Fellow Shareholders:

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

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

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

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

Inflection Points

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

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

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

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

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

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

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

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

Our Focus on Growth

Investment Banking

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

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

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

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

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

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

Institutional Client Services

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

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

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

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

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

To address these issues, we are broadening our bank and asset manager client coverage and are focused on growing our corporate coverage. We have also diversified our product footprint by enhancing our cash and flow trading capabilities. And we are holding our people accountable for delivering top three client rankings.

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

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

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

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

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

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

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

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

Investment Management

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

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

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

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

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

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

Investing & Lending

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

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

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

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

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

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

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

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

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

Marcus

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

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

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

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

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

Our People

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

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

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

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

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

Succession and Our Leadership Bench

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

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

Our Impact

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

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

10,000 Small Businesses Summit

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

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

Goldman Sachs Gives

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

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

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

Urban Investment Group

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

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

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

Looking Ahead

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

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

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

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

Lloyd C. Blankfein
Chairman and Chief Executive Officer