

The Firmwide Risk Appetite Committee is responsible for approving limits at firmwide, business and product levels. Certain limits may be set at levels that will require periodic adjustment, rather than at levels that reflect our maximum risk appetite. This fosters an ongoing dialogue about risk among our first and second lines of defense, committees and senior management, as well as rapid escalation of risk-related matters. Additionally, through delegated authority from the Firmwide Risk Appetite Committee, Market Risk sets limits at certain product and desk levels, and Credit Risk sets limits for individual counterparties and their subsidiaries, industries and countries. Limits are reviewed regularly and amended on a permanent or temporary basis to reflect changes to our strategic business plan, as well as changing market conditions, business conditions or risk tolerance.

Management's Discussion and Analysis

- Risk Metrics, Reporting and Monitoring.** Effective risk reporting and risk decision-making depends on our ability to get the right information to the right people at the right time. As such, we focus on the rigor and effectiveness of our risk systems, with the objective of ensuring that our risk management technology systems provide us with complete, accurate and timely information. Our risk metrics, reporting and monitoring processes are designed to take into account information about both existing and emerging risks, thereby enabling our risk committees and senior management to perform their responsibilities with the appropriate level of insight into risk exposures. Furthermore, our limit and threshold breach processes provide means for timely escalation. We evaluate changes in our risk profile and our businesses, including changes in business mix or jurisdictions in which we operate, by monitoring risk factors at a firmwide level.
- Risk Decision-Making.** Our governance structure provides the protocol and responsibility for decision-making on risk management issues and ensures implementation of those decisions. We make extensive use of risk committees that meet regularly and serve as an important means to facilitate and foster ongoing discussions to manage and mitigate risks.

We maintain strong and proactive communication about risk and we have a culture of collaboration in decision-making among our first and second lines of defense, committees and senior management. While our first line of defense is responsible for management of their risk, we dedicate extensive resources to our second line of defense in order to ensure a strong oversight structure and an appropriate segregation of duties. We regularly reinforce our strong culture of escalation and accountability across all functions.

People. Even the best technology serves only as a tool for helping to make informed decisions in real time about the risks we are taking. Ultimately, effective risk management requires our people to interpret our risk data on an ongoing and timely basis and adjust risk positions accordingly. The experience of our professionals, and their understanding of the nuances and limitations of each risk measure, guides us in assessing exposures and maintaining them within prudent levels.

We reinforce a culture of effective risk management, consistent with our risk appetite, in our training and development programs, as well as in the way we evaluate performance, and recognize and reward our people. Our training and development programs, including certain sessions led by our most senior leaders, are focused on the importance of risk management, client relationships and reputational excellence. As part of our performance review process, we assess reputational excellence, including how an employee exercises good risk management and reputational judgment, and adheres to our code of conduct and compliance policies. Our review and reward processes are designed to communicate and reinforce to our professionals the link between behavior and how people are recognized, the need to focus on our clients and our reputation, and the need to always act in accordance with our highest standards.

Structure

Ultimate oversight of risk is the responsibility of our Board. The Board oversees risk both directly and through its committees, including its Risk Committee. We also have a series of committees with specific risk management mandates that have oversight or decision-making responsibilities for risk management activities. Committee membership generally consists of senior managers from both our first and second lines of defense. We have established procedures for these committees to ensure that appropriate information barriers are in place. Our primary risk committees, most of which also have additional sub-committees, councils or working groups, are described below. In addition to these committees, we have other risk committees that provide oversight for different businesses, activities, products, regions and entities. All of our committees have responsibility for considering the impact on our reputation of the transactions and activities that they oversee.

Membership of our risk committees is reviewed regularly and updated to reflect changes in the responsibilities of the committee members. Accordingly, the length of time that members serve on the respective committees varies as determined by the committee chairs and based on the responsibilities of the members.

The chart below presents an overview of our risk management governance structure.



Management's Discussion and Analysis

Management Committee. The Management Committee oversees our global activities. It provides this oversight directly and through authority delegated to committees it has established. This committee consists of our most senior leaders, and is chaired by our chief executive officer. Most members of the Management Committee are also members of other committees. The following are the committees that are principally involved in firmwide risk management.

Firmwide Enterprise Risk Committee. The Firmwide Enterprise Risk Committee is responsible for overseeing all of our financial and nonfinancial risks. As part of such oversight, the committee is responsible for the ongoing review, approval and monitoring of our enterprise risk management framework, as well as our risk limits and thresholds policy, through delegated authority to the Firmwide Risk Appetite Committee. The Firmwide Enterprise Risk Committee also reviews new significant strategic business initiatives to determine whether they are consistent with our risk appetite and risk management capabilities. Additionally, the Firmwide Enterprise Risk Committee performs enhanced reviews of significant risk events, the top residual and emerging risks, and the overall risk and control environment in each of our business units in order to propose uplifts, identify elements that are common to all business units and analyze the consolidated residual risks that we face. This committee, which reports to the Management Committee, is co-chaired by our president and chief operating officer and our chief risk officer, who are appointed as chairs by our chief executive officer, and the vice-chair is our chief financial officer, who is appointed as vice-chair by the chairs of the Firmwide Enterprise Risk Committee. The following are the primary committees or councils that report to the Firmwide Enterprise Risk Committee (unless otherwise noted):

- **Firmwide Risk Council.** The Firmwide Risk Council is responsible for the ongoing monitoring of relevant financial risks and related risk limits at the firmwide, business and product levels. This council is co-chaired by our chief financial officer and our chief risk officer.
- **Firmwide New Activity Committee.** The Firmwide New Activity Committee is responsible for reviewing new activities and for establishing a process to identify and review previously approved activities that are significant and that have changed in complexity and/or structure or present different reputational and suitability concerns over time to consider whether these activities remain appropriate. This committee is chaired by our controller and chief accounting officer, who is appointed as chair by the chairs of the Firmwide Enterprise Risk Committee.

- **Firmwide Operational Risk and Resilience Committee.** The Firmwide Operational Risk and Resilience Committee is responsible for overseeing operational risk, and for ensuring our business and operational resilience. To assist the Firmwide Operational Risk and Resilience Committee in carrying out its mandate, other risk committees with dedicated oversight for technology-related risks, including cybersecurity matters and artificial intelligence, report into the Firmwide Operational Risk and Resilience Committee. This committee is co-chaired by our chief administrative officer for EMEA and our head of Operational Risk, who are appointed as chairs by the chairs of the Firmwide Enterprise Risk Committee.

- **Firmwide Conduct Committee.** The Firmwide Conduct Committee is responsible for the ongoing approval and monitoring of the frameworks and policies which govern our conduct risks. Conduct risk is the risk that our people fail to act in a manner consistent with our Business Principles and related core values, policies or codes, or applicable laws or regulations, thereby falling short in fulfilling their responsibilities to us, our clients, colleagues, other market participants or the broader community. This committee is chaired by our chief legal officer, who is appointed as chair by the chairs of the Firmwide Enterprise Risk Committee.

- **Firmwide Risk Appetite Committee.** The Firmwide Risk Appetite Committee (through delegated authority from the Firmwide Enterprise Risk Committee) is responsible for the ongoing approval and monitoring of risk frameworks, policies and parameters related to our core risk management processes, as well as limits and thresholds, at firmwide, business and product levels. In addition, this committee is responsible for overseeing our financial risks and reviews the results of stress tests and scenario analyses. To assist the Firmwide Risk Appetite Committee in carrying out its mandate, a number of other risk committees with dedicated oversight for stress testing, model risks, Volcker Rule compliance, as well as our investments or other capital commitments that may give rise to financial risk, report into the Firmwide Risk Appetite Committee. This committee is chaired by our chief risk officer, who is appointed as chair by the chairs of the Firmwide Enterprise Risk Committee. The Firmwide Capital Committee and Firmwide Commitments Committee report to the Firmwide Risk Appetite Committee.

Firmwide Capital Committee. The Firmwide Capital Committee provides approval and oversight of debt-related transactions, including principal commitments of our capital. This committee aims to ensure that business, reputational and suitability standards for underwritings and capital commitments are maintained on a global basis. This committee is co-chaired by our head of Credit Risk and a co-head of our Global Financing Group, who are appointed as chairs by the chair of the Firmwide Risk Appetite Committee.

Management's Discussion and Analysis

Firmwide Commitments Committee. The Firmwide Commitments Committee reviews our underwriting and distribution activities with respect to equity and equity-related product offerings, and sets and maintains policies and procedures designed to ensure that legal, reputational, regulatory and business standards are maintained on a global basis. In addition to reviewing specific transactions, this committee periodically conducts general strategic reviews of sectors and products and establishes policies in connection with transaction practices. This committee is co-chaired by our chief equity underwriting officer for the Americas, a co-chairman of our Global Financial Institutions Group, and a co-head of our Global Investment Grade Capital Markets and Risk Management Group in Global Banking & Markets, who are appointed as chairs by the chair of the Firmwide Risk Appetite Committee.

- **Firmwide Reputational Risk Committee.** The Firmwide Reputational Risk Committee is responsible for assessing reputational risks arising from opportunities that have been identified as having potential heightened reputational risk, including transactions identified pursuant to the criteria established by the Firmwide Reputational Risk Committee and as determined by committee leadership. This committee is also responsible for overseeing client-related business standards and addressing client-related reputational risk. This committee is chaired by our president and chief operating officer, who is appointed as chair by our chief executive officer, and the vice-chairs are our chief legal officer and the head of Conflicts Resolution, who are appointed as vice-chairs by the chair of the Firmwide Reputational Risk Committee. This committee periodically provides updates to, and receives guidance from, the Public Responsibilities Committee of the Board. The Firmwide Suitability Committee reports to the Firmwide Reputational Risk Committee.

Firmwide Suitability Committee. The Firmwide Suitability Committee is responsible for setting standards and policies for product, transaction and client suitability and providing a forum for consistency across functions, regions and products on suitability assessments. This committee also reviews suitability matters escalated from other committees. This committee is co-chaired by our chief compliance officer and the head of Net Zero Transition Solutions in Global Banking & Markets, who are appointed as chairs by the chair of the Firmwide Reputational Risk Committee.

Firmwide Asset Liability Committee. The Firmwide Asset Liability Committee reviews and approves the strategic direction for our financial resources, including capital, liquidity, funding and balance sheet. This committee has oversight responsibility for asset liability management, including interest rate and currency risk, funds transfer pricing, capital allocation and incentives, and credit ratings. This committee makes recommendations as to any adjustments to asset liability management and financial resource allocation in light of current events, risks, exposures, and regulatory requirements and approves related policies. This committee is co-chaired by our chief financial officer and our global treasurer, who are appointed as chairs by our chief executive officer, and reports to the Management Committee.

Liquidity Risk Management

Overview

Liquidity risk is the risk that we will be unable to fund ourselves or meet our liquidity needs in the event of firm-specific, broader industry or market liquidity stress events. We have in place a comprehensive and conservative set of liquidity and funding policies. Our principal objective is to be able to fund ourselves and to enable our core businesses to continue to serve clients and generate revenues, even under adverse circumstances.

Treasury, which reports to our chief financial officer, has primary responsibility for developing, managing and executing our liquidity and funding strategy within our risk appetite.

Liquidity Risk, which is independent of our revenue-producing units and Treasury, and reports to our chief risk officer, has primary responsibility for identifying, monitoring and managing our liquidity risk through firmwide oversight across our global businesses and the establishment of stress testing and limits frameworks.

Liquidity Risk Management Principles

We manage liquidity risk according to three principles: (i) hold sufficient excess liquidity in the form of GCLA to cover outflows during a stressed period, (ii) maintain appropriate Asset-Liability Management and (iii) maintain a viable Contingency Funding Plan.

Management's Discussion and Analysis

GCLA. GCLA is liquidity that we maintain to meet a broad range of potential cash outflows and collateral needs in a stressed environment. A primary liquidity principle is to pre-fund our estimated potential cash and collateral needs during a liquidity crisis and hold this liquidity in the form of unencumbered, highly liquid securities and cash. We believe that the securities held in our GCLA would be readily convertible to cash in a matter of days, through liquidation, by entering into repurchase agreements or from maturities of resale agreements, and that this cash would allow us to meet immediate obligations without needing to sell other assets or depend on additional funding from credit-sensitive markets.

Our GCLA reflects the following principles:

- The first days or weeks of a liquidity crisis are the most critical to a company's survival;
- Focus must be maintained on all potential cash and collateral outflows, not just disruptions to financing flows. Our businesses are diverse, and our liquidity needs are determined by many factors, including market movements, collateral requirements and client commitments, all of which can change dramatically in a difficult funding environment;
- During a liquidity crisis, credit-sensitive funding, including unsecured debt, certain deposits and some types of secured financing agreements, may be unavailable, and the terms (e.g., interest rates, collateral provisions and tenor) or availability of other types of secured financing may change and certain deposits may be withdrawn; and
- As a result of our policy to pre-fund liquidity that we estimate may be needed in a crisis, we hold more unencumbered securities and have larger funding balances than our businesses would otherwise require. We believe that our liquidity is stronger with greater balances of highly liquid unencumbered securities, even though it increases our total assets and our funding costs.

We maintain our GCLA across Group Inc., Goldman Sachs Funding LLC (Funding IHC) and Group Inc.'s major broker-dealer and bank subsidiaries, asset types and clearing agents to provide us with sufficient operating liquidity to ensure timely settlement in all major markets, even in a difficult funding environment. In addition to the GCLA, we maintain cash balances and securities in several of our other entities, primarily for use in specific currencies, entities or jurisdictions where we do not have immediate access to parent company liquidity.

Asset-Liability Management. Our liquidity risk management policies are designed to ensure we have a sufficient amount of financing, even when funding markets experience persistent stress. We manage the maturities and diversity of our funding across markets, products and counterparties, and seek to maintain a diversified funding profile with an appropriate tenor, taking into consideration the characteristics and liquidity profile of our assets.

Our approach to asset-liability management includes:

- Conservatively managing the overall characteristics of our funding book, with a focus on maintaining long-term, diversified sources of funding in excess of our current requirements. See "Balance Sheet and Funding Sources — Funding Sources" for further information;
- Actively managing and monitoring our asset base, with particular focus on the liquidity, holding period and ability to fund assets on a secured basis. We assess our funding requirements and our ability to liquidate assets in a stressed environment while appropriately managing risk. This enables us to determine the most appropriate funding products and tenors. See "Balance Sheet and Funding Sources — Balance Sheet Management" for further information about our balance sheet management process and "— Funding Sources — Secured Funding" for further information about asset classes that may be harder to fund on a secured basis; and
- Raising secured and unsecured financing that has a long tenor relative to the liquidity profile of our assets. This reduces the risk that our liabilities will come due in advance of our ability to generate liquidity from the sale of our assets. Because we maintain a highly liquid balance sheet, the holding period of certain of our assets may be materially shorter than their contractual maturity dates.

Our goal is to ensure that we maintain sufficient liquidity to fund our assets and meet our contractual and contingent obligations in normal times, as well as during periods of market stress. Through our dynamic balance sheet management process, we use actual and projected asset balances to determine secured and unsecured funding requirements. Funding plans are reviewed and approved by the Firmwide Asset Liability Committee. In addition, our independent risk oversight and control functions analyze, and the Firmwide Asset Liability Committee reviews, our consolidated total capital position (unsecured long-term borrowings plus total shareholders' equity) so that we maintain a level of long-term funding that is sufficient to meet our long-term financing requirements. In a liquidity crisis, we would first use our GCLA in order to avoid reliance on asset sales (other than our GCLA). However, we recognize that orderly asset sales may be prudent or necessary in a severe or persistent liquidity crisis.

Management's Discussion and Analysis

Subsidiary Funding Policies

The majority of our unsecured borrowings is raised by Group Inc., which provides the necessary funds to Funding IHC and other subsidiaries, some of which are regulated, to meet their asset financing, liquidity and capital requirements. In addition, Group Inc. provides its regulated subsidiaries with the necessary capital to meet their regulatory requirements. The benefits of this approach to subsidiary funding are enhanced control and greater flexibility to meet the funding requirements of our subsidiaries. Funding is also raised at the subsidiary level through a variety of products, including deposits, secured funding and unsecured borrowings.

Our intercompany funding policies assume that a subsidiary's funds or securities are not freely available to its parent, Funding IHC or other subsidiaries unless (i) legally provided for and (ii) there are no additional regulatory, tax or other restrictions. In particular, many of our subsidiaries are subject to laws that authorize regulatory bodies to block or reduce the flow of funds from those subsidiaries to Group Inc. or Funding IHC. Regulatory action of that kind could impede access to funds that Group Inc. needs to make payments on its obligations. Accordingly, we assume that the capital provided to our regulated subsidiaries is not available to Group Inc. or other subsidiaries and any other financing provided to our regulated subsidiaries is not available to Group Inc. or Funding IHC until the maturity of such financing.

Group Inc. has provided substantial amounts of equity and subordinated indebtedness, directly or indirectly, to its regulated subsidiaries. For example, as of September 2023, Group Inc. had \$37.44 billion of equity and subordinated indebtedness invested in GS&Co., its principal U.S. registered broker-dealer; \$48.77 billion invested in GSI, a regulated U.K. broker-dealer; \$2.29 billion invested in GSJCL, a regulated Japanese broker-dealer; \$55.33 billion invested in GS Bank USA, a regulated New York State-chartered bank; and \$4.72 billion invested in GSIB, a regulated U.K. bank. Group Inc. also provides financing, directly or indirectly, in the form of: \$96.60 billion of unsubordinated loans (including secured loans of \$21.11 billion) and \$43.03 billion of collateral and cash deposits to these entities as of September 2023. In addition, as of September 2023, Group Inc. had significant amounts of capital invested in and loans to its other regulated subsidiaries.

Contingency Funding Plan. We maintain a contingency funding plan to provide a framework for analyzing and responding to a liquidity crisis situation or periods of market stress. Our contingency funding plan outlines a list of potential risk factors, key reports and metrics that are reviewed on an ongoing basis to assist in assessing the severity of, and managing through, a liquidity crisis and/or market dislocation. The contingency funding plan also describes in detail our potential responses if our assessments indicate that we have entered a liquidity crisis, which include pre-funding for what we estimate will be our potential cash and collateral needs, as well as utilizing secondary sources of liquidity. Mitigants and action items to address specific risks which may arise are also described and assigned to individuals responsible for execution.

The contingency funding plan identifies key groups of individuals and their responsibilities, which include fostering effective coordination, control and distribution of information, implementing liquidity maintenance activities and managing internal and external communication, all of which are critical in the management of a crisis or period of market stress.

Stress Tests

In order to determine the appropriate size of our GCLA, we model liquidity outflows over a range of scenarios and time horizons. One of our primary internal liquidity risk models, referred to as the Modeled Liquidity Outflow, quantifies our liquidity risks over a 30-day stress scenario. We also consider other factors, including, but not limited to, an assessment of our potential intraday liquidity needs through an additional internal liquidity risk model, referred to as the Intraday Liquidity Model, the results of our long-term stress testing models, our resolution liquidity models and other applicable regulatory requirements and a qualitative assessment of our condition, as well as the financial markets. The results of the Modeled Liquidity Outflow, the Intraday Liquidity Model, the long-term stress testing models and the resolution liquidity models are reported to senior management on a regular basis. We also perform firmwide stress tests. See "Overview and Structure of Risk Management" for information about firmwide stress tests.

Management's Discussion and Analysis

Modeled Liquidity Outflow. Our Modeled Liquidity Outflow is based on conducting multiple scenarios that include combinations of market-wide and firm-specific stress. These scenarios are characterized by the following qualitative elements:

- Severely challenged market environments, which include low consumer and corporate confidence, financial and political instability, and adverse changes in market values, including potential declines in equity markets and widening of credit spreads; and
- A firm-specific crisis potentially triggered by material losses, reputational damage, litigation and/or a ratings downgrade.

The following are key modeling elements of our Modeled Liquidity Outflow:

- Liquidity needs over a 30-day scenario;
- A two-notch downgrade of our long-term senior unsecured credit ratings;
- Changing conditions in funding markets, which limit our access to unsecured and secured funding;
- No support from additional government funding facilities. Although we have access to various central bank funding programs, we do not assume reliance on additional sources of funding in a liquidity crisis; and
- A combination of contractual outflows and contingent outflows arising from both our on- and off-balance sheet arrangements. Contractual outflows include, among other things, upcoming maturities of unsecured debt, term deposits and secured funding. Contingent outflows include, among other things, the withdrawal of customer credit balances in our prime brokerage business, increase in variation margin requirements due to adverse changes in the value of our exchange-traded and OTC-cleared derivatives, draws on unfunded commitments and withdrawals of deposits that have no contractual maturity. See notes to the consolidated financial statements for further information about contractual outflows, including Note 11 for collateralized financings, Note 13 for deposits, Note 14 for unsecured long-term borrowings and Note 15 for operating lease payments, and "Off-Balance Sheet Arrangements" for further information about our various types of off-balance sheet arrangements.

Intraday Liquidity Model. Our Intraday Liquidity Model measures our intraday liquidity needs in a scenario where access to sources of intraday liquidity may become constrained. The intraday liquidity model considers a variety of factors, including historical settlement activity.

Long-Term Stress Testing. We utilize longer-term stress tests to take a forward view on our liquidity position through prolonged stress periods in which we experience a severe liquidity stress and recover in an environment that continues to be challenging. We are focused on ensuring conservative asset-liability management to prepare for a prolonged period of potential stress, seeking to maintain a diversified funding profile with an appropriate tenor, taking into consideration the characteristics and liquidity profile of our assets.

Resolution Liquidity Models. In connection with our resolution planning efforts, we have established our Resolution Liquidity Adequacy and Positioning framework, which estimates liquidity needs of our major subsidiaries in a stressed environment. The liquidity needs are measured using our Modeled Liquidity Outflow assumptions and include certain additional inter-affiliate exposures. We have also established our Resolution Liquidity Execution Need framework, which measures the liquidity needs of our major subsidiaries to stabilize and wind down following a Group Inc. bankruptcy filing in accordance with our preferred resolution strategy.

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

Limits

We use liquidity risk limits at various levels and across liquidity risk types to manage the size of our liquidity exposures. Limits are measured relative to acceptable levels of risk given our liquidity risk tolerance. See "Overview and Structure of Risk Management" for information about the limit approval process.

Limits are monitored by Treasury and Liquidity Risk. Liquidity Risk is responsible for identifying and escalating to senior management and/or the appropriate risk committee, on a timely basis, instances where limits have been exceeded.

GCLA and Unencumbered Metrics

GCLA. Based on the results of our internal liquidity risk models, described above, as well as our consideration of other factors, including, but not limited to, a qualitative assessment of our condition, as well as the financial markets, we believe our liquidity position as of both September 2023 and December 2022 was appropriate. We strictly limit our GCLA to a narrowly defined list of securities and cash because they are highly liquid, even in a difficult funding environment. We do not include other potential sources of excess liquidity in our GCLA, such as less liquid unencumbered securities or committed credit facilities.

Management's Discussion and Analysis

The table below presents information about our GCLA.

\$ in millions	Average for the Three Months Ended	
	September 2023	June 2023
Denomination		
U.S. dollar	\$ 274,279	\$ 290,232
Non-U.S. dollar	131,425	119,417
Total	\$ 405,704	\$ 409,649
Asset Class		
Overnight cash deposits	\$ 243,478	\$ 238,560
U.S. government obligations	120,301	138,231
U.S. agency obligations	17,290	12,835
Non-U.S. government obligations	24,635	20,023
Total	\$ 405,704	\$ 409,649
Entity Type		
Group Inc. and Funding IHC	\$ 61,014	\$ 72,470
Major broker-dealer subsidiaries	116,077	114,777
Major bank subsidiaries	228,613	222,402
Total	\$ 405,704	\$ 409,649

In the table above:

- The U.S. dollar-denominated GCLA consists of (i) unencumbered U.S. government and agency obligations (including highly liquid U.S. agency mortgage-backed obligations), all of which are eligible as collateral in Federal Reserve open market operations and (ii) certain overnight U.S. dollar cash deposits.
- The non-U.S. dollar-denominated GCLA consists of non-U.S. government obligations (only unencumbered German, French, Japanese and U.K. government obligations) and certain overnight cash deposits in highly liquid currencies.

We maintain our GCLA to enable us to meet current and potential liquidity requirements of our parent company, Group Inc., and its subsidiaries. Our Modeled Liquidity Outflow and Intraday Liquidity Model incorporate a requirement for Group Inc., as well as a standalone requirement for each of our major broker-dealer and bank subsidiaries. Funding IHC is required to provide the necessary liquidity to Group Inc. during the ordinary course of business, and is also obligated to provide capital and liquidity support to major subsidiaries in the event of our material financial distress or failure. Liquidity held directly in each of our major broker-dealer and bank subsidiaries is intended for use only by that subsidiary to meet its liquidity requirements and is assumed not to be available to Group Inc. or Funding IHC unless (i) legally provided for and (ii) there are no additional regulatory, tax or other restrictions. In addition, the Modeled Liquidity Outflow and Intraday Liquidity Model also incorporate a broader assessment of standalone liquidity requirements for other subsidiaries and we hold a portion of our GCLA directly at Group Inc. or Funding IHC to support such requirements.

Other Unencumbered Assets. In addition to our GCLA, we have a significant amount of other unencumbered cash and financial instruments, including other government obligations, high-grade money market securities, corporate obligations, marginable equities, loans and cash deposits not included in our GCLA. The fair value of our unencumbered assets averaged \$278.41 billion for the three months ended September 2023 and \$277.04 billion for the three months ended June 2023. We do not consider these assets liquid enough to be eligible for our GCLA.

Liquidity Regulatory Framework

We are subject to a minimum Liquidity Coverage Ratio (LCR) under the LCR rule approved by the U.S. federal bank regulatory agencies. The LCR rule requires organizations to maintain an adequate ratio of eligible high-quality liquid assets (HQLA) to expected net cash outflows under an acute, short-term liquidity stress scenario. Eligible HQLA excludes HQLA held by subsidiaries that is in excess of their minimum requirement and is subject to transfer restrictions. We are required to maintain a minimum LCR of 100%. We expect that fluctuations in client activity, business mix and the market environment will impact our LCR.

The table below presents information about our average daily LCR.

\$ in millions	Average for the Three Months Ended	
	September 2023	June 2023
Total HQLA	\$397,758	\$405,552
Eligible HQLA	\$316,291	\$330,507
Net cash outflows	\$253,238	\$262,258
LCR	125%	126%

In the table above, our average quarterly LCR represents the average of our daily LCRs during the quarter.

We are also subject to a minimum Net Stable Funding Ratio (NSFR) under the NSFR rule approved by the U.S. federal bank regulatory agencies. The NSFR rule requires large U.S. banking organizations to maintain available stable funding (ASF) above their required stable funding (RSF) over a one-year time horizon. Total ASF excludes ASF held by subsidiaries that is in excess of their minimum requirement and is subject to transfer restrictions. We are required to maintain a minimum NSFR of 100%. We expect that fluctuations in client activity, business mix and the market environment will impact our NSFR.

The table below presents information about our average daily NSFR.

\$ in millions	Average for the Three Months Ended	
	September 2023	June 2023
Total ASF	\$617,341	\$621,274
Total RSF	\$529,635	\$547,907
NSFR	117%	113%

In the table above, our average quarterly NSFR represents the average of our daily NSFRs during the quarter.

Management's Discussion and Analysis

The following provides information about our subsidiary liquidity regulatory requirements:

- **GS Bank USA.** GS Bank USA is subject to a minimum LCR of 100% under the LCR rule approved by the U.S. federal bank regulatory agencies. As of September 2023, GS Bank USA's LCR exceeded the minimum requirement. The NSFR requirement described above also applies to GS Bank USA. As of September 2023, GS Bank USA's NSFR exceeded the minimum requirement.
- **GSI and GSIB.** GSI and GSIB are subject to a minimum LCR of 100% under the LCR rule approved by the U.K. regulatory authorities. GSI's and GSIB's average monthly LCR for the trailing twelve-month period ended September 2023 exceeded the minimum requirement. GSI and GSIB are subject to the applicable NSFR requirement in the U.K. As of September 2023, both GSI's and GSIB's NSFR exceeded the minimum requirement.
- **GSBE.** GSBE is subject to a minimum LCR of 100% under the LCR rule approved by the European Parliament and Council. GSBE's average monthly LCR for the trailing twelve-month period ended September 2023 exceeded the minimum requirement. GSBE is subject to the applicable NSFR requirement in the E.U. As of September 2023, GSBE's NSFR exceeded the minimum requirement.
- **Other Subsidiaries.** We monitor local regulatory liquidity requirements of our subsidiaries to ensure compliance. For many of our subsidiaries, these requirements either have changed or are likely to change in the future due to the implementation of the Basel Committee's framework for liquidity risk measurement, standards and monitoring, as well as other regulatory developments.

The implementation of these rules and any amendments adopted by the regulatory authorities could impact our liquidity and funding requirements and practices in the future.

Credit Ratings

We rely on the short- and long-term debt capital markets to fund a significant portion of our day-to-day operations, and the cost and availability of debt financing is influenced by our credit ratings. Credit ratings are also important when we are competing in certain markets, such as OTC derivatives, and when we seek to engage in longer-term transactions. See "Risk Factors" in Part I, Item 1A of the 2022 Form 10-K for information about the risks associated with a reduction in our credit ratings.

The table below presents the unsecured credit ratings and outlook of Group Inc.

	As of September 2023				
	DBRS	Fitch	Moody's	R&I	S&P
Short-term debt	R-1 (middle)	F1	P-1	a-1	A-2
Long-term debt	A (high)	A	A2	A	BBB+
Subordinated debt	A	BBB+	Baa2	A-	BBB
Trust preferred	A	BBB-	Baa3	N/A	BB+
Preferred stock	BBB (high)	BBB-	Ba1	N/A	BB+
Ratings outlook	Stable	Stable	Stable	Stable	Stable

In the table above:

- The ratings and outlook are by DBRS, Inc. (DBRS), Fitch, Inc. (Fitch), Moody's Investors Service (Moody's), Rating and Investment Information, Inc. (R&I), and Standard & Poor's Ratings Services (S&P).
- The ratings for trust preferred relate to the guaranteed preferred beneficial interests issued by Goldman Sachs Capital I.
- The DBRS, Fitch, Moody's and S&P ratings for preferred stock include the APEX issued by Goldman Sachs Capital II and Goldman Sachs Capital III.

Management's Discussion and Analysis

The table below presents the unsecured credit ratings and outlook of GS Bank USA, GSIB, GSBE, GS&Co. and GSI.

	As of September 2023		
	Fitch	Moody's	S&P
GS Bank USA			
Short-term debt	F1	P-1	A-1
Long-term debt	A+	A1	A+
Short-term bank deposits	F1+	P-1	N/A
Long-term bank deposits	AA-	A1	N/A
Ratings outlook	Stable	Stable	Stable
GSIB			
Short-term debt	F1	P-1	A-1
Long-term debt	A+	A1	A+
Short-term bank deposits	F1	P-1	N/A
Long-term bank deposits	A+	A1	N/A
Ratings outlook	Stable	Stable	Stable
GSBE			
Short-term debt	F1	P-1	A-1
Long-term debt	A+	A1	A+
Short-term bank deposits	N/A	P-1	N/A
Long-term bank deposits	N/A	A1	N/A
Ratings outlook	Stable	Stable	Stable
GS&Co.			
Short-term debt	F1	N/A	A-1
Long-term debt	A+	N/A	A+
Ratings outlook	Stable	N/A	Stable
GSI			
Short-term debt	F1	P-1	A-1
Long-term debt	A+	A1	A+
Ratings outlook	Stable	Stable	Stable

We believe our credit ratings are primarily based on the credit rating agencies' assessment of:

- Our liquidity, market, credit and operational risk management practices;
- Our level and variability of earnings;
- Our capital base;
- Our franchise, reputation and management;
- Our corporate governance; and
- The external operating and economic environment, including, in some cases, the assumed level of government support or other systemic considerations, such as potential resolution.

Certain of our derivatives have been transacted under bilateral agreements with counterparties who may require us to post collateral or terminate the transactions based on changes in our credit ratings. We manage our GCLA to ensure we would, among other potential requirements, be able to make the additional collateral or termination payments that may be required in the event of a two-notch reduction in our long-term credit ratings, as well as collateral that has not been called by counterparties, but is available to them.

See Note 7 to the consolidated financial statements for further information about derivatives with credit-related contingent features and the additional collateral or termination payments related to our net derivative liabilities under bilateral agreements that could have been called by counterparties in the event of a one- or two-notch downgrade in our credit ratings.

Cash Flows

As a global financial institution, our cash flows are complex and bear little relation to our net earnings and net assets. Consequently, we believe that traditional cash flow analysis is less meaningful in evaluating our liquidity position than the liquidity and asset-liability management policies described above. Cash flow analysis may, however, be helpful in highlighting certain macro trends and strategic initiatives in our businesses.

Nine Months Ended September 2023. Our cash and cash equivalents decreased by \$1.95 billion to \$239.88 billion at the end of the third quarter of 2023, primarily due to net cash used for investing activities and the effect of exchange rate changes on cash and cash equivalents, partially offset by net cash provided by operating activities. The net cash used for investing activities primarily reflected net purchases of investments (primarily U.S. government obligations accounted for as held-to-maturity securities). The decrease in net cash and cash equivalents as a result of changes in foreign exchange rates was due to the U.S. dollar strengthening during the first nine months of 2023. The net cash provided by operating activities primarily reflected cash inflows from collateralized transactions (reflecting both an increase in collateralized financings and a decrease in collateralized agreements), partially offset by cash outflows from trading assets.

Nine Months Ended September 2022. Our cash and cash equivalents increased by \$23.22 billion to \$284.25 billion at the end of the third quarter of 2022, due to net cash provided by financing and operating activities, partially offset by net cash used for investing activities and the effect of exchange rate changes on cash and cash equivalents. The net cash provided by financing activities primarily reflected cash inflows from deposits (reflecting increases in transaction banking, deposit sweep program balances, brokered certificates of deposit, and consumer deposits, partially offset by a decrease in other deposits) and net issuance of unsecured long-term borrowings. The net cash provided by operating activities primarily reflected cash inflows from trading liabilities and customer and other receivables and payables, net (reflecting both an increase in customer and other payables and in customer and other receivables), partially offset by cash outflows from trading assets. The net cash used for investing activities primarily reflected purchases of investments (primarily U.S. government obligations accounted for as held-to-maturity) and an increase in net lending activities (reflecting increases in corporate, consumer and wealth management loans). The decrease in net cash and cash equivalents as a result of changes in foreign exchange rates was due to the U.S. dollar strengthening during the first nine months of 2022.

Management's Discussion and Analysis

Market Risk Management

Overview

Market risk is the risk of an adverse impact to our earnings due to changes in market conditions. Our assets and liabilities that give rise to market risk primarily include positions held for market making for our clients and for our investing and financing activities, and these positions change based on client demands and our investment opportunities. We employ a variety of risk measures, each described in the respective sections below, to monitor market risk. Categories of market risk include the following:

- Interest rate risk: results from exposures to changes in the level, slope and curvature of yield curves, the volatilities of interest rates, prepayment speeds and credit spreads;
- Equity price risk: results from exposures to changes in prices and volatilities of individual equities, baskets of equities and equity indices;
- Currency rate risk: results from exposures to changes in spot prices, forward prices and volatilities of currency rates; and
- Commodity price risk: results from exposures to changes in spot prices, forward prices and volatilities of commodities, such as crude oil, petroleum products, natural gas, electricity, and precious and base metals.

Market Risk, which is independent of our revenue-producing units and reports to our chief risk officer, has primary responsibility for assessing, monitoring and managing our market risk through firmwide oversight across our global businesses.

Managers in revenue-producing units, Treasury and Market Risk discuss market information, positions and estimated loss scenarios on an ongoing basis. Managers in revenue-producing units and Treasury are accountable for managing risk within prescribed limits. These managers have in-depth knowledge of their positions, markets and the instruments available to hedge their exposures.

Market Risk Management Process

Our process for managing market risk includes the critical components of our risk management framework described in the "Overview and Structure of Risk Management," as well as the following:

- Monitoring compliance with established market risk limits and reporting our exposures;
- Diversifying exposures;
- Controlling position sizes; and
- Evaluating mitigants, such as economic hedges in related securities or derivatives.

Our market risk management systems enable us to perform an independent calculation of Value-at-Risk (VaR), Earnings-at-Risk (EaR) and other stress measures, capture risk measures at individual position levels, attribute risk measures to individual risk factors of each position, report many different views of the risk measures (e.g., by desk, business, product type or entity) and produce ad hoc analyses in a timely manner.

Risk Measures

We produce risk measures and monitor them against established market risk limits. These measures reflect an extensive range of scenarios and the results are aggregated at product, business and firmwide levels.

We use a variety of risk measures to estimate the size of potential losses for both moderate and more extreme market moves over both short- and long-term time horizons. Our primary risk measures are VaR, EaR and other stress tests.

Our risk reports detail key risks, drivers and changes for each desk and business, and are distributed daily to senior management of both our revenue-producing units and our independent risk oversight and control functions.

Value-at-Risk. VaR is the potential loss in value due to adverse market movements over a defined time horizon with a specified confidence level. For assets and liabilities included in VaR, see "Financial Statement Linkages to Market Risk Measures." We typically employ a one-day time horizon with a 95% confidence level. We use a single VaR model, which captures risks, including those related to interest rates, equity prices, currency rates and commodity prices. As such, VaR facilitates comparison across portfolios of different risk characteristics. VaR also captures the diversification of aggregated risk at the firmwide level.

Management's Discussion and Analysis

We are aware of the inherent limitations to VaR and therefore use a variety of risk measures in our market risk management process. Inherent limitations to VaR include:

- VaR does not estimate potential losses over longer time horizons where moves may be extreme;
- VaR does not take account of the relative liquidity of different risk positions; and
- Previous moves in market risk factors may not produce accurate predictions of all future market moves.

To comprehensively capture our exposures and relevant risks in our VaR calculation, we use historical simulations with full valuation of market factors at the position level by simultaneously shocking the relevant market factors for that position. These market factors include spot prices, credit spreads, funding spreads, yield curves, volatility and correlation, and are updated periodically based on changes in the composition of positions, as well as variations in market conditions. We sample from five years of historical data to generate the scenarios for our VaR calculation. The historical data is weighted so that the relative importance of the data reduces over time. This gives greater importance to more recent observations and reflects current asset volatilities, which improves the accuracy of our estimates of potential loss. As a result, even if our positions included in VaR were unchanged, our VaR would increase with increasing market volatility and vice versa.

Given its reliance on historical data, VaR is most effective in estimating risk exposures in markets in which there are no sudden fundamental changes or shifts in market conditions.

Our VaR measure does not include:

- Positions that are not accounted for at fair value, such as held-to-maturity securities and loans, deposits and unsecured borrowings that are accounted for at amortized cost;
- Available-for-sale securities for which the related unrealized fair value gains and losses are included in accumulated other comprehensive income/(loss);
- Positions that are best measured and monitored using sensitivity measures; and
- The impact of changes in counterparty and our own credit spreads on derivatives, as well as changes in our own credit spreads on financial liabilities for which the fair value option was elected.

We perform daily backtesting of our VaR model (i.e., comparing daily net revenues for positions included in VaR to the VaR measure calculated as of the prior business day) at the firmwide level and for each of our businesses and major regulated subsidiaries.

Earnings-at-Risk. We manage our interest rate risk using the EaR metric. EaR measures the estimated impact of changes in interest rates to our net revenues and preferred stock dividends over a defined time horizon. EaR complements the VaR metric, which measures the impact of interest rate changes that have an immediate impact on the fair values of our assets and liabilities (i.e., mark-to-market changes). Our exposure to interest rate risk occurs due to a variety of factors, including, but not limited to:

- Differences in maturity or repricing dates of assets, liabilities, preferred stock and certain off-balance sheet instruments.
- Differences in the amounts of assets, liabilities, preferred stock and certain off-balance sheet instruments with the same maturity or repricing dates.
- Certain interest rate sensitive fees.

Treasury manages the aggregated interest rate risk from all businesses through our investment securities portfolio and interest rate derivatives. We measure EaR over a one-year time horizon following a 100-basis point instantaneous parallel shock in both short- and long-term interest rates. This sensitivity is calculated relative to a baseline market scenario, which takes into consideration, among other things, the market's expectation of forward rates, as well as our expectation of future business activity. This scenario includes contractual elements of assets, liabilities, preferred stock, and certain off-balance sheet instruments, such as rates of interest, principal repayment schedules, maturity and reset dates, and any interest rate ceilings or floors, as well as assumptions with respect to our balance sheet size and composition, deposit repricing and prepayment behavior. We manage EaR with a goal to reduce potential volatility resulting from changes in interest rates so it remains within our EaR risk appetite. Our EaR scenario is regularly evaluated and updated, if necessary, to reflect changes in our business plans, market conditions and other macroeconomic factors. While management uses the best information available to estimate EaR, actual results may differ materially as a result of, among other things, changes in the economic environment or assumptions used in the process.

Risk, which is independent of our revenue-producing units, and Treasury, have primary responsibility for assessing and monitoring EaR through firmwide oversight, including oversight of EaR stress testing and assumptions, and the establishment of our EaR risk appetite.

Management's Discussion and Analysis

Stress Testing. Stress testing is a method of determining the effect of various hypothetical stress scenarios. In addition to EaR, we use other stress tests to examine risks of specific portfolios, as well as the potential impact of our significant risk exposures. We use a variety of stress testing techniques to calculate the potential loss from a wide range of market moves on our portfolios, including firmwide stress tests, sensitivity analysis and scenario analysis. The results of our various stress tests are analyzed together for risk management purposes. See “Overview and Structure of Risk Management” for information about firmwide stress tests.

Sensitivity analysis is used to quantify the impact of a market move in a single risk factor across all positions (e.g., equity prices or credit spreads) using a variety of defined market shocks, ranging from those that could be expected over a one-day time horizon up to those that could take many months to occur. We also use sensitivity analysis to quantify the impact of the default of any single entity, which captures the risk of large or concentrated exposures.

Scenario analysis is used to quantify the impact of a specified event, including how the event impacts multiple risk factors simultaneously. For example, for sovereign stress testing we calculate potential direct exposure associated with our sovereign positions, as well as the corresponding debt, equity and currency exposures associated with our non-sovereign positions that may be impacted by the sovereign distress. When conducting scenario analysis, we often consider a number of possible outcomes for each scenario, ranging from moderate to severely adverse market impacts. In addition, these stress tests are constructed using both historical events and forward-looking hypothetical scenarios.

Unlike VaR measures, which have an implied probability because they are calculated at a specified confidence level, there may not be an implied probability that our stress testing scenarios will occur. Instead, stress testing is used to model both moderate and more extreme moves in underlying market factors. When estimating potential loss, we generally assume that our positions cannot be reduced or hedged (although experience demonstrates that we are generally able to do so).

Limits

We use market risk limits at various levels to manage the size of our market exposures. These limits are set based on VaR, EaR and on a range of stress tests relevant to our exposures. See “Overview and Structure of Risk Management” for information about the limit approval process.

Limits are monitored by Treasury and Risk. Risk is responsible for identifying and escalating to senior management and/or the appropriate risk committee, on a timely basis, instances where limits have been exceeded (e.g., due to positional changes or changes in market conditions, such as increased volatilities or changes in correlations). Such instances are remediated by a reduction in the positions we hold and/or a temporary or permanent increase to the limit, if warranted.

Metrics

We analyze VaR at the firmwide level and a variety of more detailed levels, including by risk category, business and region. Diversification effect in the tables below represents the difference between total VaR and the sum of the VaRs for the four risk categories. This effect arises because the four market risk categories are not perfectly correlated.

During the first quarter of 2023, we added the currency exposure on certain debt and equity positions to VaR and removed certain debt and equity positions (and related hedges) from VaR as our management believes that the risk of these positions is more appropriately measured and monitored using 10% sensitivity measures. Prior period amounts for average daily VaR, period end VaR and high and low VaR have been conformed to the current presentation. The impact of such changes to prior period total VaR was not material. Substantially all positions in VaR are included within Global Banking & Markets.

The table below presents our average daily VaR.

	Three Months Ended			Nine Months Ended September	
	September	June	September	2023	2022
<i>\$ in millions</i>	2023	2023	2022	2023	2022
Categories					
Interest rates	\$ 88	\$ 118	\$ 111	\$ 99	\$ 96
Equity prices	28	31	35	29	37
Currency rates	19	25	33	26	29
Commodity prices	18	16	51	19	54
Diversification effect	(66)	(73)	(102)	(72)	(100)
Total	\$ 87	\$ 117	\$ 128	\$ 101	\$ 116

Our average daily VaR decreased to \$87 million for the three months ended September 2023 from \$117 million for the three months ended June 2023, primarily due to lower levels of volatility. The total decrease was primarily driven by decreases in the interest rates, currency rates and equity prices categories, partially offset by a decrease in the diversification effect.

Our average daily VaR decreased to \$87 million for the three months ended September 2023 from \$128 million for the three months ended September 2022, due to lower levels of volatility, partially offset by increased exposures. The total decrease was primarily driven by decreases in the commodity prices, interest rates and currency rates categories, partially offset by a decrease in the diversification effect.

Management's Discussion and Analysis

Our average daily VaR decreased to \$101 million for the nine months ended September 2023 from \$116 million for the nine months ended September 2022, due to lower levels of volatility, partially offset by increased exposures. The total decrease was primarily driven by decreases in the commodity prices and equity prices categories, partially offset by a decrease in the diversification effect.

The table below presents our period-end VaR.

\$ in millions	As of			
	September 2023	June 2023	September 2022	
Categories				
Interest rates	\$ 78	\$ 105	\$ 94	
Equity prices	24	26	39	
Currency rates	18	19	41	
Commodity prices	19	18	35	
Diversification effect	(54)	(69)	(101)	
Total	\$ 85	\$ 99	\$ 108	

Our period-end VaR decreased to \$85 million as of September 2023 from \$99 million as of June 2023, primarily due to lower levels of volatility. The total decrease was primarily driven by a decrease in the interest rates category, partially offset by decrease in the diversification effect.

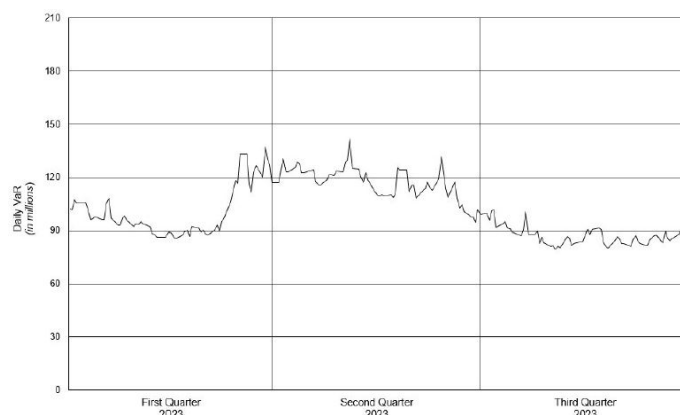
Our period-end VaR decreased to \$85 million as of September 2023 from \$108 million as of September 2022, due to lower levels of volatility, partially offset by increased exposures. The total decrease was driven by decreases in the currency rates, interest rates, commodity prices and equity prices categories, partially offset by a decrease in the diversification effect.

During the nine months ended September 2023, the firmwide VaR risk limit was not exceeded and there were no permanent changes to the firmwide VaR risk limit. However, the firmwide VaR risk limit was temporarily changed on four occasions as a result of changes in the market environment in the first half of 2023. During 2022, the firmwide VaR risk limit was exceeded on six occasions (all of which occurred during March 2022) primarily due to higher levels of volatility generally resulting from broad macroeconomic and geopolitical concerns. These limit breaches were resolved by temporary increases in the firmwide VaR risk limit and subsequent risk reductions. During this period, the firmwide VaR risk limit was also permanently increased due to higher levels of volatility.

The table below presents our high and low VaR.

\$ in millions	Three Months Ended					
	September 2023		June 2023		September 2022	
	High	Low	High	Low	High	Low
Categories						
Interest rates	\$ 111	\$ 78	\$ 141	\$ 97	\$ 137	\$ 92
Equity prices	\$ 49	\$ 23	\$ 42	\$ 22	\$ 48	\$ 29
Currency rates	\$ 26	\$ 14	\$ 36	\$ 17	\$ 51	\$ 20
Commodity prices	\$ 23	\$ 15	\$ 21	\$ 11	\$ 67	\$ 35
Firmwide						
VaR	\$ 102	\$ 79	\$ 142	\$ 95	\$ 155	\$ 102

The chart below presents our daily VaR for the nine months ended September 2023.



The table below presents, by number of business days, the frequency distribution of our daily net revenues for positions included in VaR.

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2023	2022	2023	2022
>\$100	13	22	47	77
\$75 – \$100	13	8	32	27
\$50 – \$75	12	8	40	20
\$25 – \$50	19	9	34	22
\$0 – \$25	4	8	14	20
\$(25) – \$0	2	4	16	10
\$(50) – \$(25)	–	3	2	6
\$(75) – \$(50)	–	–	1	2
\$(100) – \$(75)	–	1	–	1
<\$(100)	–	1	1	3
Total	63	64	187	188

In the table above, the frequency distribution of daily net revenues reflects the impact of the change in VaR described above. Prior period amounts have been conformed to the current presentation.

Daily net revenues for positions included in VaR are compared with VaR calculated as of the end of the prior business day. Net losses incurred on a single day for such positions did not exceed our 95% one-day VaR (i.e., a VaR exception) during both the three months ended September 2023 and September 2022. There was one VaR exception during the nine months ended September 2023 and two VaR exceptions during the nine months ended September 2022.

During periods in which we have significantly more positive net revenue days than net revenue loss days, we expect to have fewer VaR exceptions because, under normal conditions, our business model generally produces positive net revenues. In periods in which our franchise revenues are adversely affected, we generally have more loss days, resulting in more VaR exceptions. The daily net revenues for positions included in VaR used to determine VaR exceptions reflect the impact of any intraday activity, including bid/offer net revenues, which are more likely than not to be positive by their nature.

Management's Discussion and Analysis

Sensitivity Measures

Certain portfolios and individual positions are not included in VaR because VaR is not the most appropriate risk measure. Other sensitivity measures we use to analyze market risk are described below.

10% Sensitivity Measures. The table below presents our market risk by asset category for positions accounted for at fair value or accounted for at the lower of cost or fair value, that are not included in VaR.

\$ in millions	September 2023	As of	
		June 2023	September 2022
Equity	\$ 1,528	\$ 1,527	\$ 1,589
Debt	2,662	2,382	2,504
Total	\$ 4,190	\$ 3,909	\$ 4,093

In the table above:

- The 10% sensitivity measures for equity and debt positions reflect the impact of the change in VaR described above. Prior period amounts have been conformed to the current presentation.
- As of September 2023, debt positions included approximately \$6.0 billion of GreenSky loans within Platform Solutions that were classified as held for sale. Substantially all of the remaining equity and debt positions in 10% sensitivity measures are included within Asset & Wealth Management.
- The market risk of these positions is determined by estimating the potential reduction in net revenues of a 10% decline in the value of the underlying positions.
- Equity positions relate to private and public equity securities, which primarily include investments in corporate, real estate and infrastructure assets.
- Debt positions include mezzanine and senior debt, and corporate and real estate loans.
- Funded equity and debt positions are included in our consolidated balance sheets in investments and loans, and the related hedges are included in our consolidated balance sheets in derivatives. See Note 8 to the consolidated financial statements for further information about investments, Note 9 to the consolidated financial statements for further information about loans and Note 7 to the consolidated financial statements for further information about derivatives.
- These measures do not reflect the diversification effect across asset categories or across other market risk measures.

Credit and Funding Spread Sensitivity on Derivatives and Financial Liabilities.

VaR excludes the impact of changes in counterparty credit spreads, our own credit spreads and unsecured funding spreads on derivatives, as well as changes in our own credit spreads (debt valuation adjustment) on financial liabilities for which the fair value option was elected. The estimated sensitivity to a one basis point increase in credit spreads (counterparty and our own) and unsecured funding spreads on derivatives (including hedges) was a loss of \$1 million as of both September 2023 and June 2023. In addition, the estimated sensitivity to a one basis point increase in our own credit spreads on financial liabilities for which the fair value option was elected was a gain of \$36 million as of September 2023 and \$39 million as of June 2023. However, the actual net impact of a change in our own credit spreads is also affected by the liquidity, duration and convexity (as the sensitivity is not linear to changes in yields) of those financial liabilities for which the fair value option was elected, as well as the relative performance of any hedges undertaken.

Earnings-at-Risk. The table below presents the impact of a parallel shift in rates on our net revenues and preferred stock dividends over the next 12 months relative to the baseline scenario.

\$ in millions	As of	
	September 2023	June 2023
+100 basis points parallel shift in rates	\$ 109	\$ 239
-100 basis points parallel shift in rates	\$ (98)	\$ (226)

In the table above, the EaR metric utilized various assumptions, including, among other things, balance sheet size and composition, deposit repricing and prepayment behavior, all of which have inherent uncertainties. The EaR metric does not represent a forecast of our net revenues and preferred stock dividends. As of September 2023, we expect our EaR sensitivity to scale approximately linearly with the size of an instantaneous parallel shock in interest rates of up to +/-200 basis points.

Other Market Risk Considerations

We make investments in securities that are accounted for as available-for-sale, held-to-maturity or under the equity method which are included in investments in the consolidated balance sheets. See Note 8 to the consolidated financial statements for further information.

Direct investments in real estate are accounted for at cost less accumulated depreciation. See Note 12 to the consolidated financial statements for further information about other assets.

Management's Discussion and Analysis

Financial Statement Linkages to Market Risk Measures

We employ a variety of risk measures, each described in the respective sections above, to monitor market risk across the consolidated balance sheets and consolidated statements of earnings. The related gains and losses on these positions are included in market making, other principal transactions, interest income and interest expense in the consolidated statements of earnings, and debt valuation adjustment and unrealized gains/(losses) on available-for-sale securities in the consolidated statements of comprehensive income.

The table below presents certain assets and liabilities accounted for at fair value or accounted for at the lower of cost or fair value in our consolidated balance sheets and the market risk measures used to assess those assets and liabilities.

Assets or Liabilities	Market Risk Measures
Collateralized agreements and financings	VaR
Customer and other receivables	10% Sensitivity Measures
Trading assets and liabilities	VaR Credit Spread Sensitivity 10% Sensitivity Measures
Investments	VaR 10% Sensitivity Measures
Loans	VaR 10% Sensitivity Measures
Other assets and liabilities	VaR
Deposits	VaR Credit Spread Sensitivity
Unsecured borrowings	VaR Credit Spread Sensitivity

In addition to the above, we measure the interest rate risk for all positions within our consolidated balance sheets using the EaR metric.

Credit Risk Management

Overview

Credit risk represents the potential for loss due to the default or deterioration in credit quality of a counterparty (e.g., an OTC derivatives counterparty or a borrower) or an issuer of securities or other instruments we hold. Our exposure to credit risk comes mostly from client transactions in OTC derivatives and loans and lending commitments. Credit risk also comes from cash placed with banks, securities financing transactions (i.e., resale and repurchase agreements and securities borrowing and lending activities) and customer and other receivables.

Credit Risk, which is independent of our revenue-producing units and reports to our chief risk officer, has primary responsibility for assessing, monitoring and managing our credit risk through firmwide oversight across our global businesses. In addition, we hold other positions that give rise to credit risk (e.g., bonds and secondary bank loans). These credit risks are captured as a component of market risk measures, which are monitored and managed by Market Risk. We also enter into derivatives to manage market risk exposures. Such derivatives also give rise to credit risk, which is monitored and managed by Credit Risk.

Credit Risk Management Process

Our process for managing credit risk includes the critical components of our risk management framework described in the "Overview and Structure of Risk Management," as well as the following:

- Monitoring compliance with established credit risk limits and reporting our credit exposures and credit concentrations;
- Establishing or approving underwriting standards;
- Assessing the likelihood that a counterparty will default on its payment obligations;
- Measuring our current and potential credit exposure and losses resulting from a counterparty default;
- Using credit risk mitigants, including collateral and hedging; and
- Maximizing recovery through active workout and restructuring of claims.

We also perform credit analyses, which incorporate initial and ongoing evaluations of the capacity and willingness of a counterparty to meet its financial obligations. For substantially all of our credit exposures, the core of our process is an annual counterparty credit evaluation or more frequently if deemed necessary as a result of events or changes in circumstances. We determine an internal credit rating for the counterparty by considering the results of the credit evaluations and assumptions with respect to the nature of and outlook for the counterparty's industry and the economic environment. Beginning in the first quarter of 2023, we also take into consideration collateral received or other credit support arrangements when determining an internal credit rating for collateralized loans, as management believes that this methodology better reflects the credit quality of the underlying loans and lending commitments. Prior period amounts have been conformed to reflect the current methodology. Senior personnel, with expertise in specific industries, inspect and approve credit reviews and internal credit ratings.

Our risk assessment process may also include, where applicable, reviewing certain key metrics, including, but not limited to, delinquency status, collateral value, FICO credit scores and other risk factors.

Management's Discussion and Analysis

Our credit risk management systems capture credit exposure to individual counterparties and on an aggregate basis to counterparties and their subsidiaries. These systems also provide management with comprehensive information about our aggregate credit risk by product, internal credit rating, industry, country and region.

Risk Measures

We measure our credit risk based on the potential loss in the event of non-payment by a counterparty using current and potential exposure. For derivatives and securities financing transactions, current exposure represents the amount presently owed to us after taking into account applicable netting and collateral arrangements, while potential exposure represents our estimate of the future exposure that could arise over the life of a transaction based on market movements within a specified confidence level. Potential exposure also takes into account netting and collateral arrangements. For loans and lending commitments, the primary measure is a function of the notional amount of the position.

Stress Tests

We conduct regular stress tests to calculate the credit exposures, including potential concentrations that would result from applying shocks to counterparty credit ratings or credit risk factors (e.g., currency rates, interest rates, equity prices). These shocks cover a wide range of moderate and more extreme market movements, including shocks to multiple risk factors, consistent with the occurrence of a severe market or economic event. In the case of sovereign default, we estimate the direct impact of the default on our sovereign credit exposures, changes to our credit exposures arising from potential market moves in response to the default, and the impact of credit market deterioration on corporate borrowers and counterparties that may result from the sovereign default. Unlike potential exposure, which is calculated within a specified confidence level, stress testing does not generally assume a probability of these events occurring. We also perform firmwide stress tests. See "Overview and Structure of Risk Management" for information about firmwide stress tests.

To supplement these regular stress tests, as described above, we also conduct tailored stress tests on an ad hoc basis in response to specific market events that we deem significant. We also utilize these stress tests to estimate the indirect impact of certain hypothetical events on our country exposures, such as the impact of credit market deterioration on corporate borrowers and counterparties along with the shocks to the risk factors described above. The parameters of these shocks vary based on the scenario reflected in each stress test. We review estimated losses produced by the stress tests in order to understand their magnitude, highlight potential loss concentrations, and assess and mitigate our exposures where necessary.

Limits

We use credit risk limits at various levels, as well as underwriting standards to manage the size and nature of our credit exposures. Limits for industries and countries are based on our risk appetite and are designed to allow for regular monitoring, review, escalation and management of credit risk concentrations. See "Overview and Structure of Risk Management" for information about the limit approval process.

Credit Risk is responsible for monitoring these limits, and identifying and escalating to senior management and/or the appropriate risk committee, on a timely basis, instances where limits have been exceeded.

Risk Mitigants

To reduce our credit exposures on derivatives and securities financing transactions, we may enter into netting agreements with counterparties that permit us to offset receivables and payables with such counterparties. We may also reduce credit risk with counterparties by entering into agreements that enable us to obtain collateral from them on an upfront or contingent basis and/or to terminate transactions if the counterparty's credit rating falls below a specified level. We monitor the fair value of the collateral to ensure that our credit exposures are appropriately collateralized. We seek to minimize exposures where there is a significant positive correlation between the creditworthiness of our counterparties and the market value of collateral we receive.

For loans and lending commitments, depending on the credit quality of the borrower and other characteristics of the transaction, we employ a variety of potential risk mitigants. Risk mitigants include collateral provisions, guarantees, covenants, structural seniority of the bank loan claims and, for certain lending commitments, provisions in the legal documentation that allow us to adjust loan amounts, pricing, structure and other terms as market conditions change. The type and structure of risk mitigants employed can significantly influence the degree of credit risk involved in a loan or lending commitment.

When we do not have sufficient visibility into a counterparty's financial strength or when we believe a counterparty requires support from its parent, we may obtain third-party guarantees of the counterparty's obligations. We may also mitigate our credit risk using credit derivatives or participation agreements.

Management's Discussion and Analysis

Credit Exposures

As of September 2023, our aggregate credit exposure decreased slightly compared with December 2022, reflecting a decrease in OTC derivatives. The percentage of our credit exposures arising from non-investment-grade counterparties (based on our internally determined public rating agency equivalents) decreased slightly compared with December 2022, primarily reflecting a decrease in non-investment-grade credit exposure related to OTC derivatives. Our credit exposures are described further below.

Cash and Cash Equivalents. Our credit exposure on cash and cash equivalents arises from our unrestricted cash, and includes both interest-bearing and non-interest-bearing deposits. To mitigate the risk of credit loss, we place substantially all of our deposits with highly rated banks and central banks.

The table below presents our credit exposure from unrestricted cash and cash equivalents, and the concentration by industry, region and internally determined public rating agency equivalents.

\$ in millions	As of	
	September 2023	December 2022
Cash and Cash Equivalents	\$221,930	\$224,889
Industry		
Financial Institutions	7%	6%
Sovereign	93%	94%
Total	100%	100%
Region		
Americas	58%	77%
EMEA	32%	19%
Asia	10%	4%
Total	100%	100%
Credit Quality (Credit Rating Equivalent)		
AAA	76%	89%
AA	11%	5%
A	13%	6%
Total	100%	100%

The table above excludes cash segregated for regulatory and other purposes of \$17.95 billion as of September 2023 and \$16.94 billion as of December 2022.

OTC Derivatives. Our credit exposure on OTC derivatives arises primarily from our market-making activities. As a market maker, we enter into derivative transactions to provide liquidity to clients and to facilitate the transfer and hedging of their risks. We also enter into derivatives to manage market risk exposures. We manage our credit exposure on OTC derivatives using the credit risk process, measures, limits and risk mitigants described above.

We generally enter into OTC derivatives transactions under bilateral collateral arrangements that require the daily exchange of collateral. As credit risk is an essential component of fair value, we include a CVA in the fair value of derivatives to reflect counterparty credit risk, as described in Note 7 to the consolidated financial statements. CVA is a function of the present value of expected exposure, the probability of counterparty default and the assumed recovery upon default.

The table below presents our net credit exposure from OTC derivatives and the concentration by industry and region.

\$ in millions	As of	
	September 2023	December 2022
OTC derivative assets	\$45,500	\$53,399
Collateral (not netted under U.S. GAAP)	(16,386)	(15,823)
Net credit exposure	\$29,114	\$37,576
Industry		
Consumer & Retail	3%	3%
Diversified Industrials	13%	8%
Financial Institutions	16%	20%
Funds	24%	19%
Healthcare	1%	1%
Municipalities & Nonprofit	2%	2%
Natural Resources & Utilities	21%	34%
Sovereign	12%	7%
Technology, Media & Telecommunications	6%	4%
Other (including Special Purpose Vehicles)	2%	2%
Total	100%	100%
Region		
Americas	46%	49%
EMEA	46%	43%
Asia	8%	8%
Total	100%	100%

Our credit exposure (before any potential recoveries) to OTC derivative counterparties that defaulted during the nine months ended September 2023 remained low, representing less than 2% of our total credit exposure from OTC derivatives.

In the table above:

- OTC derivative assets, included in the consolidated balance sheets, are reported on a net-by-counterparty basis (i.e., the net receivable for a given counterparty) when a legal right of setoff exists under an enforceable netting agreement (counterparty netting) and are accounted for at fair value, net of cash collateral received under enforceable credit support agreements (cash collateral netting).
- Collateral represents cash collateral and the fair value of securities collateral, primarily U.S. and non-U.S. government and agency obligations, received under credit support agreements, that we consider when determining credit risk, but such collateral is not eligible for netting under U.S. GAAP.

Management's Discussion and Analysis

The table below presents the distribution of our net credit exposure from OTC derivatives by tenor.

<i>\$ in millions</i>	Investment-Grade	Non-Investment-Grade / Unrated	Total
As of September 2023			
Less than 1 year	\$ 25,194	\$ 6,783	\$ 31,977
1 – 5 years	23,812	5,804	29,616
Greater than 5 years	55,998	4,467	60,465
Total	105,004	17,054	122,058
Netting	(85,702)	(7,242)	(92,944)
Net credit exposure	\$ 19,302	\$ 9,812	\$ 29,114
As of December 2022			
Less than 1 year	\$ 23,112	\$ 8,812	\$ 31,924
1 – 5 years	26,627	8,355	34,982
Greater than 5 years	58,354	4,342	62,696
Total	108,093	21,509	129,602
Netting	(83,531)	(8,495)	(92,026)
Net credit exposure	\$ 24,562	\$ 13,014	\$ 37,576

In the table above:

- Tenor is based on remaining contractual maturity.
- Netting includes counterparty netting across tenor categories and collateral that we consider when determining credit risk (including collateral that is not eligible for netting under U.S. GAAP). Counterparty netting within the same tenor category is included within such tenor category.

The tables below present the distribution of our net credit exposure from OTC derivatives by tenor and internally determined public rating agency equivalents.

<i>\$ in millions</i>	Investment-Grade				Total
	AAA	AA	A	BBB	
As of September 2023					
Less than 1 year	\$ 758	\$ 4,520	\$ 12,323	\$ 7,593	\$ 25,194
1 – 5 years	1,616	7,044	7,622	7,530	23,812
Greater than 5 years	5,070	16,140	17,548	17,240	55,998
Total	7,444	27,704	37,493	32,363	105,004
Netting	(4,779)	(24,582)	(31,931)	(24,410)	(85,702)
Net credit exposure	\$ 2,665	\$ 3,122	\$ 5,562	\$ 7,953	\$ 19,302
As of December 2022					
Less than 1 year	\$ 521	\$ 2,113	\$ 10,516	\$ 9,962	\$ 23,112
1 – 5 years	1,684	5,383	9,057	10,503	26,627
Greater than 5 years	5,594	16,063	21,060	15,637	58,354
Total	7,799	23,559	40,633	36,102	108,093
Netting	(5,025)	(20,582)	(31,956)	(25,968)	(83,531)
Net credit exposure	\$ 2,774	\$ 2,977	\$ 8,677	\$ 10,134	\$ 24,562

<i>\$ in millions</i>	Non-Investment-Grade / Unrated			Total
	BB or lower	Unrated		
As of September 2023				
Less than 1 year	\$ 6,325	\$ 458	\$ 6,783	
1 – 5 years	5,719	85	5,804	
Greater than 5 years	4,007	460	4,467	
Total	16,051	1,003	17,054	
Netting	(7,193)	(49)	(7,242)	
Net credit exposure	\$ 8,858	\$ 954	\$ 9,812	
As of December 2022				
Less than 1 year	\$ 8,245	\$ 567	\$ 8,812	
1 – 5 years	8,150	205	8,355	
Greater than 5 years	4,232	110	4,342	
Total	20,627	882	21,509	
Netting	(8,436)	(59)	(8,495)	
Net credit exposure	\$ 12,191	\$ 823	\$ 13,014	

Lending Activities. We manage our lending activities using the credit risk process, measures, limits and risk mitigants described above. Other lending positions, including secondary trading positions, are risk-managed as a component of market risk. As described above, beginning in the first quarter of 2023, we take into consideration collateral received or other credit support arrangements when determining an internal credit rating for collateralized loans. Prior period amounts have been conformed to reflect the current methodology. The impact to December 2022 was to increase loans and lending commitments classified as investment-grade and decrease loans and lending commitments classified as non-investment-grade by \$29.6 billion (loans of \$25.0 billion and lending commitments of \$4.6 billion). The impact of this change was in real estate (warehouse loans) and other collateralized loans and lending commitments.

The table below presents our loans and lending commitments.

<i>\$ in millions</i>	Loans	Lending Commitments	Total
As of September 2023			
Corporate	\$ 36,815	\$ 145,340	\$ 182,155
Commercial real estate	25,672	3,366	29,038
Residential real estate	23,953	1,932	25,885
Securities-based	15,053	815	15,868
Other collateralized	55,646	16,284	71,930
Consumer:			
Installment	6,375	2,683	9,058
Credit cards	17,885	68,394	86,279
Other	1,753	883	2,636
Total	\$ 183,152	\$ 239,697	\$ 422,849
Allowance for loan losses	\$ (4,895)	\$ (670)	\$ (5,565)
As of December 2022			
Corporate	\$ 40,135	\$ 139,718	\$ 179,853
Commercial real estate	28,879	4,271	33,150
Residential real estate	23,035	3,192	26,227
Securities-based	16,671	508	17,179
Other collateralized	51,702	14,407	66,109
Consumer:			
Installment	6,326	1,882	8,208
Credit cards	15,820	62,216	78,036
Other	2,261	944	3,205
Total	\$ 184,829	\$ 227,138	\$ 411,967
Allowance for loan losses	\$ (5,543)	\$ (774)	\$ (6,317)

In the table above, lending commitments excluded \$5.22 billion as of September 2023 and \$4.85 billion as of December 2022 related to issued letters of credit which are classified as guarantees in our consolidated financial statements. See Note 18 to the consolidated financial statements for further information about guarantees.

See Note 9 to the consolidated financial statements for information about net charge-offs on wholesale and consumer loans, as well as past due and nonaccrual loans accounted for at amortized cost.

Management's Discussion and Analysis

Corporate. Corporate loans and lending commitments include term loans, revolving lines of credit, letter of credit facilities and bridge loans, and are principally used for operating and general corporate purposes, or in connection with acquisitions. Corporate loans are secured (typically by a senior lien on the assets of the borrower) or unsecured, depending on the loan purpose, the risk profile of the borrower and other factors.

The table below presents our credit exposure from corporate loans and lending commitments, and the concentration by industry, region, internally determined public rating agency equivalents and other credit metrics.

<i>\$ in millions</i>	Loans	Lending Commitments	Total
As of September 2023			
Corporate	\$36,815	\$145,340	\$182,155
Industry			
Consumer & Retail	10%	14%	13%
Diversified Industrials	17%	20%	20%
Financial Institutions	7%	9%	9%
Funds	4%	4%	3%
Healthcare	10%	10%	10%
Natural Resources & Utilities	9%	17%	16%
Real Estate	12%	5%	6%
Technology, Media & Telecommunications	26%	19%	21%
Other (including Special Purpose Vehicles)	5%	2%	2%
Total	100%	100%	100%
Region			
Americas	62%	77%	74%
EMEA	30%	22%	23%
Asia	8%	1%	3%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
AAA	—	1%	1%
AA	1%	5%	4%
A	4%	19%	16%
BBB	18%	41%	36%
BB or lower	77%	34%	43%
Total	100%	100%	100%
As of December 2022			
Corporate	\$40,135	\$139,718	\$179,853
Industry			
Consumer & Retail	10%	13%	12%
Diversified Industrials	18%	18%	18%
Financial Institutions	7%	8%	8%
Funds	3%	4%	4%
Healthcare	10%	12%	12%
Natural Resources & Utilities	9%	18%	16%
Real Estate	11%	5%	7%
Technology, Media & Telecommunications	26%	20%	21%
Other (including Special Purpose Vehicles)	6%	2%	2%
Total	100%	100%	100%
Region			
Americas	57%	77%	73%
EMEA	34%	21%	24%
Asia	9%	2%	3%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
AAA	—	2%	1%
AA	1%	5%	4%
A	5%	21%	18%
BBB	19%	38%	34%
BB or lower	75%	34%	43%
Total	100%	100%	100%

Commercial Real Estate. Commercial real estate includes originated loans and lending commitments that are directly or indirectly secured by hotels, retail stores, multifamily housing complexes and commercial and industrial properties. Commercial real estate also includes loans and lending commitments extended to clients who warehouse assets that are directly or indirectly backed by commercial real estate. In addition, commercial real estate includes loans purchased by us.

The table below presents our credit exposure from commercial real estate loans and lending commitments, and the concentration by region, internally determined public rating agency equivalents and other credit metrics.

<i>\$ in millions</i>	Loans	Lending Commitments	Total
As of September 2023			
Commercial Real Estate	\$25,672	\$3,366	\$29,038
Region			
Americas	83%	76%	82%
EMEA	14%	23%	15%
Asia	3%	1%	3%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
Investment-grade	47%	45%	47%
Non-investment-grade	53%	55%	53%
Total	100%	100%	100%
As of December 2022			
Commercial Real Estate	\$28,879	\$4,271	\$33,150
Region			
Americas	79%	74%	78%
EMEA	16%	17%	16%
Asia	5%	9%	6%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
Investment-grade	42%	35%	41%
Non-investment-grade	58%	64%	59%
Unrated	—	1%	—
Total	100%	100%	100%

In the table above:

- The concentration of loans and lending commitments by asset class as of September 2023 was 38% for warehouse and other indirect, 13% for industrials, 12% for multifamily, 9% for office, 8% for hospitality, 8% for mixed use and 12% for other asset classes.
- The net charge-off ratio for commercial real estate loans was 1.5% for the nine months ended September 2023. The net charge-off ratio is calculated by dividing annualized net charge-offs by average gross loans accounted for at amortized cost.

In addition, we also have credit exposure to commercial real estate loans held for securitization of \$287 million as of September 2023 and \$119 million as of December 2022. Such loans are included in trading assets in our consolidated balance sheets.

Management's Discussion and Analysis

Residential Real Estate. Residential real estate loans and lending commitments are primarily extended to wealth management clients and to clients who warehouse assets that are directly or indirectly secured by residential real estate. In addition, residential real estate includes loans purchased by us.

The table below presents our credit exposure from residential real estate loans and lending commitments, and the concentration by region, internally determined public rating agency equivalents and other credit metrics.

<i>\$ in millions</i>	Loans	Lending Commitments	Total
As of September 2023			
Residential Real Estate	\$23,953	\$1,932	\$25,885
Region			
Americas	96%	86%	95%
EMEA	3%	3%	3%
Asia	1%	11%	2%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
Investment-grade	56%	55%	56%
Non-investment-grade	21%	34%	22%
Other metrics	23%	9%	22%
Unrated	–	2%	–
Total	100%	100%	100%
As of December 2022			
Residential Real Estate	\$23,035	\$3,192	\$26,227
Region			
Americas	96%	93%	95%
EMEA	3%	7%	4%
Asia	1%	–	1%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
Investment-grade	52%	63%	53%
Non-investment-grade	25%	36%	26%
Other metrics	23%	1%	21%
Total	100%	100%	100%

In the table above:

- Credit exposure included loans and lending commitments of \$13.65 billion as of September 2023 and \$14.62 billion as of December 2022 which are extended to clients who warehouse assets that are directly or indirectly secured by residential real estate.
- Other metrics category consists of loans where we use other key metrics to assess the borrower's credit quality, such as loan-to-value ratio, delinquency status, collateral value, expected cash flows and other risk factors.

In addition, we also have credit exposure to residential real estate loans held for securitization of \$6.70 billion as of September 2023 and \$8.07 billion as of December 2022. Such loans are included in trading assets in our consolidated balance sheets.

Securities-Based. Securities-based includes loans and lending commitments that are secured by stocks, bonds, mutual funds, and exchange-traded funds. These loans and commitments are primarily extended to our wealth management clients and used for purposes other than purchasing, carrying or trading margin stocks. Securities-based loans require borrowers to post additional collateral based on changes in the underlying collateral's fair value.

The table below presents our credit exposure from securities-based loans and lending commitments, and the concentration by region, internally determined public rating agency equivalents and other credit metrics.

<i>\$ in millions</i>	Loans	Lending Commitments	Total
As of September 2023			
Securities-based	\$15,053	\$815	\$15,868
Region			
Americas	80%	99%	81%
EMEA	19%	1%	18%
Asia	1%	–	1%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
Investment-grade	76%	37%	74%
Non-investment-grade	4%	1%	4%
Other metrics	20%	62%	22%
Total	100%	100%	100%
As of December 2022			
Securities-based	\$16,671	\$508	\$17,179
Region			
Americas	83%	98%	83%
EMEA	15%	2%	15%
Asia	2%	–	2%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
Investment-grade	77%	18%	76%
Non-investment-grade	5%	2%	4%
Other metrics	18%	80%	20%
Total	100%	100%	100%

In the table above, other metrics category consists of loans where we use other key metrics to assess the borrower's credit quality, such as collateral value, loan-to-value ratio and delinquency status.

Management's Discussion and Analysis

Other Collateralized. Other collateralized includes loans and lending commitments that are backed by specific collateral (other than securities and real estate). Such loans and lending commitments are extended to clients who warehouse assets that are directly or indirectly secured by corporate loans, consumer loans and other assets. Other collateralized also includes loans and lending commitments to investment funds (managed by third parties) that are collateralized by capital commitments of the funds' investors or assets held by the fund, as well as other secured loans and lending commitments extended to our wealth management clients.

The table below presents our credit exposure from other collateralized loans and lending commitments, and the concentration by region, internally determined public rating agency equivalents and other credit metrics.

<i>\$ in millions</i>	Loans	Lending Commitments	Total
As of September 2023			
Other Collateralized	\$55,646	\$16,284	\$71,930
Region			
Americas	84%	84%	84%
EMEA	14%	15%	15%
Asia	2%	1%	1%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
Investment-grade	80%	76%	79%
Non-investment-grade	20%	22%	20%
Unrated	–	2%	1%
Total	100%	100%	100%
As of December 2022			
Other Collateralized	\$51,702	\$14,407	\$66,109
Region			
Americas	86%	93%	87%
EMEA	12%	7%	11%
Asia	2%	–	2%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
Investment-grade	83%	83%	83%
Non-investment-grade	16%	14%	16%
Other metrics	1%	–	–
Unrated	–	3%	1%
Total	100%	100%	100%

In the table above, credit exposure included loans and lending commitments extended to clients who warehouse assets of \$21.36 billion as of September 2023 and \$16.89 billion as of December 2022.

Installment and Credit Cards. We originate unsecured installment loans and credit card loans (pursuant to revolving lines of credit) to consumers in the Americas. The credit card lines are cancellable by us and therefore do not result in credit exposure.

The tables below present our credit exposure from originated installment and credit card funded loans, and the concentration by the five most concentrated U.S. states.

<i>\$ in millions</i>	Installment
As of September 2023	
Loans, gross	\$6,375
Texas	8%
California	7%
New Jersey	5%
Florida	5%
New York	5%
Other	70%
Total	100%
As of December 2022	
Loans, gross	\$6,326
California	10%
Texas	9%
Florida	7%
New York	6%
Illinois	4%
Other	64%
Total	100%
As of September 2023	
Loans, gross	\$17,885
California	17%
Texas	9%
Florida	8%
New York	8%
Illinois	4%
Other	54%
Total	100%
As of December 2022	
Loans, gross	\$15,820
California	16%
Texas	9%
New York	8%
Florida	8%
New Jersey	4%
Other	55%
Total	100%

In addition, we had credit exposure of \$2.68 billion as of September 2023 and \$1.88 billion as of December 2022 related to our commitments to provide unsecured installment loans to consumers.

See Note 9 to the consolidated financial statements for further information about the credit quality indicators of installment and credit card loans.

Management's Discussion and Analysis

Other. Other includes unsecured loans extended to wealth management clients and unsecured consumer and credit card loans purchased by us.

The table below presents our credit exposure from other loans and lending commitments, and the concentration by region, internally determined public rating agency equivalents and other credit metrics.

<i>\$ in millions</i>	Loans	Lending Commitments	Total
As of September 2023			
Other	\$1,753	\$883	\$2,636
Region			
Americas	91%	100%	94%
EMEA	9%	–	6%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
Investment-grade	53%	84%	63%
Non-investment-grade	41%	16%	33%
Other metrics	6%	–	4%
Total	100%	100%	100%
As of December 2022			
Other	\$2,261	\$944	\$3,205
Region			
Americas	89%	99%	92%
EMEA	11%	1%	8%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
Investment-grade	47%	93%	60%
Non-investment-grade	26%	7%	21%
Other metrics	27%	–	19%
Total	100%	100%	100%

In the table above, other metrics primarily includes consumer and credit card loans purchased by us. Our risk assessment process for such loans includes reviewing certain key metrics, such as expected cash flows, delinquency status and other risk factors.

In addition, we also have credit exposure to other loans held for securitization of \$1.31 billion as of September 2023 and \$1.76 billion as of December 2022. Such loans are included in trading assets in our consolidated balance sheets.

Credit Hedges. To mitigate the credit risk associated with our lending activities, we obtain credit protection on certain loans and lending commitments through credit default swaps, both single-name and index-based contracts, and through the issuance of credit-linked notes.

Securities Financing Transactions. We enter into securities financing transactions in order to, among other things, facilitate client activities, invest excess cash, acquire securities to cover short positions and finance certain activities. We bear credit risk related to resale agreements and securities borrowed only to the extent that cash advanced or the value of securities pledged or delivered to the counterparty exceeds the value of the collateral received. We also have credit exposure on repurchase agreements and securities loaned to the extent that the value of securities pledged or delivered to the counterparty for these transactions exceeds the amount of cash or collateral received. Securities collateral for these transactions primarily includes U.S. and non-U.S. government and agency obligations.

The table below presents our credit exposure from securities financing transactions and the concentration by industry, region and internally determined public rating agency equivalents.

<i>\$ in millions</i>	As of	
	September 2023	December 2022
Securities Financing Transactions	\$37,468	\$34,762
Industry		
Financial Institutions	31%	43%
Funds	41%	23%
Municipalities & Nonprofit	4%	5%
Sovereign	23%	28%
Other (including Special Purpose Vehicles)	1%	1%
Total	100%	100%
Region		
Americas	39%	47%
EMEA	44%	34%
Asia	17%	19%
Total	100%	100%
Credit Quality (Credit Rating Equivalent)		
AAA	12%	20%
AA	29%	31%
A	36%	31%
BBB	12%	8%
BB or lower	11%	10%
Total	100%	100%

The table above reflects both netting agreements and collateral that we consider when determining credit risk.

Management's Discussion and Analysis

Other Credit Exposures. We are exposed to credit risk from our receivables from brokers, dealers and clearing organizations and customers and counterparties. Receivables from brokers, dealers and clearing organizations primarily consist of initial margin placed with clearing organizations and receivables related to sales of securities which have traded, but not yet settled. These receivables generally have minimal credit risk due to the low probability of clearing organization default and the short-term nature of receivables related to securities settlements. Receivables from customers and counterparties generally consist of collateralized receivables related to customer securities transactions and generally have minimal credit risk due to both the value of the collateral received and the short-term nature of these receivables.

The table below presents our other credit exposures and the concentration by industry, region and internally determined public rating agency equivalents.

\$ in millions	As of	
	September 2023	December 2022
Other Credit Exposures	\$47,143	\$48,916
Industry		
Financial Institutions	81%	80%
Funds	12%	12%
Other (including Special Purpose Vehicles)	7%	8%
Total	100%	100%
Region		
Americas	41%	41%
EMEA	46%	49%
Asia	13%	10%
Total	100%	100%
Credit Quality (Credit Rating Equivalent)		
AAA	1%	7%
AA	42%	32%
A	33%	33%
BBB	8%	10%
BB or lower	15%	16%
Unrated	1%	2%
Total	100%	100%

The table above reflects collateral that we consider when determining credit risk.

Selected Exposures

We have credit and market exposures, as described below, that have had heightened focus given recent events and broad market concerns. Credit exposure represents the potential for loss due to the default or deterioration in credit quality of a counterparty or borrower. Market exposure represents the potential for loss in value of our long and short positions due to changes in market prices.

Country Exposures. The Russian invasion of Ukraine has negatively affected the global economy and increased macroeconomic uncertainty. The extent and duration of the war, sanctions and resulting market disruptions, as well as the potential adverse consequences for our business, liquidity and results of operations, are difficult to predict. We have significantly reduced our exposure to Russia and Ukraine and have curtailed our operations in Russia to those necessary to meet our legal and regulatory obligations. The overall direct financial impact to our net revenues for the first nine months of 2023 from Russian and Ukrainian counterparties, borrowers, issuers and related instruments was not material. Our total credit exposure to Russian or Ukrainian counterparties or borrowers and our total market exposure relating to Russian issuers was not material as of September 2023. Our total market exposure to Ukraine as of September 2023 was \$113 million, primarily to sovereign issuers. Such exposure consisted of \$125 million related to debt and \$(12) million related to credit derivatives. See “Risk Factors” in Part I, Item 1A of the 2022 Form 10-K for further information about our risks related to Russia’s invasion of Ukraine.

Economic challenges persist for the Argentine government given uncertainty relating to its fiscal and economic policies. As of September 2023, our total credit exposure to Argentina was not material. Our total market exposure to Argentina as of September 2023 was \$172 million, primarily to sovereign issuers. Such exposure consisted of \$94 million related to debt, \$7 million related to credit derivatives and \$71 million related to equities.

In addition, economic and/or political uncertainties in Ethiopia, Ghana, Lebanon, Pakistan, Sri Lanka and Venezuela have led to concerns about their financial stability. Our credit exposure to counterparties or borrowers and our market exposure to issuers relating to each of these countries was not material as of September 2023.

We have a comprehensive framework to monitor, measure and assess our country exposures and to determine our risk appetite. We determine the country of risk by the location of the counterparty, issuer’s assets, where they generate revenue, the country in which they are headquartered, the jurisdiction where a claim against them could be enforced, and/or the government whose policies affect their ability to repay their obligations. We monitor our credit exposure to a specific country both at the individual counterparty level, as well as at the aggregate country level. See “Stress Tests” for information about stress tests that are designed to estimate the direct and indirect impact of events involving the above countries.

Management's Discussion and Analysis

Operational Risk Management

Overview

Operational risk is the risk of an adverse outcome resulting from inadequate or failed internal processes, people, systems or from external events. Our exposure to operational risk arises from routine processing errors, as well as extraordinary incidents, such as major systems failures or legal and regulatory matters.

Potential types of loss events related to internal and external operational risk include:

- Execution, delivery and process management;
- Business disruption and system failures;
- Employment practices and workplace safety;
- Clients, products and business practices;
- Damage to physical assets;
- Internal fraud; and
- External fraud.

Operational Risk, which is independent of our revenue-producing units and reports to our chief risk officer, has primary responsibility for developing and implementing a formalized framework for assessing, monitoring and managing operational risk with the goal of maintaining our exposure to operational risk at levels that are within our risk appetite.

Operational Risk Management Process

Our process for managing operational risk includes the critical components of our risk management framework described in the “Overview and Structure of Risk Management,” including a comprehensive data collection process, as well as firmwide policies and procedures, for operational risk events.

We combine top-down and bottom-up approaches to manage and measure operational risk. From a top-down perspective, our senior management assesses firmwide and business-level operational risk profiles. From a bottom-up perspective, our first and second lines of defense are responsible for risk identification and risk management on a day-to-day basis, including escalating operational risks and risk events to senior management.

We maintain a comprehensive control framework designed to provide a well-controlled environment to minimize operational risks. The Firmwide Operational Risk and Resilience Committee is responsible for overseeing operational risk, and for ensuring the operational resilience of our business.

Our operational risk management framework is designed to comply with the operational risk measurement rules under the Capital Framework and has evolved based on the changing needs of our businesses and regulatory guidance.

We have established policies that require all employees and consultants to report and escalate operational risk events. When operational risk events are identified, our policies require that the events be documented and analyzed to determine whether changes are required in our systems and/or processes to further mitigate the risk of future events.

We use operational risk management applications to capture, analyze, aggregate and report operational risk event data and key metrics. One of our key risk identification and control assessment tools is an operational risk and control self-assessment process, which is performed by our managers. This process consists of the identification and rating of operational risks, on a forward-looking basis, and the related controls. The results from this process are analyzed to evaluate operational risk exposures and identify businesses, activities or products with heightened levels of operational risk.

Risk Measurement

We measure our operational risk exposure using both statistical modeling and scenario analyses, which involve qualitative and quantitative assessments of internal and external operational risk event data and internal control factors for each of our businesses. Operational risk measurement also incorporates an assessment of business environment factors, including:

- Evaluations of the complexity of our business activities;
- The degree of automation in our processes;
- New activity information;
- The legal and regulatory environment; and
- Changes in the markets for our products and services, including the diversity and sophistication of our customers and counterparties.

The results from these scenario analyses are used to monitor changes in operational risk and to determine business lines that may have heightened exposure to operational risk. These analyses are used in the determination of the appropriate level of operational risk capital to hold. We also perform firmwide stress tests. See “Overview and Structure of Risk Management” for information about firmwide stress tests.

Management's Discussion and Analysis

Types of Operational Risks

Increased reliance on technology and third-party relationships has resulted in increased operational risks, such as information and cybersecurity risk, third-party risk and business resilience risk. We manage those risks as follows:

Information and Cybersecurity Risk. Information and cybersecurity risk is the risk of compromising the confidentiality, integrity or availability of our data and systems, leading to an adverse impact to us, our reputation, our clients and/or the broader financial system. We seek to minimize the occurrence and impact of unauthorized access, disruption or use of information and/or information systems. We deploy and operate preventive and detective controls and processes to mitigate emerging and evolving information security and cybersecurity threats, including monitoring our network for known vulnerabilities and signs of unauthorized attempts to access our data and systems. There is increased information risk through diversification of our data across external service providers, including use of a variety of cloud-provided or -hosted services and applications. See “Risk Factors” in Part I, Item 1A of the 2022 Form 10-K for further information about information and cybersecurity risk.

Third-Party Risk. Third-party risk, including vendor risk, is the risk of an adverse impact due to reliance on third parties performing services or activities on our behalf. These risks may include legal, regulatory, information security, reputational, operational or any other risks inherent in engaging a third party. We identify, manage and report key third-party risks and conduct due diligence across multiple risk domains, including information security and cybersecurity, resilience and additional supply chain dependencies. The Third-Party Risk Program monitors, reviews and reassesses third-party risks on an ongoing basis. See “Risk Factors” in Part I, Item 1A of the 2022 Form 10-K for further information about third-party risk.

Business Resilience Risk. Business resilience risk is the risk of disruption to our critical processes. We monitor threats and assess risks and seek to ensure our state of readiness in the event of a significant operational disruption to the normal operations of our critical functions or their dependencies, such as critical facilities, systems, third parties, data and/or personnel. Our resilience framework defines the fundamental principles for business continuity planning (BCP) and crisis management to ensure that critical functions can continue to operate in the event of a disruption. The business continuity program is comprehensive, consistent on a firmwide basis, and up-to-date, incorporating new information, including updated resilience capabilities as and when they become available. Our resilience assurance program encompasses testing of response and recovery strategies on a regular basis with the objective of minimizing and preventing significant operational disruptions. See “Business — Business Continuity and Information Security” in Part I, Item 1 of the 2022 Form 10-K for further information about business continuity.

Model Risk Management

Overview

Model risk is the potential for adverse consequences from decisions made based on model outputs that may be incorrect or used inappropriately. We rely on quantitative models across our business activities primarily to value certain financial assets and liabilities, to monitor and manage our risk, and to measure and monitor our regulatory capital.

Model Risk, which is independent of our revenue-producing units, model developers, model owners and model users, and reports to our chief risk officer, has primary responsibility for assessing, monitoring and managing our model risk through firmwide oversight across our global businesses, and provides periodic updates to senior management, risk committees and the Risk Committee of the Board.

Our model risk management framework is managed through a governance structure and risk management controls, which encompass standards designed to ensure we maintain a comprehensive model inventory, including risk assessment and classification, sound model development practices, independent review and model-specific usage controls. The Firmwide Model Risk Control Committee oversees our model risk management framework.

Management's Discussion and Analysis

Model Review and Validation Process

Model Risk consists of quantitative professionals who perform an independent review, validation and approval of our models. This review includes an analysis of the model documentation, independent testing, an assessment of the appropriateness of the methodology used, and verification of compliance with model development and implementation standards.

We regularly refine and enhance our models to reflect changes in market or economic conditions and our business mix. All models are reviewed on an annual basis, and new models or significant changes to existing models and their assumptions are approved prior to implementation.

The model validation process incorporates a review of models and trade and risk parameters across a broad range of scenarios (including extreme conditions) in order to critically evaluate and verify:

- The model's conceptual soundness, including the reasonableness of model assumptions, and suitability for intended use;
- The testing strategy utilized by the model developers to ensure that the models function as intended;
- The suitability of the calculation techniques incorporated in the model;
- The model's accuracy in reflecting the characteristics of the related product and its significant risks;
- The model's consistency with models for similar products; and
- The model's sensitivity to input parameters and assumptions.

See "Critical Accounting Policies — Fair Value — Review of Valuation Models," "Liquidity Risk Management," "Market Risk Management," "Credit Risk Management" and "Operational Risk Management" for further information about our use of models within these areas.

Other Risk Management

In addition to the areas of risks discussed above, we also manage other risks, including capital, climate, compliance and conflicts. These areas of risks are discussed below.

Capital Risk Management

Capital risk is the risk that our capital is insufficient to support our business activities under normal and stressed market conditions or we face capital reductions or RWA increases, including from new or revised rules or changes in interpretations of existing rules, and are therefore unable to meet our internal capital targets or external regulatory capital requirements. Capital adequacy is of critical importance to us. Accordingly, we have in place a comprehensive capital management policy that provides a framework, defines objectives and establishes guidelines to maintain an appropriate level and composition of capital in both business-as-usual and stressed conditions. Our capital management framework is designed to provide us with the information needed to identify and comprehensively manage risk, and develop and apply projected stress scenarios that capture idiosyncratic vulnerabilities with a goal of holding sufficient capital to remain adequately capitalized even after experiencing a severe stress event. See "Capital Management and Regulatory Capital" for further information about our capital management process.

We have established a comprehensive governance structure to manage and oversee our day-to-day capital management activities and to ensure compliance with capital rules and related policies. Our capital management activities are overseen by the Board and its committees. The Board is responsible for approving our annual capital plan and the Risk Committee of the Board approves our capital management policy, which details the risk committees and members of senior management who are responsible for the ongoing monitoring of our capital adequacy and evaluation of current and future regulatory capital requirements, the review of the results of our capital planning and stress tests processes, and the results of our capital models. In addition, our risk committees and senior management are responsible for the review of our contingency capital plan, key capital adequacy metrics, including regulatory capital ratios, and capital plan metrics, such as the payout ratio, as well as monitoring capital targets and potential breaches of capital requirements.

Our process for managing capital risk also includes independent review by Risk that, among other things, assesses regulatory capital policies and related interpretations, escalates certain interpretations to senior management and/or the appropriate risk committee, and performs calculation testing to corroborate alignment with applicable capital rules.

Climate Risk Management

We categorize climate risk into physical risk and transition risk. Physical risk is the risk that asset values may decline or operations may be disrupted as a result of changes in the climate, while transition risk is the risk that asset values may decline because of changes in climate policies or changes in the underlying economy due to decarbonization.

Management's Discussion and Analysis

As a global financial institution, climate-related risks manifest in different ways across our businesses. We have continued to make significant enhancements to our climate risk management framework, including steps to further integrate climate risk into our broader risk management processes. We have integrated oversight of climate-related risks into our risk management governance structure, from senior management to our Board and its committees, including the Risk and Public Responsibilities Committees. The Risk Committee of the Board oversees firmwide financial and nonfinancial risks, which include climate risk, and, as part of its oversight, receives updates on our risk management approach to climate risk, including our approaches towards scenario analysis and integration into existing risk management processes. The Public Responsibilities Committee of the Board assists the Board in its oversight of our firmwide sustainability strategy and sustainability issues affecting us, including with respect to climate change. As part of its oversight, the Public Responsibilities Committee receives periodic updates on our sustainability strategy, and also periodically reviews our governance and related policies and processes for sustainability and climate change-related risks. Senior management within Risk, in conjunction with senior management in both our revenue-producing units and our other independent risk oversight and control functions, is responsible for the development of our climate risk program.

We have begun incorporating climate risk into our credit evaluation and underwriting processes for select industries. Climate risk factors are now evaluated as part of transaction due diligence for select loan commitments.

See “Business — Sustainability” in Part I, Item 1 and “Risk Factors” in Part I, Item 1A of the 2022 Form 10-K for information about our sustainability initiatives, including in relation to climate transition.

Compliance Risk Management

Compliance risk is the risk of legal or regulatory sanctions, material financial loss or damage to our reputation arising from our failure to comply with the requirements of applicable laws, rules and regulations, and our internal policies and procedures. Compliance risk is inherent in all activities through which we conduct our businesses. Our Compliance Risk Management Program, administered by Compliance, assesses our compliance, regulatory and reputational risk; monitors for compliance with new or amended laws, rules and regulations; designs and implements controls, policies, procedures and training; conducts independent testing; investigates, surveils and monitors for compliance risks and breaches; and leads our responses to regulatory examinations, audits and inquiries. We monitor and review business practices to assess whether they meet or exceed minimum regulatory and legal standards in all markets and jurisdictions in which we conduct business.

Conflicts Management

Conflicts of interest and our approach to dealing with them are fundamental to our client relationships, our reputation and our long-term success. The term “conflict of interest” does not have a universally accepted meaning, and conflicts can arise in many forms within a business or between businesses. The responsibility for identifying potential conflicts, as well as complying with our policies and procedures, is shared by all of our employees.

We have a multilayered approach to resolving conflicts and addressing reputational risk. Our senior management oversees policies related to conflicts resolution and, in conjunction with Conflicts Resolution, Legal and Compliance, and internal committees, formulates policies, standards and principles, and assists in making judgments regarding the appropriate resolution of particular conflicts. Resolving potential conflicts necessarily depends on the facts and circumstances of a particular situation and the application of experienced and informed judgment.

As a general matter, Conflicts Resolution reviews financing and advisory assignments in Global Banking & Markets and certain of our investing, lending and other activities. In addition, we have various transaction oversight committees, such as the Firmwide Capital, Commitments and Suitability Committees and other committees that also review new underwritings, loans, investments and structured products. These groups and committees work with internal and external counsel and Compliance to evaluate and address any actual or potential conflicts. The head of Conflicts Resolution reports to our chief legal officer, who reports to our chief executive officer.

We regularly assess our policies and procedures that address conflicts of interest in an effort to conduct our business in accordance with the highest ethical standards and in compliance with all applicable laws, rules and regulations.

For further information about our risk management processes, see “Overview and Structure of Risk Management” and “Risk Factors” in Part I, Item 1A of the 2022 Form 10-K.

Management's Discussion and Analysis

Available Information

Our internet address is www.goldmansachs.com and the investor relations section of our website is located at www.goldmansachs.com/investor-relations, where we make available, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as well as proxy statements, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Also posted on our website, and available in print upon request of any shareholder to our Investor Relations Department (Investor Relations), are our certificate of incorporation and by-laws, charters for our Audit, Risk, Compensation, Corporate Governance and Nominating, and Public Responsibilities Committees, our Policy Regarding Director Independence Determinations, our Policy on Reporting of Concerns Regarding Accounting and Other Matters, our Corporate Governance Guidelines and our Code of Business Conduct and Ethics governing our directors, officers and employees. Within the time period required by the SEC, we will post on our website any amendment to the Code of Business Conduct and Ethics and any waiver applicable to any executive officer, director or senior financial officer.

Our website also includes information about (i) purchases and sales of our equity securities by our executive officers and directors; (ii) disclosure relating to certain non-GAAP financial measures (as defined in the SEC's Regulation G) that we may make public orally, telephonically, by webcast, by broadcast or by other means; (iii) our DFAST results; (iv) the public portion of our resolution plan submission; (v) our Pillar 3 disclosure; (vi) our average daily LCR; (vii) our People Strategy Report; (viii) our Sustainability Report; and (ix) our Task Force on Climate-Related Financial Disclosures (TCFD) Report.

Investor Relations can be contacted at The Goldman Sachs Group, Inc., 200 West Street, 29th Floor, New York, New York 10282, Attn: Investor Relations, telephone: 212-902-0300, e-mail: gs-investor-relations@gs.com. We use the following, as well as other social media channels, to disclose public information to investors, the media and others:

- Our website (www.goldmansachs.com);
- Our Twitter account (twitter.com/GoldmanSachs); and
- Our Instagram account ([instagram.com/GoldmanSachs](https://www.instagram.com/GoldmanSachs)).

Our officers may use similar social media channels to disclose public information. It is possible that certain information we or our officers post on our website and on social media could be deemed material, and we encourage investors, the media and others interested in Goldman Sachs to review the business and financial information we or our officers post on our website and on the social media channels identified above. The information on our website and those social media channels is not incorporated by reference into this Form 10-Q.

Forward-Looking Statements

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

By identifying these statements for you in this manner, we are alerting you to the possibility that our actual results, financial condition, liquidity and capital actions may differ, possibly materially, from the anticipated results, financial condition, liquidity and capital actions in these forward-looking statements. Important factors that could cause our results, financial condition, liquidity and capital actions to differ from those in these statements include, among others, those described below and in “Risk Factors” in Part I, Item 1A of the 2022 Form 10-K.

Management's Discussion and Analysis

These statements may relate to, among other things, (i) our future plans and results, including our target ROE, ROTE, efficiency ratio, CET1 capital ratio and firmwide AUS inflows, and how they can be achieved, (ii) trends in or growth opportunities for our businesses, including the timing, costs, profitability, benefits and other aspects of business and strategic initiatives and their impact on our efficiency ratio, (iii) our level of future compensation expense, including as a percentage of both operating expenses and net revenues, net of provision for credit losses, (iv) our Investment banking fees backlog and future results, (v) our expected interest income and interest expense, (vi) our expense savings and strategic locations initiatives, (vii) expenses we may incur, including future litigation expense, (viii) the projected growth of our deposits and other funding, asset liability management and funding strategies and related interest expense savings, (ix) our business initiatives, including transaction banking, (x) our planned 2023 benchmark debt issuances, (xi) the amount, composition and location of GCLA we expect to hold, (xii) our credit exposures, (xiii) our expected provisions for credit losses, (xiv) the adequacy of our allowance for credit losses, (xv) the narrowing of our consumer business initiatives, (xvi) the objectives and effectiveness of our BCP, information security program, risk management and liquidity policies, (xvii) our resolution plan and strategy and their implications for stakeholders, (xviii) the design and effectiveness of our resolution capital and liquidity models and triggers and alerts framework, (xix) the results of stress tests, the effect of changes to regulations, and our future status, activities or reporting under banking and financial regulation, (xx) our expected tax rate, (xxi) the future state of our liquidity and regulatory capital ratios, and our prospective capital distributions (including dividends and repurchases), (xxii) our expected SCB and G-SIB surcharge, (xxiii) legal proceedings, governmental investigations or other contingencies, (xxiv) the asset recovery guarantee and our remediation activities related to our 1Malaysia Development Berhad (1MDB) settlements, (xxv) the effectiveness of our management of our human capital, including our diversity goals, (xxvi) our sustainability and carbon neutrality targets and goals, (xxvii) future inflation, (xxviii) the impact of Russia's invasion of Ukraine and related sanctions and other developments on our business, results and financial position, (xxix) our ability to sell, and the terms of any proposed sales of, the remaining Marcus loans portfolio and Asset & Wealth Management historical principal investments, and pending sales of GreenSky and PFM, (xxx) the impact of the conflict in the Middle East, (xxxi) our ability to reduce and manage our commercial real estate exposures, and (xxxii) the timing of the profitability of Platform Solutions.

Statements about our target ROE, ROTE, efficiency ratio and expense savings, and how they can be achieved, are based on our current expectations regarding our business prospects and are subject to the risk that we may be unable to achieve our targets due to, among other things, changes in our business mix, lower profitability of new business initiatives, increases in technology and other costs to launch and bring new business initiatives to scale, and increases in liquidity requirements.

Statements about our target ROE, ROTE and CET1 capital ratio, and how they can be achieved, are based on our current expectations regarding the capital requirements applicable to us and are subject to the risk that our actual capital requirements may be higher than currently anticipated because of, among other factors, changes in the regulatory capital requirements applicable to us resulting from changes in regulations or the interpretation or application of existing regulations or changes in the nature and composition of our activities. Statements about our firmwide AUS inflows targets are based on our current expectations regarding our fundraising prospects and are subject to the risk that actual inflows may be lower than expected due to, among other factors, competition from other asset managers, changes in investment preferences and changes in economic or market conditions.

Statements about the timing, costs, profitability, benefits and other aspects of business and expense savings initiatives, the level and composition of more durable revenues, increases in market share and the narrowing of our consumer business initiatives are based on our current expectations regarding our ability to implement these initiatives and actual results may differ, possibly materially, from our current expectations due to, among other things, a delay in the timing of these initiatives, increased competition and an inability to reduce expenses and grow businesses with durable revenues.

Statements about the level of future compensation expense, including as a percentage of both operating expenses and net revenues, net of provision for credit losses, and our efficiency ratio are subject to the risks that the compensation and other costs to operate our businesses, including platform initiatives, may be greater than currently expected.

Management's Discussion and Analysis

Statements about our Investment banking fees backlog and future results are subject to the risk that such transactions may be modified or may not be completed at all, and related net revenues may not be realized or may be materially less than expected. Important factors that could have such a result include, for underwriting transactions, a decline or weakness in general economic conditions, an outbreak or worsening of hostilities, including the escalation of the conflict in the Middle East or the continuation of the war between Russia and Ukraine, continuing volatility in the securities markets or an adverse development with respect to the issuer of the securities and, for advisory transactions, a decline in the securities markets, an inability to obtain adequate financing, an adverse development with respect to a party to the transaction or a failure to obtain a required regulatory approval. For information about other important factors that could adversely affect our Investment banking fees, see "Risk Factors" in Part I, Item 1A of the 2022 Form 10-K.

Statements about the projected growth of our deposits and other funding, asset liability management and funding strategies and related interest expense savings, and our platform solutions business, are subject to the risk that actual growth, savings and profitability may differ, possibly materially, from that currently anticipated due to, among other things, changes in interest rates and competition from other similar products.

Statements about planned 2023 benchmark debt issuances and the amount, composition and location of GCLA we expect to hold are subject to the risk that actual issuances and GCLA levels may differ, possibly materially, from that currently expected due to changes in market conditions, business opportunities or our funding and projected liquidity needs.

Statements about our expected provisions for credit losses are subject to the risk that actual credit losses may differ and our expectations may change, possibly materially, from that currently anticipated due to, among other things, changes to the composition of our loan portfolio and changes in the economic environment in future periods and our forecasts of future economic conditions, as well as changes in our models, policies and other management judgments.

Statements about our future effective income tax rate are subject to the risk that it may differ from the anticipated rate indicated in such statements, possibly materially, due to, among other things, changes in the tax rates applicable to us, changes in our earnings mix, our profitability and entities in which we generate profits, the assumptions we have made in forecasting our expected tax rate, the interpretation or application of existing tax statutes and regulations, as well as any corporate tax legislation that may be enacted or any guidance that may be issued by the U.S. Internal Revenue Service.

Statements about the future state of our liquidity and regulatory capital ratios (including our SCB and G-SIB surcharge), and our prospective capital distributions (including dividends and repurchases), are subject to the risk that our actual liquidity, regulatory capital ratios and capital distributions may differ, possibly materially, from what is currently expected due to, among other things, the need to use capital to support clients, increased regulatory requirements resulting from changes in regulations or the interpretation or application of existing regulations, results of applicable supervisory stress tests, changes to the composition of our balance sheet and the impact of taxes on share repurchases. Statements about the estimated impact of proposed, but not finalized, capital rules are subject to change as we continue to analyze the proposals and are subject to the risk that the final rules may differ from the proposed rules, our assets and liabilities may change and we may underestimate the actual impact of the final rules.

Statements about the risk exposure related to the asset recovery guarantee provided to the Government of Malaysia are subject to the risk that we may be unsuccessful in our arbitration against the Government of Malaysia. Statements about the progress or the status of remediation activities relating to 1MDB are based on our expectations regarding our current remediation plans. Accordingly, our ability to complete the remediation activities may change, possibly materially, from what is currently expected.

Management's Discussion and Analysis

Statements about our objectives in management of our human capital, including our diversity goals, are based on our current expectations and are subject to the risk that we may not achieve these objectives and goals due to, among other things, competition in recruiting and attracting diverse candidates and unsuccessful efforts in retaining diverse employees.

Statements about our sustainability and carbon neutrality targets and goals are based on our current expectations and are subject to the risk that we may not achieve these targets and goals due to, among other things, global socio-demographic and economic trends, energy prices, lack of technological innovations, climate-related conditions and weather events, legislative and regulatory changes, consumer behavior and demand, and other unforeseen events or conditions.

Statements about future inflation are subject to the risk that actual inflation may differ, possibly materially, due to, among other things, changes in economic growth, unemployment or consumer demand.

Statements about the impact of Russia's invasion of Ukraine and related sanctions and other developments on our business, results and financial position are subject to the risks that hostilities may escalate and expand, that sanctions may increase and that the actual impact may differ, possibly materially, from what is currently expected.

Statements about the proposed sales of the remaining Marcus loans portfolio and Asset & Wealth Management historical principal investments are subject to the risks that buyers may not bid on these assets or bid at levels, or with terms, that are unacceptable to us, and that the performance of these activities may deteriorate as a result of the pending sales, and statements about the pending sales of GreenSky and PFM are subject to the risk that the transactions may not close on the anticipated timelines or at all, including due to a failure to obtain requisite regulatory approvals.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Quantitative and qualitative disclosures about market risk are set forth in “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Risk Management” in Part I, Item 2 of this Form 10-Q.

Item 4. Controls and Procedures

As of the end of the period covered by this report, an evaluation was carried out by our management, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of the end of the period covered by this report. In addition, no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) occurred during the quarter ended September 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of our businesses. Many of these proceedings are in early stages, and many of these cases seek an indeterminate amount of damages. We have estimated the upper end of the range of reasonably possible aggregate loss for matters where we have been able to estimate a range and we believe, based on currently available information, that the results of matters where we have not been able to estimate a range of reasonably possible loss, in the aggregate, will not have a material adverse effect on our financial condition, but may be material to our operating results in a given period. Given the range of litigation and investigations presently under way, our litigation expenses may remain high. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Use of Estimates” in Part I, Item 2 of this Form 10-Q. See Notes 18 and 27 to the consolidated financial statements in Part I, Item 1 of this Form 10-Q for information about our reasonably possible aggregate loss estimate and judicial, regulatory and legal proceedings.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

The table below presents purchases made by or on behalf of Group Inc. or any “affiliated purchaser” (as defined in Rule 10b-18(a)(3) under the Exchange Act) of our common stock during the three months ended September 2023.

	Total Shares Purchased	Average Price Paid Per Share	Total Shares Purchased as Part of a Publicly Announced Program	Dollar Value of Remaining Authorized Repurchases (\$ in millions)
July	3,611,548	\$ 354.96	3,611,179	\$ 25,422
August	616,677	\$ 353.83	616,677	\$ 25,204
September	–	–	–	\$ 25,204
Total	4,228,225		4,227,856	

In the table above, total shares purchased during July 2023 included 369 shares remitted to satisfy statutory withholding taxes on the delivery of equity-based awards.

In February 2023, our Board approved a new share repurchase program authorizing repurchases of up to \$30 billion (in aggregate value and inclusive of shares repurchased in 2023) of our common stock. This program replaced our previous share repurchase program. The repurchase program is effected primarily through regular open-market purchases (which may include repurchase plans designed to comply with Rule 10b5-1 and accelerated share repurchases), the amounts and timing of which are determined primarily by our current and projected capital position, but which may also be influenced by general market conditions and the prevailing price and trading volumes of our common stock. The repurchase program has no set expiration or termination date.

Item 5. Other Information

Amendment and Restatement of By-Laws

Effective November 3, 2023, the Board adopted amendments to our Amended and Restated By-Laws (By-Laws) to make certain technical clarifications and conforming revisions primarily to update the By-Laws in line with developments related to the SEC's universal proxy rules and recent changes in Delaware law. Such changes include clarifying that stockholders must comply with both the firm's advance notice by-law requirements and the SEC's universal proxy requirements, that nominating stockholders must disclose any persons with whom they are acting in concert, the scope of information to be provided regarding proposed director nominees to assess eligibility and compliance with law, including that completion of a questionnaire may be required, and that the Board determines whether the specified advance notice requirements are met with respect to a nomination or proposal. Changes also include clarifying that beneficial owners of common stock may call a special meeting and that the Board may adopt rules, regulations and procedures for the conduct of stockholder meetings, as well as revisions to the availability of the stockholder list at the annual meeting in alignment with Delaware law changes. The foregoing summary does not purport to be complete and is qualified in its entirety by reference to our By-Laws, which are attached hereto as Exhibit 3.2 and incorporated by reference herein.

Rule 10b5-1 Trading Plans

During the three months ended September 2023, no directors or executive officers entered into, modified or terminated, contracts, instructions or written plans for the sale or purchase of Group Inc.'s securities that were intended to satisfy the affirmative defense conditions of Rule 10b5-1 or that constituted non-Rule 10b5-1 trading arrangements (as defined in Item 408 of Regulation S-K).

Item 6. Exhibits

Exhibits

- 3.1 Restated Certificate of Incorporation of The Goldman Sachs Group, Inc., amended as of September 15, 2023 (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K, filed on September 18, 2023).
- 3.2 [Amended and Restated By-Laws of The Goldman Sachs Group, Inc., amended as of November 3, 2023.](#)
- 15.1 [Letter re: Unaudited Interim Financial Information.](#)
- 31.1 [Rule 13a-14\(a\) Certifications.](#)
- 32.1 [Section 1350 Certifications \(This information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934\).](#)
- 101 Pursuant to Rules 405 and 406 of Regulation S-T, the following information is formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Consolidated Statements of Earnings for the three and nine months ended September 30, 2023 and September 30, 2022, (ii) the Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2023 and September 30, 2022, (iii) the Consolidated Balance Sheets as of September 30, 2023 and December 31, 2022, (iv) the Consolidated Statements of Changes in Shareholders' Equity for the three and nine months ended September 30, 2023 and September 30, 2022, (v) the Consolidated Statements of Cash Flows for the nine months ended September 30, 2023 and September 30, 2022, (vi) the notes to the Consolidated Financial Statements and (vii) the cover page.
- 104 Cover Page Interactive Data File (formatted in iXBRL in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE GOLDMAN SACHS GROUP, INC.

By: /s/ Denis P. Coleman III
Name: Denis P. Coleman III
Title: Chief Financial Officer
(Principal Financial Officer)
Date: November 3, 2023

By: /s/ Sheara J. Fredman
Name: Sheara J. Fredman
Title: Chief Accounting Officer
(Principal Accounting Officer)
Date: November 3, 2023

As Amended and Restated as of ~~October 28, 2021~~ November 3, 2023

**AMENDED AND
RESTATED BY-LAWS
OF
THE GOLDMAN SACHS GROUP,
INC.**

ARTICLE I

Stockholders

Section 1.1 Annual Meetings. An annual meeting of stockholders shall be held for the election of directors at such date, time and place (if any), either within or without the State of Delaware as may be designated by the Board of Directors from time to time. Any other business properly brought before the meeting may be transacted at the annual meeting.

Section 1.2 Special Meetings. (a) Special meetings of stockholders may be called at any time by, and only by, (1) the Board of Directors or (2) solely to the extent required by Section 1.2(b), the Secretary of the Corporation. Each special meeting shall be held at such date, time and place (if any) either within or without the State of Delaware as may be stated in the notice of the meeting.

(b) A special meeting of the stockholders shall be called by the Secretary upon the written request of ~~the holders of record~~ stockholders of not less than twenty-five percent of the voting power of all outstanding shares of common stock of the Corporation (the "Requisite Percent"), subject to the following:

(1) ~~In order for a special meeting upon stockholder request (a "Stockholder Requested Special Meeting") to be called by the Secretary, one or more written requests for a special meeting (each, a "Special Meeting Request," and collectively, the "Special Meeting Requests") stating the purpose of the special meeting and the matters proposed to be acted upon thereat must (x) be signed and dated by the Requisite Percent of stockholders, which shall include either record holders of common stock of the Corporation (or their duly authorized agents), must beneficial holders of such common who can demonstrate to the Corporation such indirect ownership and entitlement to direct the vote of such stock (each a "Nominee Holder"), (y) be delivered to the Secretary at the principal executive offices of the Corporation and must (z) set forth:~~

(i) in the case of any director nominations proposed to be presented at such Stockholder Requested Special Meeting, the information required by ~~the third paragraph of~~ Section 1.11(b)(2);

(ii) in the case of any matter (other than a director nomination) proposed to be conducted at such Stockholder Requested Special Meeting, the information required by ~~the fourth paragraph of~~ Section 1.11(b)(3); and

(iii) an agreement by the requesting stockholder(s) to notify the Corporation immediately in the case of any disposition prior to the record date for the Stockholder Requested Special Meeting of shares of common stock of the Corporation ~~owned of record~~ and an acknowledgement that any such disposition shall be deemed a revocation of such Special Meeting Request to the extent of such disposition, such that the number of shares

disposed of shall not be included in determining whether the Requisite Percent has been reached.

The Corporation will provide the requesting stockholder(s) with notice of the record date for the determination of stockholders entitled to vote at the Stockholder Requested Special Meeting. Each requesting stockholder is required to update the notice delivered pursuant to this Section not later than ten business days after such record date to provide any material changes in the foregoing information as of such record date.

In determining whether a special meeting of stockholders has been requested by ~~the record holders of shares~~ stockholders representing in the aggregate at least the Requisite Percent, multiple Special Meeting Requests delivered to the Secretary will be considered together only if each such Special Meeting Request

~~-(i) identifies substantially the same purpose or purposes of the special meeting and substantially the same matters proposed to be acted on at the special meeting (in each case as determined in good faith by the Board of Directors), and (ii) has been dated and delivered to the Secretary within sixty days of the earliest dated of such Special Meeting Requests. If the record holder is not the signatory to the Special Meeting Request, is not the record holder or the Nominee Holder (if any), such Special Meeting Request will not be valid unless documentary evidence is supplied to the Secretary at the time of delivery of such Special Meeting Request (or within ten business days thereafter) of such signatory's authority to execute the Special Meeting Request on behalf of the record holder any such stockholder. Any requesting stockholder may revoke their or its Special Meeting Request at any time by written revocation delivered to the Secretary at the principal executive offices of the Corporation; provided, however, that if following such revocation (or any deemed revocation pursuant to Section 1.2(b)(1)(iii)), the unrevoked valid Special Meeting Requests represent in the aggregate less than the Requisite Percent, there shall be no requirement to hold a special meeting. The first date on which unrevoked valid Special Meeting Requests constituting not less than the Requisite Percent shall have been delivered to the Corporation is referred to herein as the "Request Receipt Date".~~

(2) A Special Meeting Request shall not be valid if:

(i) the Special Meeting Request relates to an item of business that is not a proper subject for stockholder action under applicable law;

(ii) the Request Receipt Date is during the period commencing ninety days prior to the first anniversary of the date of the immediately preceding annual meeting and ending on the date of the next annual meeting;

(iii) the purpose specified in the Special Meeting Request is not the election of directors and an identical or substantially similar item (as determined in good faith by the Board of Directors, a "Similar Item") was presented at any meeting of stockholders held within the twelve months prior to the Request Receipt Date; or

(iv) a Similar Item is included in the Corporation's notice as an item of business to be brought before a stockholder meeting that has been called but not yet held or that is called for a date within ninety days of the Request Receipt Date.

(3) A Stockholder Requested Special Meeting shall be held at such date and time as may be fixed by the Board of Directors; provided, however, that the Stockholder Requested Special Meeting shall be called for a date not more than ninety days after the Request Receipt Date.

(4) Business transacted at any Stockholder Requested Special Meeting shall be limited to (A) the purpose(s) stated in the valid Special Meeting Request(s) received from the Requisite

Percent of record holders and Nominee Holders and (B) any additional matters that the Board of Directors determines to include in the Corporation's notice of the meeting. If none of the ~~stockholders~~record holders and Nominee Holders who submitted the Special Meeting Request appears or sends a qualified representative to present the matters to be presented for consideration that were specified in the Stockholder Meeting Request, the Corporation need not present such matters for a vote at such meeting, notwithstanding that proxies in respect of such matter may have been received by the Corporation.

Section 1.3 Notice of Meetings. Whenever stockholders are required or permitted to take any action at a meeting, a notice of the meeting shall be given which shall state the place (if any), date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise required by law, the certificate of incorporation or these by-laws, the notice of any meeting shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting. Such notice shall be deemed to be given (i) if mailed, when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation; (ii) if sent by electronic mail, when delivered to an electronic mail address at which the stockholder has consented to receive such notice; and (iii) if posted on an electronic network together with a separate notice to the stockholder of such specific posting, upon the later to occur of (A) such posting and (B) the giving of such separate notice of such posting. If given by any other means, notice shall be deemed given as provided by applicable law. Notice shall be deemed to have been given to all stockholders of record who share an address if notice is given in accordance with the "householding" rules set forth in Rule 14a-3(e) under the Securities Exchange Act of 1934 (the "Exchange Act") and Section 233 of the Delaware General Corporation Law.

Section 1.4 Adjournments. Any meeting of stockholders, annual or special, may be adjourned from time to time, for any reason or no reason, to reconvene at the same or some other place (if any), and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. or are provided in any other manner permitted by the Delaware General Corporation Law. At the adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting. ~~If the adjournment is for more than thirty days,~~ ~~or~~ If after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. To the fullest extent provided by law, the Board of Directors may postpone, reschedule or cancel any previously scheduled annual or special meeting of stockholders.

Section 1.5 Quorum. At each meeting of stockholders, except where otherwise required by law, the certificate of incorporation or these by-laws, the holders of a majority of the outstanding shares of stock entitled to vote on a matter at the meeting, present in person or represented by proxy, shall constitute a quorum. For purposes of the foregoing, where a separate vote by class or classes is required for any matter, the holders of a majority of the outstanding shares of such class or classes, present in person or represented by proxy, shall constitute a quorum to take action with respect to that vote on that matter. Two or more classes or series of stock shall be considered a single class if the holders thereof are entitled to vote together as a single class at the meeting. In the absence of a quorum of the holders of any class or classes of stock entitled to vote on a matter, the meeting of such class or classes may be adjourned from time to time, by the chair of the meeting or by the affirmative vote of the holders of the shares of such class or classes which are present in person or by proxy and entitled to vote thereon, in each case in the manner provided by Sections 1.4 and 1.6 of these by-laws until a quorum of such class shall be so present or represented. Shares of capital stock shall neither be entitled to vote nor counted for quorum purposes if such shares belong to

(i) the Corporation, (ii) another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the Corporation or (iii) any other entity, if a majority of the voting power of such other entity is otherwise controlled, directly or indirectly, by the

Corporation; provided, however, that the foregoing shall not limit the right of the Corporation to vote stock, including but not limited to its own stock, held by it in a fiduciary capacity.

Section 1.6 Organization. Meetings of stockholders shall be presided over by a chair of the meeting, who shall be the Chairman of the Board, if any, or in the absence of a Chairman of the Board, the Lead Director, if any, or, in the absence of the Lead Director, a chair of the meeting designated by the Board of Directors, or in the absence of such designation, by a chair chosen at the meeting. A Secretary, or in the absence of a Secretary an Assistant Secretary, shall act as secretary of the meeting, but in the absence of a Secretary and any Assistant Secretary, the chair of the meeting may appoint any person to act as secretary of the meeting.

The Board of Directors may adopt such rules, regulations and procedures for the conduct of the meetings of stockholders as it deems appropriate. The order of business at each such meeting shall be as determined by the chair of the meeting. The chair of the meeting shall have the right and authority to convene and (for any or no reason) to recess and/or adjourn the meeting of stockholders without a vote of stockholders and to prescribe such further rules, regulations and procedures and to do all such acts and things as are necessary or desirable for the proper conduct of the meeting ~~and are not inconsistent with any rules or regulations adopted by the Board of Directors pursuant to the provisions of the certificate of incorporation~~, including the establishment of procedures for the maintenance of order and safety, limitations on the time allotted to questions or comments on the affairs of the Corporation, restrictions on entry to such meeting after the time prescribed for the commencement thereof and the opening and closing of the voting polls for each item upon which a vote is to be taken. The date and time of the opening of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting.

Section 1.7 Inspectors. Prior to any meeting of stockholders, the Board of Directors, a Chairman of the Board, the Lead Director, or any officer designated by the Board shall appoint one or more inspectors to act at such meeting and make a written report thereof and may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at the meeting of stockholders, the chair of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of their duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of their ability. The inspectors shall ascertain the number of shares outstanding and the voting power of each, determine the shares represented at the meeting and the validity of proxies and ballots, count all votes and ballots, determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors and certify their determination of the number of shares represented at the meeting and their count of all votes and ballots. The inspectors may appoint or retain other persons to assist them in the performance of their duties. No ballot, proxy or vote, nor any revocation thereof or change thereto, shall be accepted by the inspectors after the closing of the polls. In determining the validity and counting of proxies and ballots, the inspectors shall be limited to an examination of the proxies, any envelopes submitted therewith, any information provided by a stockholder who submits a proxy by electronic transmission from which it can be determined that the proxy was authorized by the stockholder, ballots and the regular books and records of the Corporation, and they may also consider other reliable information for the limited purpose of reconciling proxies and ballots submitted by or on behalf of banks, brokers, their nominees or similar persons which represent more votes than the holder of a proxy is authorized by the record owner to cast or more votes than the stockholder holds of record. If the inspectors consider other reliable information for such purpose, they shall, at the time they make their certification, specify the precise information considered by them, including the person or persons from whom they obtained the information, when the information was obtained, the means by which the information was obtained and the basis for the inspectors' belief that such information is accurate and reliable.

Section 1.8 Voting: Proxies. (a) Unless otherwise provided in the certificate of incorporation, each stockholder entitled to vote at any meeting of stockholders shall be entitled to one vote for each share of stock held by such stockholder which has voting power upon the matter in question. If the certificate of incorporation provides for more or less than one vote for any share on any matter, every reference in these by-laws to a majority or other proportion of shares of stock shall refer to such majority or other proportion of the votes of such shares of stock. Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by proxy, (which proxy shall, for the avoidance of doubt, comply with all applicable laws), but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power, regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the Corporation generally. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or another duly executed proxy bearing a later date with a Secretary. Voting at meetings of stockholders need not be by written ballot unless so directed by the chair of the meeting or the Board of Directors. Any stockholder (including a Nominee Holder) directly or indirectly soliciting proxies from other stockholders must use a proxy card color other than white, which color shall be reserved for the exclusive use by the Board of Directors.

(b) In all matters, unless otherwise required by law, rule or regulation applicable to the Corporation or the certificate of incorporation or these by-laws (including, without limitation, Section 2.2), the affirmative vote of not less than a majority of shares present in person or represented by proxy at the meeting and entitled to vote on such matter, with all shares of common stock of the Corporation and other stock of the Corporation entitled to vote on such matter considered for this purpose as a single class, shall be the act of the stockholders. Where a separate vote by class or classes is required, the affirmative vote of the holders of not less than a majority (or, in the case of an election of directors, a plurality) of shares present in person or represented by proxy at the meeting by stockholders in that class or classes entitled to vote on such matter shall be the act of such class or classes, except as otherwise required by law, rule or regulation or the certificate of incorporation or these by-laws. For purposes of this Section 1.8, votes cast "for" or "against" and "abstentions" with respect to such matter shall be counted as shares of stock of the Corporation entitled to vote on such matter, while "broker nonvotes" (or other shares of stock of the Corporation similarly not entitled to vote) shall not be counted as shares entitled to vote on such matter.

Section 1.9 Fixing Date for Determination of Stockholders of Record. In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date will be the same date for determining stockholders who are entitled to vote at the meeting unless otherwise specified, and which date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty nor less than ten days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date (which shall, unless otherwise specified, be the same date for notice and voting) for the adjourned meeting.

In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon

which the resolution fixing the record date is adopted, and which record date shall be not more than sixty days prior to the action for which a record date is being established. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

~~Section 1.10~~ List of Stockholders Entitled to Vote. A Secretary shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder; provided, that nothing contained in this section shall require the Corporation to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, ~~during ordinary business hours~~, for a period of at least ~~ten~~ 10 days prior to ~~the said~~ meeting, either ~~at (i) on a place within the municipality where the meeting is reasonably accessible electronic network,~~ provided that the information required to be held, which place shall be specified in gain access to such list is provided with the notice of the meeting, or, if not so specified, at (ii) during ordinary business hours at the principal place of business of the Corporation. In the event that the place where Corporation determines to make the meeting is to be held. The list shall also be produced and kept at list available on an electronic network, the ~~meeting during the whole time thereof and Corporation may be inspected take reasonable steps (as determined by any stockholder who is present the Corporation in its sole discretion) to ensure that such information is available only to stockholders of the Corporation.~~

Section 1.11 Advance Notice of Stockholder Nominees for Director and Other Stockholder Proposals. (a) The matters to be considered and brought before any annual or special meeting of stockholders of the Corporation (other than a Stockholder Requested Special Meeting) shall be limited to only such matters, including the nomination and election of directors, as shall be brought properly before such meeting in compliance with the procedures set forth in this Section 1.11 and in Section 1.12, as the case may be.

(b) ~~For any matter to be properly brought before any annual meeting of stockholders, the matter must be (1w) specified in the notice of annual meeting given by or at the direction of the Board of Directors, (2x) otherwise brought before the annual meeting by or at the direction of the Board of Directors, (3y) brought before the annual meeting in the manner specified in this Section 1.11(b) (i) by a stockholder that either (i) holds of record stock of the Corporation entitled to vote at the annual meeting on such matter (including any election of a director) or (ii) by is a person (a "Nominee Holder") that holds such stock through a nominee or "street name" holder of record of such stock and can demonstrate to the Corporation such indirect ownership of, and such Nominee Holder's entitlement to direct the vote of, such stock on such matter, or (4z) brought before the annual meeting in accordance with Section 1.12.~~

(1) -In addition to any other requirements under applicable law, (including, without limitation, Rule 14a-19 under the Exchange Act), the certificate of incorporation and these by-laws, and except as provided in Section 1.12, persons nominated by stockholders for election as directors of the Corporation and any other proposals by stockholders shall be properly brought before an annual meeting of stockholders only if notice of any such matter to be presented by a stockholder at such meeting (a "Stockholder Notice") shall be delivered to a Secretary at the principal executive office of the Corporation not less than ninety nor more than one hundred and twenty days prior to the first anniversary date of the annual meeting for the preceding year; provided, however, that if and only if the annual meeting is not scheduled to be held within a period that commences thirty days before and ends thirty days after such anniversary date (an annual meeting date outside such period being referred to herein as an "Other Meeting Date"), such Stockholder Notice shall be given in the manner provided herein by the later of (i) the close of business on the date ninety days prior to such Other Meeting Date or (ii) the close of business on the tenth day following the date on which such Other Meeting Date is first publicly announced or disclosed. For the avoidance of

doubt, the preceding deadlines for a Stockholder Notice shall be operative with respect to any notice to be delivered to the Corporation pursuant to Rule 14a-19 under the Exchange Act.

(2) ~~Any stockholder desiring to nominate any person or persons (as the case may be) for election as a director or directors of the Corporation at an annual meeting of stockholders pursuant to this Section 1.11 shall deliver, as part of such Stockholder Notice, a statement in writing setting forth the name of the person or persons to be nominated, the number and class of all shares of each class of stock of the Corporation owned of record and/or beneficially by each such person, as reported to such stockholder by such person;~~ the factual information regarding each such person required by paragraphs (a), (e) and (f) of Item 401 of Regulation S-K adopted by the Securities and Exchange Commission, (and any other factual information that may be required by duly adopted rules and regulations of the Securities and Exchange Commission); each such person's signed consent to serve as a director of the Corporation if elected; ~~a questionnaire and representation completed with respect to, and signed by, each such person, in each case, in the form provided by the Corporation (which such stockholder shall request from the Corporation and the Corporation shall provide within 10 days after receiving such a request);~~ such stockholder's name and address; the number and class of all shares of each class of stock of the Corporation owned of record and/or beneficially by such stockholder ~~and; the names of any other persons with whom the stockholder is acting in concert ("interested person"), the number and class of all shares of each class of stock of the Corporation owned of record and/or beneficially by any such interested person, and a summary of any material arrangements by or among any proposed nominee, the stockholder and/or any interested person (including any arrangement among such persons or between such persons and any other person (naming such other person) pursuant to which the nomination or nominations are to be made);~~ and in the case of a Nominee Holder, evidence establishing such Nominee Holder's indirect ownership of stock and entitlement to direct the vote of such stock for the election of directors at the annual meeting. As used in these by-laws (other than for purposes of Section 1.12), shares "beneficially owned" shall mean all shares that such person is deemed to beneficially own pursuant to Rules 13d-3 and 13d-5 under the Exchange Act.

The Corporation may require any proposed director nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation and to ~~comply with applicable law; otherwise comply with applicable laws, rules and regulations relating to director qualifications, conflicts of interest, and/or the disclosure thereof (which, for the avoidance of doubt, may include information of the type referenced in Sections 1.12(d)(2) (v), (viii), (ix), (x) and/or (xii) below).~~

If a stockholder is entitled to vote only for a specific class or category of directors at a meeting (annual or special), such ~~stockholder's~~ person's right to nominate one or more individuals for election as a director at the meeting shall be limited to such class or category of directors. The number of nominees a stockholder ~~or Nominee Holder~~ may nominate for election at the annual meeting shall not exceed the number of directors to be elected at such annual meeting.

(3) Any stockholder who gives a Stockholder Notice of any matter (other than a nomination for director or as provided in Section 1.12) proposed to be brought before an annual meeting of stockholders shall deliver, as part of such Stockholder Notice, the text of the proposal to be presented and a brief written statement of the reasons why such stockholder favors the proposal and setting forth such stockholder's name and address, the number and class of all shares of each class of stock of the Corporation owned of record and/or beneficially by such stockholder, any material interest of such stockholder in the matter proposed (other than as a stockholder), if applicable, and, in the case of a Nominee Holder, evidence establishing such Nominee Holder's indirect ownership of stock and entitlement to direct the vote of such stock on the matter proposed at the annual meeting.

~~As used in these by-laws (other than for purposes of Section 1.12), shares “beneficially owned” shall mean all shares which such person is deemed to beneficially own pursuant to Rules 13d-3 and 13d-5 under the Exchange Act.~~

(4) Notwithstanding any provision of this Section 1.11 to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation at the next annual meeting of stockholders is increased by virtue of an increase in the size of the Board of Directors and either all of the nominees for director at the next annual meeting of stockholders or the size of the increased Board of Directors is not publicly announced or disclosed by the Corporation at least one hundred days prior to the first anniversary of the preceding year’s annual meeting, a Stockholder Notice shall also be considered timely under this Section 1.11, but only with respect to nominees to stand for election at the next annual meeting as the result of any new positions created by such increase, if it shall be delivered to a Secretary at the principal executive office of the Corporation not later than the close of business on the tenth day following the first day on which all such nominees or the size of the increased Board of Directors shall have been publicly announced or disclosed.

(c) For any matter to be properly brought before a special meeting of stockholders, the matter must be set forth in the Corporation’s notice of such meeting given by or at the direction of the Board of Directors or by the Secretary of the Company pursuant to Section 1.2(a)(ii). In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any stockholder entitled to vote for the election of such director(s) at such meeting may nominate a person or persons (as the case may be) for election to such position(s) as are specified in the Corporation’s notice of such meeting, but only if a Stockholder Notice containing the information required by ~~the third paragraph of~~ Section 1.11(b) ~~hereof~~(2) shall be delivered to a Secretary at the principal executive office of the Corporation not later than the close of business on the tenth day following the first day on which the date of the special meeting and either the names of all nominees proposed by the Board of Directors to be elected at such meeting or the number of directors to be elected shall have been publicly announced or disclosed.

(d) For purposes of this Section 1.11, a matter shall be deemed to have been “publicly announced or disclosed” if such matter is disclosed in a press release reported by a national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission.

(e) In no event shall the postponement or adjournment of an annual meeting already publicly noticed or a special meeting, or any announcement thereof, commence a new period (or extend any period) for the giving of notice as provided in this Section 1.11. This Section 1.11 shall not apply to (1) any stockholder proposal made pursuant to, and in compliance with, Rule 14a-8 under the Exchange Act, (2) any nomination of a director in an election in which only the holders of one or more series of Preferred Stock of the Corporation issued pursuant to Article FOURTH of the certificate of incorporation are entitled to vote (unless otherwise provided in the terms of such stock), (3) any director nomination pursuant to Section 1.12 or (4) any Stockholder Requested Special Meeting except as specifically provided in Section 1.2(b).

(f) _____
(f) If the Board of Directors determines that any requirement under the by-laws, other governance documents or policies, or any other applicable law, rule or regulation has not been satisfied as to any business proposed to be brought before or any nomination proposed to be considered at a meeting of stockholders, then the Board of Directors may elect, in its sole discretion, to (x) waive such deficiency, (y) provide the stockholder with an opportunity to cure such deficiency, or (z) decline to allow the proposed nomination or business to be transacted at the meeting. Regardless of whether the Board of Directors has made such a determination with respect to a particular proposed nomination or business, except as otherwise provided by law, the certificate of incorporation or these by-laws, the chair of any meeting of stockholders,

in addition to making any other determinations that may be appropriate to the conduct of the meeting pursuant to [Section 1.6](#), shall have the power and duty to determine whether notice of nominees and other matters proposed to be brought before a meeting has been duly given in the manner provided in this Section

1.11 or Section 1.2, as applicable and, if not so given, shall direct and declare at the meeting that such nominees and other matters shall not be considered.

Section 1.12 Stockholder Nominations Included in the Corporation's Proxy Materials. ([Proxy Access](#)).

(a) Inclusion of Proxy Access Nominee in Proxy Statement. Subject to the provisions of this Section 1.12, if expressly requested in the relevant Nomination Notice (as defined below), the Corporation shall include in its proxy statement for any annual meeting of stockholders (but not at any special meeting of stockholders):

(1) the name of any person nominated for election (the "Proxy Access Nominee"), which shall also be included on the Corporation's form of proxy and ballot, by any Nominating Stockholder (as defined below);

(2) disclosure about the Proxy Access Nominee and the Nominating Stockholder required under the rules of the Securities and Exchange Commission or other applicable law to be included in the proxy statement;

(3) any statement included by the Nominating Stockholder in the Nomination Notice for inclusion in the proxy statement in support of the Proxy Access Nominee's election to the Board of Directors (subject, without limitation, to Section 1.12(e)(ii)), if such statement does not exceed 500 words; and

(4) any other information that the Corporation or the Board of Directors determines, in their discretion, to include in the proxy statement relating to the nomination of the Proxy Access Nominee, including, without limitation, (i) any statement in opposition to the nomination, (ii) any of the information provided pursuant to this Section 1.12 and (iii) any solicitation materials or related information with respect to the Proxy Access Nominee.

For purposes of this Section 1.12, any determination to be made by the Board of Directors may be made by the Board of Directors, a committee of the Board or any officer of the Corporation designated by the Board of Directors or a committee of the Board and any such determination shall be final and binding on the Corporation, any Eligible Holder, any Nominating Stockholder, any Proxy Access Nominee and any other person so long as made in good faith (without any further requirements). The chair of any annual meeting of stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall have the power and duty to determine whether a Proxy Access Nominee has been nominated in accordance with the requirements of this Section 1.12 and, if not so nominated, shall direct and declare at the meeting that such Proxy Access Nominee shall not be considered.

(b) Maximum Number of Proxy Access Nominees.

(1) The Corporation shall not be required to include in the proxy statement for an annual meeting of stockholders more Proxy Access Nominees than that number of directors constituting the greater of (i) two or (ii) twenty percent of the total number of directors of the Corporation on the last day on which a Nomination Notice may be submitted pursuant to this Section 1.12 (rounded down to the nearest whole number) (the "Maximum Number"). In the event that one or more vacancies for any reason occurs on the Board of Directors after the deadline set forth in Section 1.12(d) below but before the date of the annual meeting, and the Board of Directors

resolves to reduce the size of the board in connection therewith, the Maximum Number shall be calculated based on the number of directors in office as so reduced. The Maximum Number for a particular annual meeting shall be reduced by (i) Proxy Access Nominees who are subsequently withdrawn, (ii) Proxy Access Nominees that the Board of Directors itself decides to nominate for election at such annual meeting and (iii) the number of incumbent directors of the Corporation who had been Proxy Access Nominees with respect to any of the preceding two annual meetings of stockholders and whose reelection at the upcoming annual meeting is being recommended by the Board of Directors.

(2) If the number of Proxy Access Nominees pursuant to this Section 1.12 for any annual meeting of stockholders exceeds the Maximum Number then, promptly upon notice from the Corporation, each Nominating Stockholder will select one Proxy Access Nominee for inclusion in the proxy statement until the Maximum Number is reached, going in order of the amount (largest to smallest) of the ownership position as disclosed in each Nominating Stockholder's Nomination Notice, with the process repeated if the Maximum Number is not reached after each Nominating Stockholder has selected one Proxy Access Nominee. If, after the deadline for submitting a Nomination Notice as set forth in Section 1.12(d), a Nominating Stockholder becomes ineligible or withdraws its nomination or a Proxy Access Nominee becomes unwilling to serve on the Board of Directors, whether before or after the mailing of the definitive proxy statement, then the nomination shall be disregarded, and the Corporation (i) shall not be required to include in its proxy statement or on any ballot or form of proxy the disregarded Proxy Access Nominee or any successor or replacement nominee proposed by the Nominating Stockholder or by any other Nominating Stockholder and (ii) may otherwise communicate to its stockholders, including without limitation by amending or supplementing its proxy statement or ballot or form of proxy, that the Proxy Access Nominee will not be included as a Proxy Access Nominee in the proxy statement or on any ballot or form of proxy and will not be voted on at the annual meeting.

(c) Eligibility of ~~Stockholder~~ Nominating ~~Stockholder~~ Proxy Access Nominees.

(1) An "Eligible Holder" is a person who has either (i) been a record holder of the shares of common stock used to satisfy the eligibility requirements in this Section 1.12(c) continuously for the three-year period specified in Section 1.12(c)(2) below or (ii) provides to a Secretary of the Corporation, within the time period referred to in Section 1.12(d), evidence of continuous ownership of such shares for such three-year period from one or more securities intermediaries in a form that the Board of Directors determines would be deemed acceptable for purposes of a shareholder proposal under Rule 14a-8(b)(2) under the Exchange Act (or any successor rule).

(2) An Eligible Holder or group of up to fifteen Eligible Holders may submit a nomination in accordance with this Section 1.12 only if the person or group (in the aggregate) has continuously owned at least the Minimum Number (as defined below) of shares of the Corporation's common stock throughout the three-year period preceding and including the date of submission of the Nomination Notice, and continues to own at least the Minimum Number through the date of the annual meeting. Each Eligible Holder or group of up to fifteen Eligible Holders that submits a nomination in accordance with this Section 1.12 and has satisfied, as determined by the Board of Directors, all applicable conditions and complied with all applicable procedures set forth in this Section 1.12 is a "Nominating Stockholder". A group of funds that are (i) under common management and investment control, (ii) under common management and funded primarily by a single employer or (iii) a "group of investment companies," as such term is defined in Section 12(d)(1)(G)(ii) of the Investment Company Act of 1940, as amended, shall be treated as one Eligible Holder if such Eligible Holder shall provide together with the Nomination Notice

documentation reasonably satisfactory to the Corporation that demonstrates that the funds meet the criteria set forth in clauses (i), (ii) or (iii) of this Section 1.12(c)(2). For the avoidance of doubt, in the event of a nomination by a Nominating Stockholder that includes more than one Eligible Holder, any and all requirements and obligations for an individual Eligible Holder that are set forth in this Section 1.12, including the minimum holding period, shall apply to each individual Eligible Holder comprising the Nominating Stockholder; provided, however, that the Minimum Number shall apply to the ownership of the Nominating Stockholder in the aggregate. Should any Eligible Holder withdraw from a group of Eligible Holders constituting a Nominating Stockholder at any time prior to the annual meeting of stockholders, the Nominating Stockholder shall only be deemed to own the shares held by the remaining Eligible Holders. As used in this Section 1.12, any reference to a “group” or “group of Eligible Holders” refers to any Nominating Stockholder that consists of more than one Eligible Holder and to all the Eligible Holders that make up such Nominating Stockholder.

(3) The “Minimum Number” of shares of the Corporation’s common stock means three percent of the number of outstanding shares of common stock as of the most recent date for which such amount is given in any filing by the Corporation with the Securities and Exchange Commission prior to the submission of the Nomination Notice.

(4) For purposes of this Section 1.12, an Eligible Holder “owns” only those outstanding shares of the Corporation as to which the Eligible Holder possesses both (i) the full voting and investment rights pertaining to the shares and (ii) the full economic interest in (including the opportunity for profit and risk of loss on) such shares; provided that the number of shares calculated in accordance with clauses (i) and (ii) shall not include any shares (A) sold by such Eligible Holder or any of its affiliates in any transaction that has not been settled or closed, (B) purchased by such Eligible Holder or any of its affiliates but the purchase has not yet been settled or closed, (C) borrowed by such Eligible Holder or any of its affiliates for any purpose or purchased by such Eligible Holder or any of its affiliates pursuant to an agreement to resell or subject to any other obligation to resell to another person, or (D) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar agreement entered into by such Eligible Holder or any of its affiliates, whether any such instrument or agreement is to be settled with shares or with cash based on the notional amount or value of outstanding shares of the Corporation, in any such case which instrument or agreement has, or is intended to have, the purpose or effect of (x) reducing in any manner, to any extent or at any time in the future, such Eligible Holder’s or any of its affiliates’ full right to vote or direct the voting of any such shares, and/or (y) hedging, offsetting, or altering to any degree, gain or loss arising from the full economic ownership of such shares by such Eligible Holder or any of its affiliates.

An Eligible Holder “owns” shares held in the name of a nominee or other intermediary so long as the Eligible Holder retains the right to instruct how the shares are voted with respect to the election of directors and possesses the full economic interest in the shares. An Eligible Holder’s ownership of shares shall be deemed to continue during any period in which the Eligible Holder has delegated any voting power by means of a proxy, power of attorney, or other similar instrument or arrangement that is revocable at any time by the Eligible Holder. An Eligible Holder’s ownership of shares shall be deemed to continue during any period in which the Eligible Holder has loaned such shares provided that the Eligible Holder has the power to recall such loaned shares within a reasonable period of time and will recall such loaned shares as of the date of the annual meeting. The terms “owned,” “owning” and other variations of the word “own” shall have correlative meanings. Whether outstanding shares of the Corporation are “owned” for these purposes shall be determined by the Board of Directors.

(5) No Eligible Holder shall be permitted to be a part of more than one group of Eligible Holders constituting a Nominating Stockholder, and if any Eligible Holder appears as a member of more than one group, such Eligible Holder shall be deemed to be a member of the group of Eligible Holders that has the largest ownership position as reflected in the Nomination Notice.

(6) Any Eligible Holder (including each Eligible Holder whose stock ownership is counted as part of a group for the purposes of qualifying as a Nominating Stockholder) whose Proxy Access Nominee is elected as a director at the annual meeting of stockholders will not be eligible to nominate or participate in the nomination of a Proxy Access Nominee for the following two annual meetings of stockholders pursuant to this Section 1.12 other than nominating (either individually or as a part of a group constituting a Nominating Stockholder) a Proxy Access Nominee previously nominated and elected pursuant to this Section 1.12 by such Eligible Holder or a group of Eligible Holders of which such Eligible Holder was a member.

(d) Proxy Access Nomination Notice. To nominate a Proxy Access Nominee, the Nominating Stockholder must, no earlier than one hundred and fifty days and no later than one hundred and twenty days before the anniversary of the date that the Corporation mailed its proxy statement for the prior year's annual meeting of stockholders, submit to a Secretary of the Corporation at the principal executive office of the Corporation all of the following information and documents (collectively, the "Nomination Notice"); provided, however, that if and only if the annual meeting is scheduled for an Other Meeting Date, the Nomination Notice shall be given in the manner provided herein by the later of (x) one hundred and fifty days prior to such Other Meeting Date and (y) the tenth day following the date such Other Meeting Date is first publicly announced or disclosed:

(1) A Schedule 14N (or any successor form) relating to the Proxy Access Nominee, completed and filed with the Securities and Exchange Commission by the Nominating Stockholder as applicable, in accordance with Securities and Exchange Commission rules;

(2) A written notice of the nomination of such Proxy Access Nominee that includes the following additional information, agreements, representations and warranties by the Nominating Stockholder (including each group member):

(i) the information required with respect to the nomination of directors pursuant to Section 1.11(b)(2) of these by-laws;

(ii) the details of any relationship that existed within the past three years and that would have been described pursuant to Item 6(e) of Schedule 14N (or any successor item) if it existed on the date of submission of the Schedule 14N;

(iii) a representation and warranty that the Nominating Stockholder did not acquire, and is not holding, securities of the Corporation for the purpose or with the effect of influencing or changing control of the Corporation;

(iv) a representation and warranty that the Proxy Access Nominee's candidacy or, if elected, Board membership would not violate applicable state or federal law or the rules of any stock exchange on which the Corporation's securities are traded;

(v) a representation and warranty that the Proxy Access Nominee:

(A) is not aware of any direct or indirect relationship the Proxy Access Nominee has with the Corporation other than those relationships that have been deemed categorically immaterial pursuant to the Corporation's Policy Regarding

Director Independence Determinations as most recently published on its website and otherwise qualifies as independent under the bright-line rules of the primary stock exchange on which the Corporation's securities are traded;

(B) is not aware of any information that would make the Proxy Access Nominee fail to meet the audit committee and compensation committee independence requirements under the rules of the primary stock exchange on which the Corporation's securities are traded;

(C) is not aware of any information that would make the Proxy Access Nominee fail to be a "non-employee director" for the purposes of Rule 16b-3 under the Exchange Act (or any successor rule); [and](#)

~~(D) is not aware of any information that would make the Proxy Access Nominee fail to be an "outside director" for the purposes of Section 162(m) of the Internal Revenue Code (or any successor provision); and~~

~~(E)~~[\(D\)](#) is not and has not been subject to any event specified in Rule 506(d)(1) of Regulation D (or any successor rule) under the Securities Act of 1933 or Item 401(f) of Regulation S-K (or any successor rule) under the Exchange Act, without reference to whether the event is material to an evaluation of the ability or integrity of the Proxy Access Nominee;

(vi) a representation and warranty that the Nominating Stockholder satisfies the eligibility requirements set forth in Section 1.12(c) and has provided evidence of ownership to the extent required by Section 1.12(c)(1);

(vii) a representation and warranty that the Nominating Stockholder intends to continue to satisfy the eligibility requirements described in Section 1.12(c) through the date of the annual meeting and currently intends in good faith to continue to hold the Minimum Number of shares for at least one year following the annual meeting; provided, however, that any Nominating Stockholder that is a registered open-end mutual fund under the Investment Company Act of 1940, and that seeks to replicate an index, will not violate this requirement as a result of changes to its common stock holdings in response to changes in the index or weightings of the securities in the index;

(viii) a statement detailing whether the Proxy Access Nominee is experienced in matters of risk management for purposes of Regulation YY of the Federal Reserve Board;

(ix) details of any position of the Proxy Access Nominee as an officer or director of any competitor (that is, any entity that produces products or provides services that compete with or are alternatives to the principal products produced or services provided by the Corporation or its affiliates) of the Corporation, within the three years preceding the submission of the Nomination Notice;

(x) details of any relationship between the Proxy Access Nominee and any entity that would require disclosure on Schedule 13D as if the Proxy Access Nominee was required to file a Schedule 13D with respect to the company;

(xi) details of any shares of the Corporation owned by the Proxy Access Nominee that are (A) pledged by the Proxy Access Nominee or otherwise subject to a lien, charge or other encumbrance or (B) subject to any option, warrant, forward contract, swap,

contract of sale, other derivative or similar agreement entered into by such Proxy Access Nominee, whether any such instrument or agreement is to be settled with shares or with cash based on the notional amount or value of outstanding shares of the Corporation, in any such case which instrument or agreement has, or is intended to have, the purpose or effect of (x) reducing in any manner, to any extent or at any time in the future, such Proxy Access Nominee's full right to vote or direct the voting of any such shares, and/or (y) hedging, offsetting, or altering to any degree, gain or loss arising from the full economic ownership of such shares by such Proxy Access Nominee;

(xii) details of any compensatory, payment or other financial agreement, arrangement or understanding with any person or entity in connection with service or action as a director of the Corporation;

(xiii) a representation and warranty that the Nominating Stockholder will not engage in a "solicitation" within the meaning of Rule 14a-1(l) (without reference to the exception in Section 14a-1(2)(iv)) (or any successor rules) with respect to the annual meeting, other than with respect to its Proxy Access Nominee or any nominee of the Board of Directors;

(xiv) a representation and warranty that the Nominating Stockholder will not use any proxy card other than the Corporation's proxy card in soliciting stockholders in connection with the election of a Proxy Access Nominee at the annual meeting;

(xv) if desired, a statement for inclusion in the proxy statement in support of the Proxy Access Nominee's election to the Board of Directors, provided that such statement shall not exceed 500 words and shall fully comply with Section 14 of the Exchange Act and the rules and regulations thereunder, including Rule 14a-9; and

(xvi) in the case of a nomination by a Nominating Stockholder comprised of a group, the designation by all such Eligible Holders of one Eligible Holder that is authorized to act on behalf of the Nominating Stockholder with respect to matters relating to the nomination, including withdrawal of the nomination;

(3) An executed agreement, in a form deemed satisfactory by the Board of Directors, pursuant to which the Nominating Stockholder (including in the case of a group, each Eligible Holder in that group) agrees:

(i) to comply with all applicable laws, rules and regulations in connection with the nomination, solicitation and election;

(ii) to file any written solicitation or other communication with the Corporation's stockholders relating to one or more of the Corporation's directors or director nominees or any Proxy Access Nominee with the Securities and Exchange Commission, regardless of whether any such filing is required under rule or regulation or whether any exemption from filing is available for such materials under any rule or regulation;

(iii) to assume all liability stemming from an action, suit or proceeding concerning any actual or alleged legal or regulatory violation arising out of any communication by the Nominating Stockholder with the Corporation, its stockholders or any other person in connection with the nomination or election of directors, including, without limitation, the Nomination Notice;

(iv) to indemnify and hold harmless (jointly with all other Eligible Holders, in the case of a group of Eligible Holders) the Corporation and each of its directors, officers and employees individually against any liability, loss, damages, expenses or other costs (including attorneys' fees) incurred in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the Corporation or any of its directors, officers or employees arising out of or relating to a failure or alleged failure of the Nominating Stockholder to comply with, or any breach or alleged breach of, its obligations, agreements or representations under this Section 1.12;

(v) in the event that any information included in the Nomination Notice, or any other communication by the Nominating Stockholder (including with respect to any Eligible Holder included in a group), with the Corporation, its stockholders or any other person in connection with the nomination or election ceases to be true and accurate in all material respects (or due to a subsequent development omits a material fact necessary to make the statements made not misleading), or that the Nominating Stockholder (including any Eligible Holder included in a group) has failed to continue to satisfy the eligibility requirements described in Section 1.12(c), to promptly (and in any event within 48 hours of discovering such misstatement or omission) notify the Corporation and any other recipient of such communication of the misstatement or omission in such previously provided information and of the information that is required to correct the misstatement or omission; and

(4) An executed agreement, in a form deemed satisfactory by the Board of Directors, by the Proxy Access Nominee:

(i) to provide to the Corporation such other information, ~~including completion of the Corporation's director questionnaire~~, as it may reasonably request;

(ii) that the Proxy Access Nominee has read and agrees, if elected, to serve as a member of the Board of Directors, to adhere to the Corporation's Corporate Governance Guidelines and Code of Business Conduct and Ethics and any other Corporation policies and guidelines applicable to directors; and

(iii) that the Proxy Access Nominee is not and will not become a party to any agreement, arrangement or understanding with any person or entity as to how the Proxy Access Nominee would vote or act on any issue or question as a director.

The information and documents required by this Section 1.12(d) shall be (i) provided with respect to and executed by each Eligible Holder or, in the case of a Nominating Stockholder comprised of a group of Eligible Holders, each Eligible Holder in that group; and (ii) provided with respect to the persons specified in Instruction 1 to Items 6(c) and (d) of Schedule 14N (or any successor item) in the case of a Nominating Stockholder or Eligible Holder that is an entity. The Nomination Notice shall be deemed submitted on the date on which all the information and documents referred to in this Section 1.12(d) (other than such information and documents contemplated to be provided after the date the Nomination Notice is provided) have been delivered to or, if sent by mail, received by a Secretary of the Corporation.

(e) Exceptions.

(1) Notwithstanding anything to the contrary contained in this Section 1.12, the Corporation may omit from its proxy statement any Proxy Access Nominee and any information concerning such Proxy Access Nominee (including a Nominating Stockholder's statement in support) and no vote on such Proxy Access Nominee will occur (notwithstanding that proxies in

respect of such vote may have been received by the Corporation), and the Nominating Stockholder may not, after the last day on which a Nomination Notice would be timely, cure in any way any defect preventing the nomination of the Proxy Access Nominee, if:

(i) the Corporation receives a notice pursuant to Section 1.11(b) of these by-laws that any stockholder intends to nominate a candidate for director at the annual meeting;

(ii) if another person is engaging in a “solicitation” within the meaning of Rule 14a-1(l) under the Exchange Act in support of the election of any individual as a director at the applicable annual meeting of stockholders other than a nominee of the Board of Directors and other than as permitted by this Section 1.12;

(iii) the Nominating Stockholder or the designated Eligible Holder that is authorized to act on behalf of the Nominating Stockholder, as applicable, or any qualified representative thereof, does not appear at the annual meeting of stockholders to present the nomination submitted pursuant to this Section 1.12 or the Nominating Stockholder withdraws its nomination;

(iv) the Board of Directors determines that such Proxy Access Nominee’s nomination or election to the Board of Directors would result in the Corporation violating or failing to be in compliance with the Corporation’s by-laws or certificate of incorporation or any applicable law, rule or regulation to which the Corporation is subject, including any rules or regulations of any stock exchange on which the Corporation’s securities are traded;

(v) the Proxy Access Nominee was nominated for election to the Board of Directors pursuant to this Section 1.12 at one of the Corporation’s two preceding annual meetings of stockholders and either (A) withdrew or became ineligible or (B) received a vote of less than twenty percent of the shares of common stock entitled to vote for such Proxy Access Nominee;

(vi) the Proxy Access Nominee (A) is an officer or director of a competitor, as defined for purposes of Section 8 of the Clayton Antitrust Act of 1914, as amended or (B) is a director, trustee, officer or employee with management functions for any depository institution, depository institution holding company or entity that has been designated as a Systemically Important Financial Institution, each as defined in the Depository Institution Management Interlocks Act, provided, however, that this clause (B) shall apply only so long as the Corporation is subject to compliance with Section 164 of the Dodd-Frank Wall Street Reform and Consumer Protection Act; or

(vii) the Corporation is notified, or the Board of Directors determines, that a Nominating Stockholder has failed to continue to satisfy the eligibility requirements described in Section 1.12(c), any of the representations and warranties made in the Nomination Notice cease to be true and accurate in all material respects (or omit a material fact necessary to make the statement not misleading), the Proxy Access Nominee becomes unwilling or unable to serve on the Board of Directors or any material violation or breach occurs of the obligations, agreements, representations or warranties of the Nominating Stockholder or the Proxy Access Nominee under this Section 1.12.

(2) Notwithstanding anything to the contrary contained in this Section 1.12, the Corporation may omit from its proxy statement, or may supplement or correct, any information,

including all or any portion of the statement in support of the Proxy Access Nominee included in the Nomination Notice, if the Board of Directors determines that:

- (i) such information is not true in all material respects or omits a material statement necessary to make the statements made not misleading;
- (ii) such information directly or indirectly impugns character, integrity or personal reputation of, or directly or indirectly makes charges concerning improper, illegal or immoral conduct or associations, without factual foundation, with respect to any person; or
- (iii) the inclusion of such information in the proxy statement would otherwise violate the Securities and Exchange Commission proxy rules or any other applicable law, rule or regulation.

ARTICLE II

Board of Directors

Section 2.1 Powers; Number; Qualifications. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, except as may be otherwise required by law or provided in the certificate of incorporation. The number of directors of the Corporation shall be fixed only by resolution of the Board of Directors from time to time. Notwithstanding the foregoing, in the event the holders of any class or series of stock are entitled by the certificate of incorporation to elect one or more directors, then the number of directors that may be elected by such holders voting separately as a class shall be in addition to the number fixed by resolution of the Board of Directors. Directors need not be stockholders at the time of election or appointment.

Section 2.2 Election; Term of Office; Vacancies. Directors elected at each annual or special meeting of stockholders shall hold office until the next annual meeting of stockholders, and until their successors are elected and qualified or until their earlier resignation or removal. Subject to the terms of any one or more series of Preferred Stock, each director shall be elected by a majority of the votes cast for or against the director at any meeting for the election of directors, provided that if the number of director nominees exceeds the number of directors to be elected, the directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at any such meeting and entitled to vote on the election of directors. If an incumbent director is nominated at an annual meeting of stockholders but is not elected, the director shall immediately tender their resignation to the Board of Directors. Vacancies and newly created directorships resulting from any increase in the authorized number of directors (other than any directors elected in the manner described in the next sentence) or from any other cause shall be filled by, and only by, a majority of the directors then in office, although less than a quorum, or by the sole remaining director. Subject to the terms of any one or more series of Preferred Stock, whenever the holders of any class or classes of stock or series thereof are entitled by the certificate of incorporation to elect one or more directors, vacancies and newly created directorships of such class or classes or series may be filled by, and only by, a majority of the directors elected by such class or classes or series then in office, or by the sole remaining director so elected. Subject to the terms of any one or more series of Preferred Stock, any director elected or appointed to fill a vacancy or a newly created directorship shall hold office until the next annual meeting of stockholders, and until their successor is elected and qualified or until their earlier resignation or removal.

Section 2.3 Regular Meetings. Regular meetings of the Board of Directors may be held at such places (if any) within or without the State of Delaware and at such times as the Board may from time to time determine, and if so determined notice thereof need not be given.

Section 2.4 Special Meetings. Special meetings of the Board of Directors may be held at any time or place (if any) within or without the State of Delaware whenever called by the Board, by a Chairman of the Board, if any, by a Vice Chairman of the Board, if any, by a Chairperson of the Corporate Governance and Nominating Committee, if any, by a Lead Director, if any, by a Chief Executive Officer, if any, by a President, if any, by a Chief Operating Officer, if any, or by any two directors. Reasonable notice thereof shall be given by the person or persons calling the meeting.

Section 2.5 Participation in Meetings by Remote Communication Permitted. Unless otherwise restricted by the certificate of incorporation or these by-laws, members of the Board of Directors, or any committee designated by the Board, may participate in a meeting of the Board or of such committee, as the case may be, by means of conference telephone, video or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this by-law shall constitute presence in person at such meeting.

Section 2.6 Quorum; Vote Required for Action. Unless the certificate of incorporation or these by-laws provide otherwise, at each meeting of the Board of Directors, a majority of the number of directors equal to (i) the total number of directors fixed by resolution of the board of directors (including any vacancies) plus (ii) the number of directors elected by a holder or holders of Preferred Stock voting separately as a class, as described in the fourth paragraph of Article EIGHTH of the certificate of incorporation (including any vacancies), shall constitute a quorum for the transaction of business. The vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board unless the certificate of incorporation or these by-laws shall require a vote of a greater number. In case at any meeting of the Board a quorum shall not be present, the members or a majority of the members of the Board present may adjourn the meeting from time to time until a quorum shall be present.

Section 2.7 Organization. Meetings of the Board of Directors shall be presided over by a Chairman of the Board, if any, or in the absence of a Chairman of the Board, by a Lead Director, if any, or in the absence of a Lead Director, by a chair chosen at the meeting. A Secretary, or in the absence of a Secretary an Assistant Secretary, shall act as secretary of the meeting, but in the absence of a Secretary and any Assistant Secretary the chair of the meeting may appoint any person to act as secretary of the meeting.

Section 2.8 Action by Directors Without a Meeting. Unless otherwise restricted by the certificate of incorporation or these by-laws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board or of such committee, as the case may be, then in office consent thereto in writing, including by electronic transmission. After an action is taken, the consent or consents shall be filed with the minutes of proceedings of the Board or committee in accordance with applicable law.

Section 2.9 Compensation of Directors. Unless otherwise restricted by the certificate of incorporation or these by-laws, the Board of Directors shall have the authority to fix the compensation of directors.

Section 2.10 Director Resignation and Removal. (a) Any director may resign at any time upon notice in writing, including by electronic transmission, to the Board of Directors or to a Chairman of the Board, a Lead Director, a Chairperson of the Corporate Governance and Nominating Committee or a Secretary. Such resignation shall take effect at the time specified therein and, unless otherwise specified therein (and except for a resignation described in Section 2.10(b) below), no acceptance of such resignation shall be necessary to make it effective. No director may be removed except as provided in the certificate of incorporation.

(b) In the case of a resignation required to be tendered under Section 2.2 of these by-laws, the Board of Directors will determine, through a process managed by the Corporate Governance and Nominating Committee and excluding the incumbent director in question, whether to accept the resignation at or before its next regularly scheduled Board meeting after the date of the meeting for the election of directors. Absent a significant reason for the director to remain on the Board of Directors, the Board shall accept the resignation. The Board's decision and an explanation of any determination not to accept the director's resignation shall be disclosed promptly in a Form 8-K filed with the United States Securities and Exchange Commission.

ARTICLE III

Committees

Section 3.1 Committees. The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors or in these by-laws, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to the following matters: (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by law to be submitted to stockholders for approval (other than the election or removal of directors) or (ii) adopting, amending or repealing these by-laws.

Section 3.2 Committee Rules. Unless the Board of Directors otherwise provides, each committee designated by the Board may adopt, amend and repeal rules for the conduct of its business. In the absence of a provision by the Board or a provision in the rules of such committee to the contrary, a majority of the entire authorized number of members of such committee shall constitute a quorum for the transaction of business, the vote of a majority of the members present at a meeting at the time of such vote if a quorum is then present shall be the act of such committee, and in other respects each committee shall conduct its business in the same manner as the Board conducts its business pursuant to Article II of these by-laws.

ARTICLE IV

Officers

Section 4.1 Officers; Election or Appointment. The Board of Directors shall take such action as may be necessary from time to time to ensure that the Corporation has such officers as may be necessary under the Delaware General Corporation Law. In addition, the Board of Directors at any time and from time to time may elect (i) one or more Chairmen of the Board and/or one or more Vice Chairmen of the Board from among its members, (ii) one or more Chief Executive Officers, one or more Presidents, one or more Chief Operating Officers, and/or one or more Chief Financial Officers (iii) one or more Vice Presidents, one or more Treasurers and/or one or more Secretaries and/or (iv) one or more other officers, including, without limitation, Assistants or Deputies to any position, in the case of each of (i), (ii), (iii) and (iv) if and to the extent the Board deems desirable. The Board of Directors may give any officer such further designations or alternate titles as it considers desirable. In addition, the Board of Directors at any time and

from time to time may authorize any officer of the Corporation to appoint one or more officers of the kind described in clauses (iii) and (iv) above. Any number of offices may be held by the same person and directors may hold any office unless the certificate of incorporation or these by-laws otherwise provide.

Section 4.2 Term of Office; Resignation; Removal; Vacancies. Unless otherwise provided in the resolution of the Board of Directors electing or authorizing the appointment of any officer, each officer shall hold office until their successor is elected or appointed and qualified or until their earlier resignation or removal. Any officer may resign at any time upon notice in writing, including by electronic transmission, to the Board or to such person or persons as the Board may designate. Such resignation shall take effect at the time specified therein, and unless otherwise specified therein no acceptance of such resignation shall be necessary to make it effective. The Board may remove any officer with or without cause at any time. Any officer authorized by the Board to appoint a person to hold an office of the Corporation may also remove such person from such office with or without cause at any time, unless otherwise provided in the resolution of the Board providing such authorization. Any such removal shall be without prejudice to the contractual rights of such officer, if any, with the Corporation, but the election or appointment of an officer shall not of itself create contractual rights. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise may be filled by the Board at any regular or special meeting or by an officer authorized by the Board to appoint a person to hold such office.

Section 4.3 Powers and Duties. The officers of the Corporation shall have such powers and duties in the management of the Corporation as shall be stated in these by-laws or in a resolution of the Board of Directors which is not inconsistent with these by-laws and, to the extent not so stated, as generally pertain to their respective offices, subject to the control of the Board. A Secretary or such other officer appointed to do so by the Board shall have the duty to record the proceedings of the meetings of the stockholders, the Board of Directors and any committees in a book to be kept for that purpose. The Board may require any officer, agent or employee to give security for the faithful performance of their duties.

ARTICLE V

Stock

Section 5.1 Certificates; Uncertificated Shares. The shares of stock in the Corporation shall be represented by certificates, provided that the Board of Directors of the Corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to any such shares represented by a certificate theretofore issued until such certificate is surrendered to the Corporation. Every holder of stock represented by certificates shall be entitled to have a certificate signed by or in the name of the Corporation by any two authorized officers, which shall include, without limitation, a Chairman or Vice Chairman of the Board, a President or Vice President, a Chief Executive Officer, a Chief Financial Officer, a Chief Legal Officer or General Counsel, a Treasurer or Global Treasurer, an Assistant Treasurer, a Secretary or an Assistant Secretary, representing the number of shares of stock in the Corporation owned by such holder. In case any officer, transfer agent or registrar who has signed a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue. Certificates representing shares of stock of the Corporation may bear such legends regarding restrictions on transfer or other matters as any officer or officers of the Corporation may determine to be appropriate and lawful.

If the Corporation is authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the Corporation shall

issue to represent such class or series of stock, provided that, except as otherwise required by law, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of such class or series of stock and the qualifications, limitations or restrictions of such preferences and/or rights. Within a reasonable time after the issuance or transfer of uncertificated shares of any class or series of stock, the Corporation shall send to the registered owner thereof a written notice containing the information required by law to be set forth or stated on certificates representing shares of such class or series or a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of such class or series and the qualifications, limitations or restrictions of such preferences and/or rights.

Except as otherwise provided by law or these by-laws, the rights and obligations of the holders of uncertificated shares and the rights and obligations of the holders of certificates representing stock of the same class and series shall be identical.

Section 5.2 Lost, Stolen or Destroyed Stock Certificates; Issuance of New Certificates. The Corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

ARTICLE VI

Miscellaneous

Section 6.1 Fiscal Year. The fiscal year of the Corporation shall be determined by the Board of Directors.

Section 6.2 Seal. The Corporation may have a corporate seal which shall have the name of the Corporation inscribed thereon and shall be in such form as may be approved from time to time by the Board of Directors. The corporate seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

Section 6.3 Waiver of Notice of Meetings of Stockholders, Directors and Committees. Whenever notice is required to be given by law or under any provision of the certificate of incorporation or these by-laws, a written waiver thereof (including by electronic transmission), signed or given by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors or members of a committee of directors need be specified in any waiver of notice unless so required by the certificate of incorporation or these by-laws.

Section 6.4 Indemnification. The Corporation shall indemnify to the full extent permitted by law any person made or threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person or such person's testator or intestate is or was a member of the Board of Directors of the Corporation, an officer of the Corporation

appointed by resolution of the Board of Directors, or a member of the Shareholders' Committee acting pursuant to the Amended and Restated Shareholders' Agreement, dated as of May 7, 1999, among the Corporation and the Covered Persons listed on Appendix A thereto, as amended from time to time. Expenses, including attorneys' fees, incurred by any such person in defending any such action, suit or proceeding shall be paid or reimbursed by the Corporation promptly upon demand by such person and, if any such demand is made in advance of the final disposition of any such action, suit or proceeding, promptly upon receipt by the Corporation of an undertaking of such person to repay such expenses if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation. The rights provided to any person by this by-law shall be enforceable against the Corporation by such person, who shall be presumed to have relied upon it in serving or continuing to serve in such capacity. In addition, the rights provided to any person by this by-law shall survive the termination of such person as any such member or officer. No amendment of this by-law shall impair the rights of any person arising at any time with respect to events occurring prior to such amendment.

Notwithstanding anything contained in this Section 6.4, except for proceedings to enforce rights provided in this Section 6.4, the Corporation shall not be obligated under this Section 6.4 to provide any indemnification or any payment or reimbursement of expenses to any person in connection with a proceeding (or part thereof) initiated by such person (which shall not include counterclaims or crossclaims initiated by others) unless the Board of Directors has authorized or consented to such proceeding (or part thereof) in a resolution adopted by the Board of Directors.

To the extent authorized from time to time in a resolution adopted by the Board of Directors (including a resolution authorizing officers of the Corporation to grant such rights), the Corporation may provide to any one or more persons, including without limitation any employee or other agent of the Corporation, or any director, officer, employee, agent, trustee, member, stockholder, partner, incorporator or liquidator of any subsidiary of the Corporation or any other enterprise, rights of indemnification and/or to receive payment or reimbursement of expenses, including attorneys' fees, with any such rights subject to the terms, conditions and limitations established pursuant to the Board resolution. Nothing in this Section

6.4 shall limit the power of the Corporation or the Board of Directors to provide rights of indemnification and to make payment and reimbursement of expenses, including attorneys' fees, to any person otherwise than pursuant to this Section 6.4.

Section 6.5 Interested Directors; Quorum. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, limited liability company, joint venture, trust, association or other unincorporated organization or other entity in which one or more of its directors or officers serve as directors, officers, trustees or in a similar capacity or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because their votes are counted for such purpose, if: (i) the material facts as to their relationship or interest and as to the contract or transaction are disclosed or are known to the Board or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; (ii) the material facts as to their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by a vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board, a committee thereof or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

Section 6.6 Form of Records. Any records maintained by the Corporation in the regular course of its business, including its stock ledger, books of account and minute books, may be kept on, or by means of, or be in the form of, any information storage device, method or one or more electronic networks or data bases (including one or more distributed networks) , provided that the records so kept can be converted into clearly legible form within a reasonable time and otherwise be compliant with the requirements of applicable law.

The Corporation shall so convert any records so kept upon the request of any person entitled to inspect the same.

Section 6.7 Laws and Regulations; Close of Business. (a) For purposes of these by-laws, any reference to a [law](#), statute, rule or regulation of any governmental body means such [law](#), statute, rule or regulation (including any successor thereto) as the same may be amended from time to time.

(b) Any reference in these by-laws to the close of business on any day shall be deemed to mean 5:00 P.M. New York time on such day, whether or not such day is a business day.

Section 6.8 Amendment of By-Laws. These by-laws may be amended, modified or repealed, and new by-laws may be adopted at any time, by the Board of Directors. Stockholders of the Corporation may adopt additional by-laws and amend, modify or repeal any by-law whether or not adopted by them, but only in accordance with Article SIXTH of the certificate of incorporation.

November 3, 2023

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: The Goldman Sachs Group, Inc.
Registration Statements on Form S-8
(No. 333-80839)
(No. 333-42068)
(No. 333-106430)
(No. 333-120802)
(No. 333-235973)
(No. 333-261673)

Registration Statement on Form S-3
(No. 333-269296)

Commissioners:

We are aware that our report dated November 3, 2023 on our review of the consolidated balance sheet of The Goldman Sachs Group, Inc. and its subsidiaries (the Company) as of September 30, 2023, the related consolidated statements of earnings, comprehensive income and changes in shareholders' equity for the three and nine month periods ended September 30, 2023 and 2022, and the consolidated statements of cash flows for the nine month periods ended September 30, 2023 and 2022, including the related notes in the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2023 is incorporated by reference in the registration statements referred to above. Pursuant to Rule 436(c) under the Securities Act of 1933 (the Act), such report should not be considered a part of such registration statements, and is not a report within the meaning of Sections 7 and 11 of the Act.

Very truly yours,

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP, 300 Madison Avenue, New York, NY 10017

CERTIFICATIONS

I, David Solomon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 of The Goldman Sachs Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2023

/s/ David Solomon

Name: David Solomon

Title: Chief Executive Officer

CERTIFICATIONS

I, Denis P. Coleman III, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 of The Goldman Sachs Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2023

/s/ Denis P. Coleman III
Name: Denis P. Coleman III
Title: Chief Financial Officer

Certification

Pursuant to 18 U.S.C. § 1350, the undersigned officer of The Goldman Sachs Group, Inc. (the Company) hereby certifies that the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 (the Report) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2023

/s/ David Solomon

Name: David Solomon
Title: Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

Certification

Pursuant to 18 U.S.C. § 1350, the undersigned officer of The Goldman Sachs Group, Inc. (the Company) hereby certifies that the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 (the Report) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2023

/s/ Denis P. Coleman III

Name: Denis P. Coleman III

Title: Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.