GOLDMAN SACHS GROUP INC
Form 10-Q
May 06, 2016
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended March 31, 2016

or

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

For the transition period from to

Commission File Number: 001-14965

The Goldman Sachs Group, Inc.

(Exact name of registrant as specified in its charter)

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

(212) 902-1000

(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes ¨ No

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

Large accelerated filer x Accelerated filer ¨

Non-accelerated filer ¨ (Do not check if a smaller reporting company) Smaller reporting company ¨

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

APPLICABLE ONLY TO CORPORATE ISSUERS

As of April 22, 2016, there were 415,394,033 shares of the registrant s common stock outstanding.

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THE GOLDMAN SACHS GROUP, INC.

QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2016

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements (Unaudited)

THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Earnings

(Unaudited)

	Three Months Ended March	
in millions, except per share amounts	**2016**	2015
Revenues		
Investment banking	**$1,463**	$ 1,905
Investment management	**1,262**	1,503
Commissions and fees	**917**	853
Market making	**1,862**	3,925
Other principal transactions	**(49)**	1,572
Total non-interest revenues	**5,455**	9,758
Interest income	**2,348**	2,035
Interest expense	**1,465**	1,176
Net interest income	**883**	859
Net revenues, including net interest income	**6,338**	10,617
Operating expenses		
Compensation and benefits	**2,662**	4,459
Brokerage, clearing, exchange and distribution fees	**691**	638
Market development	**122**	139
Communications and technology	**197**	198

Depreciation and amortization	**239**	219
Occupancy	**183**	204
Professional fees	**220**	211
Other expenses	**448**	615
Total non-compensation expenses	**2,100**	2,224
Total operating expenses	**4,762**	6,683
Pre-tax earnings	**1,576**	3,934
Provision for taxes	**441**	1,090
Net earnings	**1,135**	2,844
Preferred stock dividends	**(65)**	96
Net earnings applicable to common shareholders	**$1,200**	$ 2,748
Earnings per common share		
Basic	**$ 2.71**	$ 6.05
Diluted	**2.68**	5.94
Dividends declared per common share	**$ 0.65**	$ 0.60
Average common shares outstanding		
Basic	**440.8**	453.3
Diluted	**447.4**	462.9

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

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

	Three Months Ended March	
$ in millions	**2016**	2015
Net earnings	**$1,135**	$2,844
Other comprehensive loss adjustments, net of tax:		
Currency translation	**(17)**	(25)
Debt valuation adjustment	**(12)**	
Pension and postretirement liabilities	**(36)**	(3)
Other comprehensive loss	**(65)**	(28)
Comprehensive income	**$1,070**	$2,816

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

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Financial Condition

(Unaudited)

	As of	
$ in millions, except per share amounts	**March 2016**	December 2015
Assets		
Cash and cash equivalents	**$ 79,169**	$ 75,105
Cash and securities segregated for regulatory and other purposes (includes $39,505 and $38,504 at fair value as of March 2016 and December 2015, respectively)	**58,287**	56,838
Collateralized agreements:		
Securities purchased under agreements to resell and federal funds sold (includes $127,189 and $119,450 at fair value as of March 2016 and December 2015, respectively)	**128,513**	120,905
Securities borrowed (includes $66,212 and $69,801 at fair value as of March 2016 and December 2015, respectively)	**180,603**	172,099
Receivables:		
Brokers, dealers and clearing organizations	**22,971**	25,453
Customers and counterparties (includes $3,893 and $4,992 at fair value as of March 2016 and December 2015, respectively)	**49,399**	46,430
Loans receivable	**47,924**	45,407
Financial instruments owned, at fair value (includes $53,548 and $54,426 pledged as collateral as of March 2016 and December 2015, respectively)	**286,902**	293,940
Other assets	**24,268**	25,218
Total assets	**$878,036**	$861,395
Liabilities and shareholders equity		
Deposits (includes $15,034 and $14,680 at fair value as of March 2016 and December 2015, respectively)	**$104,866**	$ 97,519
Collateralized financings:		
Securities sold under agreements to repurchase, at fair value	**77,617**	86,069
Securities loaned (includes $972 and $466 at fair value as of March 2016 and December 2015, respectively)	**4,427**	3,614

Other secured financings (includes $24,394 and $23,207 at fair value as of March 2016 and December 2015, respectively)	**26,175**	24,753
Payables:		
Brokers, dealers and clearing organizations	**6,027**	5,406
Customers and counterparties	**204,911**	204,956
Financial instruments sold, but not yet purchased, at fair value	**127,013**	115,248
Unsecured short-term borrowings, including the current portion of unsecured long-term borrowings (includes $19,246 and $17,743 at fair value as of March 2016 and December 2015, respectively)	**46,691**	42,787
Unsecured long-term borrowings (includes $25,671 and $22,273 at fair value as of March 2016 and December 2015, respectively)	**180,159**	175,422
Other liabilities and accrued expenses (includes $576 and $1,253 at fair value as of March 2016 and December 2015, respectively)	**13,313**	18,893
Total liabilities	**791,199**	774,667
Commitments, contingencies and guarantees		
Shareholders equity		
Preferred stock, par value $0.01 per share; aggregate liquidation preference of $11,203 and $11,200 as of March 2016 and December 2015, respectively	**11,203**	11,200
Common stock, par value $0.01 per share; 4,000,000,000 shares authorized, 872,016,591 and 863,976,731 shares issued as of March 2016 and December 2015, respectively, and 417,572,204 and 419,480,736 shares outstanding as of March 2016 and December 2015, respectively	**9**	9
Share-based awards	**3,820**	4,151
Nonvoting common stock, par value $0.01 per share; 200,000,000 shares authorized, no shares issued and outstanding		
Additional paid-in capital	**52,471**	51,340
Retained earnings	**83,990**	83,386
Accumulated other comprehensive loss	**(478)**	(718)
Stock held in treasury, at cost, par value $0.01 per share; 454,444,389 and 444,495,997 shares as of March 2016 and December 2015, respectively	**(64,178)**	(62,640)
Total shareholders equity	**86,837**	86,728
Total liabilities and shareholders equity	**$878,036**	$861,395

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

THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Changes in Shareholders Equity

(Unaudited)

$ in millions	**Three Months Ended March 2016**	Year Ended December 2015
Preferred stock		
Balance, beginning of year	**$ 11,200**	$ 9,200
Issued	**675**	2,000
Redeemed	**(672)**	
Balance, end of period	**11,203**	11,200
Common stock		
Balance, beginning of year	**9**	9
Issued		
Balance, end of period	**9**	9
Share-based awards		
Balance, beginning of year	**4,151**	3,766
Issuance and amortization of share-based awards	**1,672**	2,308
Delivery of common stock underlying share-based awards	**(1,971)**	(1,742)
Forfeiture of share-based awards	**(30)**	(72)
Exercise of share-based awards	**(2)**	(109)
Balance, end of period	**3,820**	4,151
Additional paid-in capital		
Balance, beginning of year	**51,340**	50,049
Delivery of common stock underlying share-based awards	**1,972**	2,092
Cancellation of share-based awards in satisfaction of withholding tax requirements	**(881)**	(1,198)
Preferred stock issuance costs, net	**(14)**	(7)
Excess net tax benefit related to share-based awards	**54**	406

Cash settlement of share-based awards		(2)
Balance, end of period	**52,471**	51,340
Retained earnings		
Balance, beginning of year, as previously reported	**83,386**	78,984
Reclassification of cumulative debt valuation adjustment, net of tax, to accumulated other comprehensive loss	**(305)**	
Balance, beginning of year, adjusted	**83,081**	78,984
Net earnings	**1,135**	6,083
Dividends and dividend equivalents declared on common stock and share-based awards	**(291)**	(1,166)
Dividends declared on preferred stock	**(96)**	(515)
Preferred stock redemption discount	**161**	
Balance, end of period	**83,990**	83,386
Accumulated other comprehensive loss		
Balance, beginning of year, as previously reported	**(718)**	(743)
Reclassification of cumulative debt valuation adjustment, net of tax, from retained earnings	**305**	
Balance, beginning of year, adjusted	**(413)**	(743)
Other comprehensive income/(loss)	**(65)**	25
Balance, end of period	**(478)**	(718)
Stock held in treasury, at cost		
Balance, beginning of year	**(62,640)**	(58,468)
Repurchased	**(1,550)**	(4,195)
Reissued	**19**	32
Other	**(7)**	(9)
Balance, end of period	**(64,178)**	(62,640)
Total shareholders equity	**$ 86,837**	$ 86,728

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

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Three Months Ended March	
$ in millions	**2016**	2015
Cash flows from operating activities		
Net earnings	**$ 1,135**	$ 2,844
Adjustments to reconcile net earnings to net cash provided by/(used for) operating activities		
Depreciation and amortization	**239**	219
Share-based compensation	**1,665**	1,809
Gain related to extinguishment of junior subordinated debt		(34)
Changes in operating assets and liabilities		
Cash and securities segregated for regulatory and other purposes	**(1,449)**	9,393
Receivables and payables (excluding loans receivable), net	**19**	5,733
Collateralized transactions (excluding other secured financings), net	**(23,750)**	7,546
Financial instruments owned, at fair value	**9,599**	(13,266)
Financial instruments sold, but not yet purchased, at fair value	**11,697**	726
Other, net	**(3,087)**	(8,234)
Net cash provided by/(used for) operating activities	**(3,932)**	6,736
Cash flows from investing activities		
Purchase of property, leasehold improvements and equipment	**(573)**	(302)
Proceeds from sales of property, leasehold improvements and equipment	**210**	13
Business acquisitions, net of cash acquired	**(562)**	(477)
Proceeds from sales of investments	**322**	184
Loans receivable, net	**(2,537)**	(3,681)
Net cash used for investing activities	**(3,140)**	(4,263)

Cash flows from financing activities		
Unsecured short-term borrowings, net	**1,970**	(921)
Other secured financings (short-term), net	**775**	(26)
Proceeds from issuance of other secured financings (long-term)	**933**	4,293
Repayment of other secured financings (long-term), including the current portion	**(1,118)**	(2,566)
Purchase of trust preferred securities		(1)
Purchase of Automatic Preferred Enhanced Capital Securities (APEX)	**(505)**	
Proceeds from issuance of unsecured long-term borrowings	**14,752**	11,873
Repayment of unsecured long-term borrowings, including the current portion	**(11,801)**	(11,319)
Derivative contracts with a financing element, net	**16**	(46)
Deposits, net	**7,347**	3,046
Common stock repurchased	**(1,556)**	(1,250)
Dividends and dividend equivalents paid on common stock, preferred stock and share-based awards	**(387)**	(373)
Proceeds from issuance of preferred stock, net of issuance costs	**655**	
Proceeds from issuance of common stock, including exercise of share-based awards	**1**	71
Excess tax benefit related to share-based awards	**54**	275
Net cash provided by financing activities	**11,136**	3,056
Net increase in cash and cash equivalents	**4,064**	5,529
Cash and cash equivalents, beginning of year	**75,105**	57,600
Cash and cash equivalents, end of period	**$ 79,169**	$ 63,129

SUPPLEMENTAL DISCLOSURES:

Cash payments for interest, net of capitalized interest, were $2.25 billion and $1.77 billion and cash payments for income taxes, net of refunds, were $266 million and $451 million during the three months ended March 2016 and March 2015, respectively.

Non-cash activities during the three months ended March 2016:

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

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

The firm exchanged $505 million of APEX for $666 million of Series E and Series F Preferred Stock. See Note 19 for further information.

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

Non-cash activities during the three months ended March 2015:

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

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

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Note 1.

Description of Business

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

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

Investment Banking

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

Institutional Client Services

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

Investing & Lending

The firm invests in and originates loans to provide financing to clients. These investments and loans are typically longer-term in nature. The firm makes investments, some of which are consolidated, directly and indirectly through funds and separate accounts that the firm manages, in debt securities and loans, public and private equity securities, and real estate entities.

Investment Management

The firm provides investment management services and offers investment products (primarily through separately managed accounts and commingled vehicles, such as mutual funds and private investment funds) across all major asset classes to a diverse set of institutional and individual clients. The firm also offers wealth advisory services, including portfolio management and financial counseling, and brokerage and other transaction services to

high-net-worth individuals and families.

Note 2.

Basis of Presentation

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

These condensed consolidated financial statements are unaudited and should be read in conjunction with the audited consolidated financial statements included in the firm s Annual Report on Form 10-K for the year ended December 31, 2015. References to the 2015 Form 10-K are to the firm s Annual Report on Form 10-K for the year ended December 31, 2015. The condensed consolidated financial information as of December 31, 2015 has been derived from audited consolidated financial statements not included herein.

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

All references to March 2016 and March 2015 refer to the firm s periods ended, or the dates, as the context requires, March 31, 2016 and March 31, 2015, respectively. All references to December 2015 refer to the date December 31, 2015. Any reference to a future year refers to a year ending on December 31 of that year. Certain reclassifications have been made to previously reported amounts to conform to the current presentation.

THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Note 3.

Significant Accounting Policies

The firm s significant accounting policies include when and how to measure the fair value of assets and liabilities, accounting for goodwill and identifiable intangible assets, and when to consolidate an entity. See Notes 5 through 8 for policies on fair value measurements, Note 13 for policies on goodwill and identifiable intangible assets, and below and Note 12 for policies on consolidation accounting. All other significant accounting policies are either described below or included in the following footnotes:

Financial Instruments Owned, at Fair Value and Financial Instruments Sold, But Not Yet Purchased, at Fair Value	Note 4
Fair Value Measurements	Note 5
Cash Instruments	Note 6
Derivatives and Hedging Activities	Note 7
Fair Value Option	Note 8
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Variable Interest Entities	Note 12
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Consolidation

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

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

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

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

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

THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Investment Funds. The firm has formed numerous investment funds with third-party investors. These funds are typically organized as limited partnerships or limited liability companies for which the firm acts as general partner or manager. Generally, the firm does not hold a majority of the economic interests in these funds. These funds are usually voting interest entities and generally are not consolidated because third-party investors typically have rights to terminate the funds or to remove the firm as general partner or manager. Investments in these funds are included in Financial instruments owned, at fair value. See Notes 6, 18 and 22 for further information about investments in funds.

Use of Estimates

Preparation of these condensed consolidated financial statements requires management to make certain estimates and assumptions, the most important of which relate to fair value measurements, accounting for goodwill and identifiable intangible assets, discretionary compensation accruals, the provisions for losses that may arise from litigation, regulatory proceedings and tax audits, and the allowance for losses on loans and lending commitments held for investment. These estimates and assumptions are based on the best available information but actual results could be materially different.

Revenue Recognition

Financial Assets and Financial Liabilities at Fair Value. Financial instruments owned, at fair value and Financial instruments sold, but not yet purchased, at fair value are recorded at fair value either under the fair value option or in accordance with other U.S. GAAP. In addition, the firm has elected to account for certain of its other financial assets and financial liabilities at fair value by electing the fair value option. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. Fair value gains or losses are generally included in Market making for positions in Institutional Client Services and Other principal transactions for positions in Investing & Lending. See Notes 5 through 8 for further information about fair value measurements.

Investment Banking. Fees from financial advisory assignments and underwriting revenues are recognized in earnings when the services related to the underlying transaction are completed under the terms of the assignment. Expenses associated with such transactions are deferred until the related revenue is recognized or the assignment is otherwise concluded. Expenses associated with financial advisory assignments are recorded as non-compensation expenses, net of client reimbursements. Underwriting revenues are presented net of related expenses.

Investment Management. The firm earns management fees and incentive fees for investment management services. Management fees for mutual funds are calculated as a percentage of daily net asset value and are received monthly. Management fees for hedge funds and separately managed accounts are calculated as a percentage of month-end net asset value and are generally received quarterly. Management fees for private equity funds are calculated as a percentage of monthly invested capital or commitments and are received quarterly, semi-annually or annually, depending on the fund. All management fees are recognized over the period that the related service is provided.

Incentive fees are calculated as a percentage of a fund s or separately managed account s return, or excess return above a specified benchmark or other performance target. Incentive fees are generally based on investment performance over a 12-month period or over the life of a fund. Fees that are based on performance over a 12-month period are subject to adjustment prior to the end of the measurement period. For fees that are based on investment performance over the life of the fund, future investment underperformance may require fees previously distributed to the firm to be returned to the fund. Incentive fees are recognized only when all material contingencies have been resolved. Management and incentive fee revenues are included in Investment management revenues.

The firm makes payments to brokers and advisors related to the placement of the firm s investment funds. These payments are calculated based on either a percentage of the management fee or the investment fund s net asset value. Where the firm is principal to the arrangement, such costs are recorded on a gross basis and included in Brokerage, clearing, exchange and distribution fees, and where the firm is agent to the arrangement, such costs are recorded on a net basis in Investment management revenues.

THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Commissions and Fees. The firm earns Commissions and fees from executing and clearing client transactions on stock, options and futures markets, as well as over-the-counter (OTC) transactions. Commissions and fees are recognized on the day the trade is executed.

Transfers of Assets

Transfers of assets are accounted for as sales when the firm has relinquished control over the assets transferred. For transfers of assets accounted for as sales, any gains or losses are recognized in net revenues. Assets or liabilities that arise from the firm s continuing involvement with transferred assets are recognized at fair value. For transfers of assets that are not accounted for as sales, the assets generally remain in Financial instruments owned, at fair value and the transfer is accounted for as a collateralized financing, with the related interest expense recognized over the life of the transaction. See Note 10 for further information about transfers of assets accounted for as collateralized financings and Note 11 for further information about transfers of assets accounted for as sales.

Cash and Cash Equivalents

The firm defines cash equivalents as highly liquid overnight deposits held in the ordinary course of business. As of March 2016 and December 2015, Cash and cash equivalents included $5.53 billion and $6.47 billion, respectively, of cash and due from banks, and $73.64 billion and $68.64 billion, respectively, of interest-bearing deposits with banks.

Receivables from and Payables to Brokers, Dealers and Clearing Organizations

Receivables from and payables to brokers, dealers and clearing organizations are accounted for at cost plus accrued interest, which generally approximates fair value. While these receivables and payables are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm s fair value hierarchy in Notes 6 through 8. Had these receivables and payables been included in the firm s fair value hierarchy, substantially all would have been classified in level 2 as of March 2016 and December 2015.

Receivables from Customers and Counterparties

Receivables from customers and counterparties generally relate to collateralized transactions. Such receivables are primarily comprised of customer margin loans, certain transfers of assets accounted for as secured loans rather than purchases at fair value and collateral posted in connection with certain derivative transactions. Substantially all of these receivables are accounted for at amortized cost net of estimated uncollectible amounts. Certain of the firm s receivables from customers and counterparties are accounted for at fair value under the fair value option, with changes in fair value generally included in Market making revenues. See Note 8 for further information about receivables from customers and counterparties accounted for at fair value under the fair value option. In addition, as of March 2016 and December 2015, the firm s receivables from customers and counterparties included $4.38 billion and $2.35 billion, respectively, of loans held for sale, accounted for at the lower of cost or fair value. See Note 5 for an overview of the

firm s fair value measurement policies.

As of March 2016 and December 2015, the carrying value of receivables not accounted for at fair value generally approximated fair value. While these items are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm s fair value hierarchy in Notes 6 through 8. Had these items been included in the firm s fair value hierarchy, substantially all would have been classified in level 2 as of March 2016 and December 2015. Interest on receivables from customers and counterparties is recognized over the life of the transaction and included in Interest income.

Payables to Customers and Counterparties

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

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Offsetting Assets and Liabilities

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

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

In the condensed consolidated statements of financial condition, derivatives are reported net of cash collateral received and posted under enforceable credit support agreements, when transacted under an enforceable netting agreement. In the condensed consolidated statements of financial condition, resale and repurchase agreements, and securities borrowed and loaned, are not reported net of the related cash and securities received or posted as collateral. See Note 10 for further information about collateral received and pledged, including rights to deliver or repledge collateral. See Notes 7 and 10 for further information about offsetting.

Share-based Compensation

The cost of employee services received in exchange for a share-based award is generally measured based on the grant-date fair value of the award. Share-based awards that do not require future service (i.e., vested awards, including awards granted to retirement-eligible employees) are expensed immediately. Share-based awards that require future service are amortized over the relevant service period. Expected forfeitures are included in determining share-based employee compensation expense.

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

as an increase to additional paid-in capital.

The firm generally issues new shares of common stock upon delivery of share-based awards. In certain cases, primarily related to conflicted employment (as outlined in the applicable award agreements), the firm may cash settle share-based compensation awards accounted for as equity instruments. For these awards, whose terms allow for cash settlement, additional paid-in capital is adjusted to the extent of the difference between the value of the award at the time of cash settlement and the grant-date value of the award.

Foreign Currency Translation

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

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Recent Accounting Developments

Revenue from Contracts with Customers (ASC 606). In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). ASU No. 2014-09 provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services. The ASU also provides guidance on accounting for certain contract costs, and requires new disclosures. ASU No. 2014-09, as amended by ASU No. 2015-14, ASU No. 2016-08 and ASU No. 2016-10, is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted for annual reporting periods beginning after December 15, 2016. The firm is still evaluating the effect of the ASU on its financial condition, results of operations, and cash flows.

Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity (ASC 810). In August 2014, the FASB issued ASU No. 2014-13, Consolidation (Topic 810) Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity (CFE). ASU No. 2014-13 provides an alternative to reflect changes in the fair value of the financial assets and the financial liabilities of the CFE by measuring either the fair value of the assets or liabilities, whichever is more observable. ASU No. 2014-13 provides new disclosure requirements for those electing this approach, and was effective for interim and annual periods beginning after December 15, 2015. Adoption of ASU No. 2014-13 did not materially affect the firm s financial condition, results of operations, or cash flows.

Amendments to the Consolidation Analysis (ASC 810). In February 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810) Amendments to the Consolidation Analysis. ASU No. 2015-02 eliminates the deferral of the requirements of ASU No. 2009-17, Consolidations (Topic 810) Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities for certain interests in investment funds and provides a scope exception from Topic 810 for certain investments in money market funds. The ASU also makes several modifications to the consolidation guidance for VIEs and general partners investments in limited partnerships, as well as modifications to the evaluation of whether limited partnerships are VIEs or voting interest entities. ASU No. 2015-02 is effective for interim and annual reporting periods beginning after December 15, 2015 and is required to be adopted under a modified retrospective approach or retrospectively to all periods presented.

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

Simplifying the Presentation of Debt Issuance Costs (ASC 835). In April 2015, the FASB issued ASU No. 2015-03, Interest Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs. ASU No. 2015-03 simplifies the presentation of debt issuance costs by requiring that these costs related to a recognized debt liability be presented in the statements of financial condition as a direct reduction from the carrying

amount of that liability. ASU No. 2015-03 is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. ASU No. 2015-03 is required to be applied retrospectively to all periods presented beginning in the year of adoption. Early adoption was permitted. The firm early adopted ASU No. 2015-03 in September 2015. In accordance with ASU No. 2015-03, previously reported amounts have been conformed to the current presentation.

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

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

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

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

Improvements to Employee Share-Based Payment Accounting (ASC 718). In March 2016, the FASB issued ASU No. 2016-09, Compensation Stock Compensation (Topic 718) Improvements to Employee Share-Based Payment Accounting. ASU No. 2016-09 includes provisions to simplify certain aspects related to the accounting for share-based awards and the related financial statement presentation. This ASU includes a requirement that the tax effect related to the settlement of share-based awards be recorded in income tax benefit or expense in the statements of earnings. This change is required to be adopted prospectively in the period of adoption. In addition, the ASU modifies

the classification of certain share-based payment activities within the statements of cash flows and these changes are required to be applied retrospectively to all periods presented, or in certain cases prospectively, beginning in the period of adoption. ASU No. 2016-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is permitted. The impact of ASU No. 2016-09 could be material to the results of operations and cash flows in future periods depending upon, among other things, the level of earnings and stock price of the firm.

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Note 4.

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

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

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

$ in millions	Financial Instruments Owned	Financial Instruments Sold, But Not Yet Purchased
As of March 2016		
Commercial paper, certificates of deposit, time deposits and other money market instruments	**$ 1,878**	**$**
U.S. government and federal agency obligations	**46,716**	**12,453**
Non-U.S. government and agency obligations	**34,627**	**17,539**
Loans and securities backed by commercial real estate	**5,555**	**2**
Loans and securities backed by residential real estate	**12,196**	**1**
Bank loans and bridge loans	**11,292**	**557**
Corporate debt securities	**17,108**	**7,678**

State and municipal obligations	**1,169**	
Other debt obligations	**1,361**	**2**
Equities and convertible debentures	**81,912**	**34,598**
Commodities	**5,240**	
Investments in funds measured at NAV	**7,177**	
Subtotal	**226,231**	**72,830**
Derivatives	**60,671**	**54,183**
Total	**$286,902**	**$127,013**
As of December 2015		
Commercial paper, certificates of deposit, time deposits and other money market instruments	$ 2,583	$
U.S. government and federal agency obligations	46,382	15,516
Non-U.S. government and agency obligations	31,772	14,973
Loans and securities backed by commercial real estate	4,975	4
Loans and securities backed by residential real estate	13,183	2
Bank loans and bridge loans	12,164	461
Corporate debt securities	16,640	6,123
State and municipal obligations	992	2
Other debt obligations	1,595	2
Equities and convertible debentures	98,072	31,394
Commodities	3,935	
Investments in funds measured at NAV	7,757	
Subtotal	240,050	68,477
Derivatives	53,890	46,771
Total	$293,940	$115,248

Gains and Losses from Market Making and Other Principal Transactions

The table below presents Market making revenues by major product type, as well as Other principal transactions revenues.

$ in millions	Three Months Ended March	
Product Type	**2016**	2015
Interest rates	**$1,177**	$(2,586)
Credit	**618**	932
Currencies	**(908)**	3,652
Equities	**691**	1,662
Commodities	**284**	265
Market making	**1,862**	3,925
Other principal transactions	**(49)**	1,572
Total	**$1,813**	$ 5,497

In the table above:

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

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

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

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

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Note 5.

Fair Value Measurements

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. The firm measures certain financial assets and financial liabilities as a portfolio (i.e., based on its net exposure to market and/or credit risks).

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

U.S. GAAP has a three-level fair value hierarchy for disclosure of fair value measurements. The fair value hierarchy prioritizes inputs to the valuation techniques used to measure fair value, giving the highest priority to level 1 inputs and the lowest priority to level 3 inputs. A financial instrument s level in the fair value hierarchy is based on the lowest level of input that is significant to its fair value measurement. The fair value hierarchy is as follows:

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

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

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

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

See Notes 6 through 8 for further information about fair value measurements of cash instruments, derivatives and other financial assets and financial liabilities accounted for at fair value primarily under the fair value option (including information about unrealized gains and losses related to level 3 financial assets and financial liabilities, and

transfers in and out of level 3), respectively.

The table below presents financial assets and financial liabilities accounted for at fair value under the fair value option or in accordance with other U.S. GAAP. Counterparty and cash collateral netting represents the impact on derivatives of netting across levels of the fair value hierarchy. Netting among positions classified in the same level is included in that level.

	As of	
	March	December
$ in millions	**2016**	2015
Total level 1 financial assets	**$136,833**	$153,051
Total level 2 financial assets	**450,629**	432,445
Total level 3 financial assets	**24,462**	24,046
Investments in funds measured at NAV	**7,177**	7,757
Counterparty and cash collateral netting	**(95,400)**	(90,612)
Total financial assets at fair value	**$523,701**	$526,687
Total assets [1]	**$878,036**	$861,395
Total level 3 financial assets as a percentage of total assets	**2.8%**	2.8%
Total level 3 financial assets as a percentage of total financial assets at fair value	**4.7%**	4.6%
Total level 1 financial liabilities	**$ 62,777**	$ 59,798
Total level 2 financial liabilities	**257,286**	245,759
Total level 3 financial liabilities	**19,683**	16,812
Counterparty and cash collateral netting	**(49,223)**	(41,430)
Total financial liabilities at fair value	**$290,523**	$280,939
Total level 3 financial liabilities as a percentage of total financial liabilities at fair value	**6.8%**	6.0%

1. Includes $854 billion and $836 billion as of March 2016 and December 2015, respectively, that is carried at fair value or at amounts that generally approximate fair value.

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

	As of	
	March	December
$ in millions	**2016**	2015

Cash instruments	**$ 18,469**	$ 18,131
Derivatives	**5,950**	5,870
Other financial assets	**43**	45
Total	**$ 24,462**	$ 24,046

Level 3 financial assets as of March 2016 were essentially unchanged compared with December 2015.

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Note 6.

Cash Instruments

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

Level 1 Cash Instruments

Level 1 cash instruments include U.S. government obligations and most non-U.S. government obligations, actively traded listed equities, certain government agency obligations and money market instruments. These instruments are valued using quoted prices for identical unrestricted instruments in active markets.

The firm defines active markets for equity instruments based on the average daily trading volume both in absolute terms and relative to the market capitalization for the instrument. The firm defines active markets for debt instruments based on both the average daily trading volume and the number of days with trading activity.

Level 2 Cash Instruments

Level 2 cash instruments include commercial paper, certificates of deposit, time deposits, most government agency obligations, certain non-U.S. government obligations, most corporate debt securities, commodities, certain mortgage-backed loans and securities, certain bank loans and bridge loans, restricted or less liquid listed equities, most state and municipal obligations and certain lending commitments.

Valuations of level 2 cash instruments can be verified to quoted prices, recent trading activity for identical or similar instruments, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. Consideration is given to the nature of the quotations (e.g., indicative or firm) and the relationship of recent market activity to the prices provided from alternative pricing sources.

Valuation adjustments are typically made to level 2 cash instruments (i) if the cash instrument is subject to transfer restrictions and/or (ii) for other premiums and liquidity discounts that a market participant would require to arrive at fair value. Valuation adjustments are generally based on market evidence.

Level 3 Cash Instruments

Level 3 cash instruments have one or more significant valuation inputs that are not observable. Absent evidence to the contrary, level 3 cash instruments are initially valued at transaction price, which is considered to be the best initial estimate of fair value. Subsequently, the firm uses other methodologies to determine fair value, which vary based on the type of instrument. Valuation inputs and assumptions are changed when corroborated by substantive observable evidence, including values realized on sales of financial assets.

Valuation Techniques and Significant Inputs of Level 3 Cash Instruments

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

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

Transaction prices in both the underlying collateral and instruments with the same or similar underlying collateral and the basis, or price difference, to such prices;

Market yields implied by transactions of similar or related assets and/or current levels and changes in market indices such as the CMBX (an index that tracks the performance of commercial mortgage bonds);

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

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

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

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

- Market yields implied by transactions of similar or related assets;

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

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

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

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

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

- Duration.

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

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

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

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

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

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

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Fair Value of Cash Instruments by Level

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

Cash instrument assets and liabilities are included in Financial instruments owned, at fair value and Financial instruments sold, but not yet purchased, at fair value, respectively.

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

	As of March 2016			
$ in millions	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Commercial paper, certificates of deposit, time deposits and other money market instruments	**$ 262**	**$ 1,616**	**$**	**$ 1,878**
U.S. government and federal agency obligations	**24,242**	**22,474**		**46,716**
Non-U.S. government and agency obligations	**28,797**	**5,772**	**58**	**34,627**
Loans and securities backed by commercial real estate		**3,387**	**2,168**	**5,555**
Loans and securities backed by residential real estate		**10,762**	**1,434**	**12,196**
Bank loans and bridge loans		**8,103**	**3,189**	**11,292**
Corporate debt securities	**185**	**14,321**	**2,602**	**17,108**
State and municipal obligations		**1,083**	**86**	**1,169**
Other debt obligations		**903**	**458**	**1,361**
Equities and convertible debentures	**65,439**	**7,999**	**8,474**	**81,912**
Commodities		**5,240**		**5,240**

Subtotal	**$118,925**	**$81,660**	**$18,469**	**$219,054**
Investments in funds measured at NAV				**7,177**
Total cash instrument assets				**$226,231**
Liabilities				
U.S. government and federal agency obligations	**$(12,444)**	**$ (9)**	**$**	**$ (12,453)**
Non-U.S. government and agency obligations	**(16,078)**	**(1,461)**		**(17,539)**
Loans and securities backed by commercial real estate		**(1)**	**(1)**	**(2)**
Loans and securities backed by residential real estate		**(1)**		**(1)**
Bank loans and bridge loans		**(464)**	**(93)**	**(557)**
Corporate debt securities	**(9)**	**(7,665)**	**(4)**	**(7,678)**
Other debt obligations		**(1)**	**(1)**	**(2)**
Equities and convertible debentures	**(34,221)**	**(338)**	**(39)**	**(34,598)**
Total cash instrument liabilities	**$(62,752)**	**$ (9,940)**	**$ (138)**	**$(72,830)**

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

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

In the tables above:

Total cash instrument assets includes collateralized debt obligations (CDOs) and collateralized loan obligations (CLOs) backed by real estate and corporate obligations of $419 million in level 2 and $793 million in level 3 as of March 2016, and $405 million in level 2 and $774 million in level 3 as of December 2015, respectively.

Level 3 equities and convertible debentures includes $7.76 billion of private equity investments, $303 million of investments in real estate entities and $414 million of convertible debentures as of March 2016, and $7.69 billion of private equity investments, $308 million of investments in real estate entities and $552 million of convertible debentures as of December 2015.

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Significant Unobservable Inputs

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

	Level 3 Assets and Range of Significant Unobservable Inputs (Weighted Average) as of	
$ in millions	**March 2016**	December 2015
Loans and securities backed by commercial real estate	**$2,168**	$1,924
Yield	**2.2% to 24.0% (12.7%)**	3.5% to 22.0% (11.8%)
Recovery rate	**18.9% to 98.9% (59.7%)**	19.6% to 96.5% (59.4%)
Duration (years)	**0.3 to 5.0 (2.0)**	0.3 to 5.3 (2.3)
Basis (points)	**(12) to 6 ((2))**	(11) to 4 ((2))
Loans and securities backed by residential real estate	**$1,434**	$1,765
Yield	**3.0% to 13.3% (8.3%)**	3.2% to 17.0% (7.9%)
Cumulative loss rate	**3.2% to 35.2% (26.3%)**	4.6% to 44.2% (27.3%)
Duration (years)	**1.4 to 14.1 (6.8)**	1.5 to 13.8 (7.0)
Bank loans and bridge loans	**$3,189**	$3,150
Yield	**1.7% to 25.0% (9.6%)**	1.9% to 36.6% (10.2%)
Recovery rate	**5.9% to 85.2% (49.2%)**	14.5% to 85.6% (51.2%)
Duration (years)	**0.6 to 5.7 (2.7)**	0.7 to 6.1 (2.2)
Equities and convertible debentures	**$8,474**	$8,549
Multiples	**0.7x to 17.8x (6.3x)**	0.7x to 21.4x (6.4x)

Discount rate/yield	**6.5% to 30.0% (15.1%)**	7.1% to 20.0% (14.8%)
Long-term growth rate/compound annual growth rate	**3.0% to 5.2% (4.5%)**	3.0% to 5.2% (4.5%)
Capitalization rate	**5.0% to 12.0% (7.1%)**	5.5% to 12.5% (7.6%)
Other cash instruments	**$3,204**	$2,743
Yield	**1.5% to 18.4% (11.5%)**	0.9% to 25.6% (10.9%)
Recovery rate	**0.0% to 90.9% (62.3%)**	0.0% to 70.0% (59.7%)
Duration (years)	**1.2 to 16.5 (4.0)**	1.1 to 11.4 (4.5)

In the table above:

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

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

The ranges and weighted averages of these inputs are not representative of the appropriate inputs to use when calculating the fair value of any one cash instrument. For example, the highest multiple for private equity investments is appropriate for valuing a specific private equity investment but may not be appropriate for valuing any other private equity investment. Accordingly, the ranges of inputs do not represent uncertainty in, or possible ranges of, fair value measurements of the firm s level 3 cash instruments.
Increases in yield, discount rate, capitalization rate, duration or cumulative loss rate used in the valuation of the firm s level 3 cash instruments would result in a lower fair value measurement, while increases in recovery rate, basis, multiples, long-term growth rate or compound annual growth rate would result in a higher fair value measurement. Due to the distinctive nature of each of the firm s level 3 cash instruments, the interrelationship of inputs is not necessarily uniform within each product type.

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

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

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

Transfers Between Levels of the Fair Value Hierarchy

Transfers between levels of the fair value hierarchy are reported at the beginning of the reporting period in which they occur.

During the three months ended March 2016:

- Transfers into level 2 from level 1 of cash instruments were $137 million, reflecting transfers of public equity securities primarily due to decreased market activity in these instruments.
- Transfers into level 1 from level 2 of cash instruments were $195 million, primarily reflecting transfers of public equity securities principally due to increased market activity in these instruments.

During the three months ended March 2015:

- Transfers into level 2 from level 1 of cash instruments were $141 million, reflecting transfers of public equity securities primarily due to decreased market activity in these instruments.
- Transfers into level 1 from level 2 of cash instruments were $237 million, reflecting transfers of public equity securities due to increased market activity in these instruments.

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

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Level 3 Rollforward

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

If a cash instrument asset or liability was transferred to level 3 during a reporting period, its entire gain or loss for the period is included in level 3. For level 3 cash instrument assets, increases are shown as positive amounts, while decreases are shown as negative amounts. For level 3 cash instrument liabilities, increases are shown as negative amounts, while decreases are shown as positive amounts.

Level 3 cash instruments are frequently economically hedged with level 1 and level 2 cash instruments and/or level 1, level 2 or level 3 derivatives. Accordingly, gains or losses that are reported in level 3 can be partially offset by gains or losses attributable to level 1 or level 2 cash instruments and/or level 1, level 2 or level 3 derivatives. As a result, gains or losses included in the level 3 rollforward below do not necessarily represent the overall impact on the firm s results of operations, liquidity or capital resources.

Purchases include both originations and secondary market purchases.
Net unrealized gains/(losses) relate to instruments that were still held at period-end.

For the three months ended March 2016, the net realized and unrealized gains on level 3 cash instrument assets of $110 million (reflecting $150 million of realized gains and $40 million of unrealized losses) include gains/(losses) of approximately $(115) million, $9 million and $216 million reported in Market making, Other principal transactions and Interest income, respectively.

For the three months ended March 2015, the net realized and unrealized gains on level 3 cash instrument assets of $676 million (reflecting $273 million of realized gains and $403 million of unrealized gains) include gains of approximately $94 million, $376 million and $206 million reported in Market making, Other principal transactions and Interest income, respectively.

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

	Level 3 Cash Instrument Assets and Liabilities at Fair Value								
$ in millions	Balance, beginning of period	Net realized gains/ (losses)	Net unrealized gains/ (losses)	Purchases	Sales	Settlements	Transfers into level 3	Transfers out of level 3	Bala en pe
Three Months Ended March 2016									
Non-U.S. government and agency obligations	**$ 12**	**$ 1**	**$**	**$ 20**	**$ (11)**	**$**	**$ 36**	**$**	**$**
Loans and securities backed by commercial real estate	**1,924**	**21**	**(8)**	**340**	**(135)**	**(123)**	**253**	**(104)**	**2**
Loans and securities backed by residential real estate	**1,765**	**12**	**45**	**61**	**(298)**	**(82)**	**132**	**(201)**	**1**
Bank loans and bridge loans	**3,150**	**33**	**6**	**183**	**(67)**	**(425)**	**511**	**(202)**	**3**
Corporate debt securities	**2,092**	**41**	**2**	**404**	**(70)**	**(67)**	**291**	**(91)**	**2**
State and municipal obligations	**101**	**1**		**6**	**(31)**	**(1)**	**22**	**(12)**	
Other debt obligations	**538**	**9**	**(3)**	**24**	**(86)**	**(38)**	**28**	**(14)**	
Equities and convertible debentures	**8,549**	**32**	**(82)**	**380**	**(96)**	**(250)**	**295**	**(354)**	**8**
Total cash instrument assets	**$18,131**	**$150**	**$ (40)**	**$1,418**	**$ (794)**	**$ (986)**	**$1,568**	**$ (978)**	**$18**
Total cash instrument liabilities	**$ (193)**	**$ 3**	**$ 8**	**$ 58**	**$ (26)**	**$ (1)**	**$ (18)**	**$ 31**	**$**

Three Months Ended March 2015									
Commercial paper, certificates of deposit, time deposits and other money market instruments	$	$	$ (1)	$	$	$	$ 11	$	$
Non-U.S. government and agency obligations	136	1		1	(24)	(19)			
Loans and securities backed by commercial real estate	3,275	35	(23)	101	(149)	(855)	414	(35)	2
Loans and securities backed by residential real estate	2,545	48	62	386	(268)	(183)	280	(97)	2
Bank loans and bridge loans	6,973	96	(108)	405	(400)	(928)	719	(446)	6
Corporate debt securities	3,633	38	(12)	169	(367)	(216)	369	(848)	2
State and municipal obligations	110		1	27	(3)	1	33	(27)	
Other debt obligations	870	16	7	150	(41)	(55)	16	(77)	
Equities and convertible debentures	11,108	39	477	168	(114)	(446)	442	(185)	11
Total cash instrument assets	$28,650	$273	$ 403	$1,407	$(1,366)	$(2,701)	$2,284	$(1,715)	$27

Total cash instrument liabilities	$	(244)	$	(3)	$	28	$	56	$	(24)	$		$	(41)	$	66	$	

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Level 3 Rollforward Commentary

Three Months Ended March 2016. The net unrealized loss on level 3 cash instruments of $32 million (reflecting a $40 million loss on cash instrument assets and a $8 million gain on cash instrument liabilities) for the three months ended March 2016 reflected losses on private equity investments principally driven by lower global equity prices and corporate performance.

Transfers into level 3 during the three months ended March 2016 primarily reflected transfers of certain bank loans and bridge loans, private equity investments, corporate debt securities and loans and securities backed by commercial real estate from level 2, principally due to reduced price transparency as a result of a lack of market evidence, including fewer market transactions in these instruments, and transfers of certain other corporate debt securities from level 2 principally due to certain unobservable yield inputs becoming significant to the valuation of these instruments.

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

Three Months Ended March 2015. The net unrealized gain on level 3 cash instruments of $431 million (reflecting a $403 million gain on cash instrument assets and a $28 million gain on cash instrument liabilities) for the three months ended March 2015 primarily reflected gains on private equity investments principally driven by strong corporate performance and company-specific events.

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

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

Investments in Funds That Are Measured at Net Asset Value Per Share

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

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

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

The firm also invests in hedge funds, primarily multi-disciplinary hedge funds that employ a fundamental bottom-up investment approach across various asset classes and strategies. The firm s investments in hedge funds primarily include interests where the underlying assets are illiquid in nature, and proceeds from redemptions will not be received until the underlying assets are liquidated or distributed.

Many of the funds described above are covered funds as defined by the Volcker Rule of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The Board of Governors of the Federal Reserve System (Federal Reserve Board) extended the conformance period through July 2016 for investments in, and relationships with, covered funds that were in place prior to December 2013, and indicated that it intends to further extend the conformance period through July 2017.

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The firm currently expects to be able to exit the majority of such interests in these funds in orderly transactions prior to July 2017, subject to market conditions. However, to the extent that the underlying investments of particular funds are not sold, the firm may be required to sell its interests in such funds. If that occurs, the firm may receive a value for its interests that is less than the then carrying value as there could be a limited secondary market for these investments and the firm may be unable to sell them in orderly transactions. In order to be compliant with the Volcker Rule, the firm will be required to reduce most of its interests in the funds in the table below by the end of the conformance period.

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

$ in millions	Fair Value of Investments	Unfunded Commitments
As of March 2016		
Private equity funds	**$4,961**	**$2,020**
Credit funds	**498**	**319**
Hedge funds	**548**	
Real estate funds	**1,170**	**215**
Total	**$7,177**	**$2,554**
As of December 2015		
Private equity funds	$5,414	$2,057
Credit funds	611	344
Hedge funds	560	
Real estate funds	1,172	296
Total	$7,757	$2,697

Note 7.

Derivatives and Hedging Activities

Derivative Activities

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

Market-Making. As a market maker, the firm enters into derivative transactions to provide liquidity to clients and to facilitate the transfer and hedging of their risks. In this capacity, the firm typically acts as principal and is required to commit capital to provide execution. As a market maker, it is essential to maintain an inventory of financial instruments sufficient to meet expected client and market demands.

Risk Management. The firm also enters into derivatives to actively manage risk exposures that arise from its market-making and investing and lending activities in derivative and cash instruments. The firm s holdings and exposures are hedged, in many cases, on either a portfolio or risk-specific basis, as opposed to an instrument-by-instrument basis. The offsetting impact of this economic hedging is reflected in the same business segment as the related revenues. In addition, the firm may enter into derivatives designated as hedges under U.S. GAAP. These derivatives are used to manage interest rate exposure in certain fixed-rate unsecured long-term and short-term borrowings, and deposits, and to manage foreign currency exposure on the net investment in certain non-U.S. operations.

The firm enters into various types of derivatives, including:

Futures and Forwards. Contracts that commit counterparties to purchase or sell financial instruments, commodities or currencies in the future.

Swaps. Contracts that require counterparties to exchange cash flows such as currency or interest payment streams. The amounts exchanged are based on the specific terms of the contract with reference to specified rates, financial instruments, commodities, currencies or indices.

Options. Contracts in which the option purchaser has the right, but not the obligation, to purchase from or sell to the option writer financial instruments, commodities or currencies within a defined time period for a specified price.

Derivatives are reported on a net-by-counterparty basis (i.e., the net payable or receivable for derivative assets and liabilities for a given counterparty) when a legal right of setoff exists under an enforceable netting agreement (counterparty netting). Derivatives are accounted for at fair value, net of cash collateral received or posted under enforceable credit support agreements (cash collateral netting). Derivative assets and liabilities are included in Financial instruments owned, at fair value and Financial instruments sold, but not yet purchased, at fair value, respectively. Realized and unrealized gains and losses on derivatives not designated as hedges under ASC 815 are included in Market making and Other principal transactions in Note 4.

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The table below presents the gross fair value and the notional amount of derivative contracts by major product type, the amounts of counterparty and cash collateral netting in the condensed consolidated statements of financial condition, as well as cash and securities collateral posted and received under enforceable credit support agreements that do not meet the criteria for netting under U.S. GAAP.

In the table below:

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

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

Notional amounts, which represent the sum of gross long and short derivative contracts, provide an indication of the volume of the firm s derivative activity and do not represent anticipated losses.

	As of March 2016			As of December 2015		
$ in millions	**Derivative Assets**	**Derivative Liabilities**	**Notional Amount**	Derivative Assets	Derivative Liabilities	Notional Amount
Derivatives not accounted for as hedges						
Exchange-traded	**$ 393**	**$ 464**	**$ 5,746,768**	$ 310	$ 280	$ 4,402,843
OTC-cleared	**322,805**	**306,746**	**23,524,475**	211,272	192,401	20,738,687
Bilateral OTC	**435,907**	**409,229**	**13,039,635**	345,516	321,458	12,953,830
Total interest rates	**759,105**	**716,439**	**42,310,878**	557,098	514,139	38,095,360
OTC-cleared	**5,695**	**6,006**	**443,266**	5,203	5,596	339,244
Bilateral OTC	**33,142**	**28,635**	**1,536,544**	35,679	31,179	1,552,806
Total credit	**38,837**	**34,641**	**1,979,810**	40,882	36,775	1,892,050
Exchange-traded	**51**	**108**	**21,293**	183	204	13,073
OTC-cleared	**267**	**242**	**19,281**	165	128	14,617

Bilateral OTC	**108,252**	**113,147**	**6,050,000**	96,660	99,235	5,461,940
Total currencies	**108,570**	**113,497**	**6,090,574**	97,008	99,567	5,489,630
Exchange-traded	**5,128**	**5,379**	**268,221**	2,997	3,623	203,465
OTC-cleared	**167**	**236**	**2,742**	232	233	2,839
Bilateral OTC	**14,575**	**15,344**	**235,205**	17,445	17,215	230,750
Total commodities	**19,870**	**20,959**	**506,168**	20,674	21,071	437,054
Exchange-traded	**9,545**	**8,343**	**538,880**	9,372	7,908	528,419
Bilateral OTC	**39,939**	**41,986**	**952,522**	37,788	38,290	927,078
Total equities	**49,484**	**50,329**	**1,491,402**	47,160	46,198	1,455,497
Subtotal	**975,866**	**935,865**	**52,378,832**	762,822	717,750	47,369,591
Derivatives accounted for as hedges						
OTC-cleared	**6,606**	**84**	**58,840**	4,567	85	51,446
Bilateral OTC	**6,373**	**22**	**54,940**	6,660	20	62,022
Total interest rates	**12,979**	**106**	**113,780**	11,227	105	113,468
OTC-cleared	**6**	**29**	**1,364**	24	6	1,333
Bilateral OTC	**25**	**211**	**9,189**	116	27	8,615
Total currencies	**31**	**240**	**10,553**	140	33	9,948
Subtotal	**13,010**	**346**	**124,333**	11,367	138	123,416
Total gross fair value/notional amount of derivatives	**$ 988,876** [1]	**$ 936,211** [1]	**$52,503,165**	$ 774,189 [1]	$ 717,888 [1]	$47,493,007
Amounts that have been offset in the condensed consolidated statements of financial condition						
Exchange-traded	**$ (11,374)**	**$ (11,374)**		$ (9,398)	$ (9,398)	
OTC-cleared	**(310,428)**	**(310,428)**		(194,928)	(194,928)	
Bilateral OTC	**(512,487)**	**(512,487)**		(426,841)	(426,841)	
Total counterparty netting	**(834,289)**	**(834,289)**		(631,167)	(631,167)	
OTC-cleared	**(24,829)**	**(2,599)**		(26,151)	(3,305)	
Bilateral OTC	**(69,087)**	**(45,140)**		(62,981)	(36,645)	
Total cash collateral netting	**(93,916)**	**(47,739)**		(89,132)	(39,950)	
Total counterparty and cash collateral netting	**$(928,205)**	**$(882,028)**		$(720,299)	$(671,117)	
Amounts included in financial instruments owned/financial instruments sold, but not yet purchased						

Exchange-traded	**$ 3,743**	**$ 2,920**	$ 3,464	$ 2,617
OTC-cleared	**289**	**316**	384	216
Bilateral OTC	**56,639**	**50,947**	50,042	43,938
Total amounts included in the condensed consolidated statements of financial condition	**$ 60,671**	**$ 54,183**	$ 53,890	$ 46,771
Amounts that have not been offset in the condensed consolidated statements of financial condition				
Cash collateral received/posted	**$ (546)**	**$ (2,725)**	$ (498)	$ (1,935)
Securities collateral received/posted	**(16,108)**	**(14,430)**	(14,008)	(10,044)
Total	**$ 44,017**	**$ 37,028**	$ 39,384	$ 34,792

1. Includes derivative assets and derivative liabilities of $22.33 billion and $23.50 billion, respectively, as of March 2016, and derivative assets and derivative liabilities of $17.09 billion and $18.16 billion, respectively, as of December 2015, which are not subject to an enforceable netting agreement or are subject to a netting agreement that the firm has not yet determined to be enforceable.

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Valuation Techniques for Derivatives

The firm s level 2 and level 3 derivatives are valued using derivative pricing models (e.g., discounted cash flow models, correlation models, and models that incorporate option pricing methodologies, such as Monte Carlo simulations). Price transparency of derivatives can generally be characterized by product type, as described below.

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

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

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

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

Equity. Price transparency for equity derivatives varies by market and underlier. Options on indices and the common stock of corporates included in major equity indices exhibit the most price transparency. Equity derivatives generally have observable market prices, except for contracts with long tenors or reference prices that

differ significantly from current market prices. More complex equity derivatives, such as those sensitive to the correlation between two or more individual stocks, generally have less price transparency.

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

Level 1 Derivatives

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

Level 2 Derivatives

Level 2 derivatives include OTC derivatives for which all significant valuation inputs are corroborated by market evidence and exchange-traded derivatives that are not actively traded and/or that are valued using models that calibrate to market-clearing levels of OTC derivatives. In evaluating the significance of a valuation input, the firm considers, among other factors, a portfolio s net risk exposure to that input.

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

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

Level 3 Derivatives

Level 3 derivatives are valued using models which utilize observable level 1 and/or level 2 inputs, as well as unobservable level 3 inputs. The significant unobservable inputs used to value the firm s level 3 derivatives are described below.

For the majority of the firm s interest rate and currency derivatives classified within level 3, significant unobservable inputs include correlations of certain currencies and interest rates (e.g., the correlation between Euro inflation and Euro interest rates) and specific interest rate volatilities.

For level 3 credit derivatives, significant unobservable inputs include illiquid credit spreads and upfront credit points, which are unique to specific reference obligations and reference entities, recovery rates and certain correlations required to value credit and mortgage derivatives (e.g., the likelihood of default of the underlying reference obligation relative to one another).

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

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

Subsequent to the initial valuation of a level 3 derivative, the firm updates the level 1 and level 2 inputs to reflect observable market changes and any resulting gains and losses are recorded in level 3. Level 3 inputs are changed when corroborated by evidence such as similar market transactions, third-party pricing services and/or broker or dealer quotations or other empirical market data. In circumstances where the firm cannot verify the model value by reference to market transactions, it is possible that a different valuation model could produce a materially different estimate of fair value. See below for further information about significant unobservable inputs used in the valuation of level 3 derivatives.

Valuation Adjustments

Valuation adjustments are integral to determining the fair value of derivative portfolios and are used to adjust the mid-market valuations produced by derivative pricing models to the appropriate exit price valuation. These adjustments incorporate bid/offer spreads, the cost of liquidity, credit valuation adjustments and funding valuation adjustments, which account for the credit and funding risk inherent in the uncollateralized portion of derivative portfolios. The firm also makes funding valuation adjustments to collateralized derivatives where the terms of the agreement do not permit the firm to deliver or repledge collateral received. Market-based inputs are generally used when calibrating valuation adjustments to market-clearing levels.

In addition, for derivatives that include significant unobservable inputs, the firm makes model or exit price adjustments to account for the valuation uncertainty present in the transaction.

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Fair Value of Derivatives by Level

The tables below present the fair value of derivatives on a gross basis by level and major product type as well as the impact of netting.

		As of March 2016		
$ in millions	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Interest rates	**$ 17**	**$ 771,432**	**$ 635**	**$ 772,084**
Credit		**32,905**	**5,932**	**38,837**
Currencies		**108,415**	**186**	**108,601**
Commodities		**19,304**	**566**	**19,870**
Equities	**210**	**48,679**	**595**	**49,484**
Gross fair value of derivative assets	**227**	**980,735**	**7,914**	**988,876**
Counterparty netting within levels		**(830,841)**	**(1,964)**	**(832,805)**
Subtotal	**$227**	**$ 149,894**	**$ 5,950**	**$ 156,071**
Cross-level counterparty netting				**(1,484)**
Cash collateral netting				**(93,916)**
Fair value included in financial instruments owned				**$ 60,671**
Liabilities				
Interest rates	**$ (17)**	**$(715,510)**	**$(1,018)**	**$(716,545)**
Credit		**(31,530)**	**(3,111)**	**(34,641)**
Currencies		**(113,560)**	**(177)**	**(113,737)**
Commodities		**(20,102)**	**(857)**	**(20,959)**
Equities	**(8)**	**(47,625)**	**(2,696)**	**(50,329)**

Gross fair value of derivative liabilities	**(25)**	**(928,327)**	**(7,859)**	**(936,211)**
Counterparty netting within levels		**830,841**	**1,964**	**832,805**
Subtotal	**$ (25)**	**$ (97,486)**	**$(5,895)**	**$(103,406)**
Cross-level counterparty netting				**1,484**
Cash collateral netting				**47,739**
Fair value included in financial instruments sold, but not yet purchased				**$ (54,183)**

	As of December 2015			
$ in millions	Level 1	Level 2	Level 3	Total
Assets				
Interest rates	$ 4	$ 567,761	$ 560	$ 568,325
Credit		34,832	6,050	40,882
Currencies		96,959	189	97,148
Commodities		20,087	587	20,674
Equities	46	46,491	623	47,160
Gross fair value of derivative assets	50	766,130	8,009	774,189
Counterparty netting within levels		(627,548)	(2,139)	(629,687)
Subtotal	$ 50	$ 138,582	$ 5,870	$ 144,502
Cross-level counterparty netting				(1,480)
Cash collateral netting				(89,132)
Fair value included in financial instruments owned				$ 53,890
Liabilities				
Interest rates	$(11)	$(513,275)	$ (958)	$(514,244)
Credit		(33,518)	(3,257)	(36,775)
Currencies		(99,377)	(223)	(99,600)
Commodities		(20,222)	(849)	(21,071)
Equities	(18)	(43,953)	(2,227)	(46,198)
Gross fair value of derivative liabilities	(29)	(710,345)	(7,514)	(717,888)
Counterparty netting within levels		627,548	2,139	629,687
Subtotal	$(29)	$ (82,797)	$(5,375)	$ (88,201)
Cross-level counterparty netting				1,480
Cash collateral netting				39,950

Fair value included in financial instruments sold, but not yet purchased	$ (46,771)

In the tables above:

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

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

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

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Significant Unobservable Inputs

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

	Level 3 Assets (Liabilities) and Range of Significant Unobservable Inputs (Average / Median) as of	
$ in millions	**March 2016**	December 2015
Interest Rates	**$(383)**	$(398)
Correlation	**(10)% to 86% (56% / 60%)**	(25)% to 92% (53% / 55%)
Volatility (bps per annum)	**31 to 151 (84 / 57)**	31 to 152 (84 / 57)
Credit	**$2,821**	$2,793
Correlation	**35% to 90% (63% / 62%)**	46% to 99% (68% / 66%)
Credit Spreads (bps)	**1 to 909 (147 / 87) [1]**	1 to 1,019 (129 / 86) [1]
Upfront Credit Points	**0 to 99 (41 / 37)**	0 to 100 (41 / 40)
Recovery Rates	**20% to 75% (58% / 70%)**	2% to 97% (58% / 70%)
Currencies	**$9**	$(34)
Correlation	**25% to 70% (51% / 55%)**	25% to 70% (50% / 51%)
Commodities	**$(291)**	$(262)
Volatility	**15% to 65% (37% / 37%)**	11% to 77% (35% / 34%)
Spread per million British thermal units of natural gas	**$(1.38) to $3.97 ($(0.07) / $(0.03))**	$(1.32) to $4.15 ($(0.05) / $(0.01))
Spread per barrel of oil and refined products	**$(12.60) to $63.72 ($7.54 / $8.96)**	$(10.64) to $65.29 ($3.34 /$(3.31)) [1]
Equities	**$(2,101)**	$(1,604)

Correlation	**(30)% to 91% (40% / 46%)**	(65)% to 94% (42% / 48%)
Volatility	**5% to 105% (28% / 25%)**	5% to 76% (24% / 23%)

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

In the table above:

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

Averages represent the arithmetic average of the inputs and are not weighted by the relative fair value or notional of the respective financial instruments. An average greater than the median indicates that the majority of inputs are below the average.

The ranges, averages and medians of these inputs are not representative of the appropriate inputs to use when calculating the fair value of any one derivative. For example, the highest correlation for interest rate derivatives is appropriate for valuing a specific interest rate derivative but may not be appropriate for valuing any other interest rate derivative. Accordingly, the ranges of inputs do not represent uncertainty in, or possible ranges of, fair value measurements of the firm s level 3 derivatives.

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

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

Correlation within currencies and equities includes cross-product correlation.

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

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Range of Significant Unobservable Inputs

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

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

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

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

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

Sensitivity of Fair Value Measurement to Changes in Significant Unobservable Inputs

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

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

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

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

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

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

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Level 3 Rollforward

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

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

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

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

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

Gains or losses that have been reported in level 3 resulting from changes in level 1 or level 2 inputs are frequently offset by gains or losses attributable to level 1 or level 2 derivatives and/or level 1, level 2 and level 3 cash instruments. As a result, gains/(losses) included in the level 3 rollforward below do not necessarily represent the overall impact on the firm s results of operations, liquidity or capital resources.
Net unrealized gains/(losses) relate to instruments that were still held at period-end.

For the three months ended March 2016, the net realized and unrealized gains on level 3 derivative assets and liabilities of $382 million (reflecting $79 million of realized losses and $461 million of unrealized gains) include gains/(losses) of $393 million and $(11) million reported in Market making and Other principal transactions respectively.

For the three months ended March 2015, the net realized and unrealized gains on level 3 derivative assets and liabilities of $749 million (reflecting $113 million of realized gains and $636 million of unrealized gains) include gains/(losses) of $784 million and $(35) million reported in Market making and Other principal transactions

respectively.

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

Level 3 Derivative Assets and Liabilities at Fair Value

$ in millions	Asset/ (liability) balance, beginning of period	Net realized gains/ (losses)	Net unrealized gains/ (losses)	Purchases	Sales	Settlements	Transfers into level 3	Transfers out of level 3	(lia b
Three Months Ended March 2016									
Interest rates net	**$ (398)**	**$ (11)**	**$ 28**	**$ 3**	**$ (10)**	**$ 17**	**$**	**$ (12)**	**$**
Credit net	**2,793**	**(26)**	**210**	**33**	**(57)**	**(75)**	**8**	**(65)**	
Currencies net	**(34)**	**(21)**	**(5)**	**6**	**(1)**	**61**		**3**	
Commodities net	**(262)**	**(5)**	**41**	**47**	**(18)**	**(37)**	**(26)**	**(31)**	
Equities net	**(1,604)**	**(16)**	**187**	**26**	**(1,739)**	**140**	**2**	**903**	
Total derivatives net	**$ 495**	**$ (79)**	**$461**	**$115**	**$(1,825)**	**$ 106**	**$ (16)**	**$ 798**	**$**
Three Months Ended March 2015									
Interest rates net	$ (40)	$ (8)	$ 85	$ 23	$ (22)	$ 4	$ (27)	$ (51)	$
Credit net	3,530	134	479	58	(132)	(507)	286	(259)	
Currencies net	(267)	(31)	30	8	(4)	85	5	(8)	
Commodities net	(1,142)	7	(49)		(10)	6	(9)	(189)	
Equities net	(1,375)	11	91	41	(553)	804	27	180	
	$ 706	$113	$636	$130	$ (721)	$ 392	$282	$(327)	$

Total
derivatives
net

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Level 3 Rollforward Commentary

Three Months ended March 2016. The net unrealized gain on level 3 derivatives of $461 million for the three months ended March 2016 was primarily attributable to gains on certain credit derivatives, reflecting the impact of changes in interest rates and widening of certain credit spreads, and gains on certain equity derivatives, reflecting the impact of changes in equity prices.

Transfers out of level 3 derivatives during the three months ended March 2016 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.

Three Months Ended March 2015. The net unrealized gain on level 3 derivatives of $636 million for the three months ended March 2015 was primarily attributable to gains on credit derivatives, primarily reflecting the impact of a decrease in interest rates, changes in foreign exchange rates and wider credit spreads.

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

Transfers out of level 3 derivatives during the three months ended March 2015 primarily reflected transfers of certain credit derivative assets to level 2, principally due to increased transparency of correlation and upfront credit point inputs used to value these derivatives, transfers of certain commodity derivative assets to level 2, principally due to increased transparency of natural gas spread inputs used to value these derivatives and unobservable volatility inputs no longer being significant to the valuation of certain other commodity derivatives and transfers of certain equity derivative liabilities to level 2, principally due to unobservable inputs no longer being significant to the valuation of these derivatives.

OTC Derivatives

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

$ in millions	Less than 1 Year	1 - 5 Years	Greater than 5 Years	Total
As of March 2016				
Assets				
Interest rates	**$ 5,106**	**$26,561**	**$ 93,300**	**$124,967**
Credit	**1,621**	**4,022**	**6,575**	**12,218**

Currencies	**15,721**	**7,668**	**7,442**	**30,831**
Commodities	**5,199**	**2,925**	**228**	**8,352**
Equities	**5,299**	**7,537**	**1,986**	**14,822**
Counterparty netting within tenors	**(3,737)**	**(5,868)**	**(5,387)**	**(14,992)**
Subtotal	**$29,209**	**$42,845**	**$104,144**	**$176,198**
Cross-tenor counterparty netting				**(25,354)**
Cash collateral netting				**(93,916)**
Total				**$ 56,928**
Liabilities				
Interest rates	**$ 6,871**	**$15,388**	**$ 47,096**	**$ 69,355**
Credit	**2,370**	**3,827**	**1,826**	**8,023**
Currencies	**17,616**	**9,389**	**8,904**	**35,909**
Commodities	**4,593**	**1,985**	**2,613**	**9,191**
Equities	**8,606**	**5,767**	**2,497**	**16,870**
Counterparty netting within tenors	**(3,737)**	**(5,868)**	**(5,387)**	**(14,992)**
Subtotal	**$36,319**	**$30,488**	**$ 57,549**	**$124,356**
Cross-tenor counterparty netting				**(25,354)**
Cash collateral netting				**(47,739)**
Total				**$ 51,263**
As of December 2015				
Assets				
Interest rates	$ 4,231	$23,278	$ 81,401	$108,910
Credit	1,664	4,547	5,842	12,053
Currencies	14,646	8,936	6,353	29,935
Commodities	6,228	3,897	231	10,356
Equities	4,806	7,091	1,550	13,447
Counterparty netting within tenors	(3,660)	(5,751)	(5,270)	(14,681)
Subtotal	$27,915	$41,998	$ 90,107	$160,020

Cross-tenor counterparty netting				(20,462)
Cash collateral netting				(89,132)
Total				$50,426
Liabilities				
Interest rates	$ 5,323	$13,945	$ 35,592	$ 54,860
Credit	1,804	4,704	1,437	7,945
Currencies	12,378	9,940	10,048	32,366
Commodities	4,464	3,136	2,526	10,126
Equities	5,154	5,802	2,994	13,950
Counterparty netting within tenors	(3,660)	(5,751)	(5,270)	(14,681)
Subtotal	$25,463	$31,776	$ 47,327	$104,566
Cross-tenor counterparty netting				(20,462)
Cash collateral netting				(39,950)
Total				$ 44,154

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In the table above:

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

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

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

Credit Derivatives

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

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

The firm enters into the following types of credit derivatives:

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

Credit Options. In a credit option, the option writer assumes the obligation to purchase or sell a reference obligation at a specified price or credit spread. The option purchaser buys the right, but does not assume the

obligation, to sell the reference obligation to, or purchase it from, the option writer. The payments on credit options depend either on a particular credit spread or the price of the reference obligation.

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

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

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

As of March 2016, written and purchased credit derivatives had total gross notional amounts of $970.66 billion and $1.01 trillion, respectively, for total net notional purchased protection of $38.60 billion. As of December 2015, written and purchased credit derivatives had total gross notional amounts of $923.48 billion and $968.68 billion, respectively, for total net notional purchased protection of $45.20 billion. Substantially all of the firm s written and purchased credit derivatives are credit default swaps.

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The table below presents certain information about credit derivatives.

	Credit Spread on Underlier (basis points)				
$ in millions	0 - 250	251 - 500	501 - 1,000	Greater than 1,000	Total
As of March 2016					
Maximum Payout/Notional Amount of Written Credit Derivatives by Tenor					
Less than 1 year	**$241,215**	**$ 6,035**	**$ 2,678**	**$ 8,852**	**$258,780**
1 - 5 years	**525,268**	**36,418**	**17,789**	**21,490**	**600,965**
Greater than 5 years	**92,695**	**12,286**	**4,343**	**1,595**	**110,919**
Total	**$859,178**	**$54,739**	**$24,810**	**$ 31,937**	**$970,664**
Maximum Payout/Notional Amount of Purchased Credit Derivatives					
Offsetting	**$766,408**	**$46,382**	**$17,797**	**$ 22,474**	**$853,061**
Other	**127,323**	**10,073**	**8,313**	**10,493**	**156,202**
Fair Value of Written Credit Derivatives					
Asset	**$ 16,961**	**$ 961**	**$ 180**	**$ 111**	**$ 18,213**
Liability	**3,427**	**2,163**	**1,787**	**10,339**	**17,716**
Net asset/(liability)	**$ 13,534**	**$ (1,202)**	**$ (1,607)**	**$(10,228)**	**$ 497**
As of December 2015					
Maximum Payout/Notional Amount of Written Credit Derivatives by Tenor					
Less than 1 year	$240,468	$ 2,859	$ 2,881	$ 10,533	$256,741

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

In the table above:

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

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

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

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

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

Impact of Credit Spreads on Derivatives

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

The net gain/(loss), including hedges, attributable to the impact of changes in credit exposure and credit spreads (counterparty and the firm s) on derivatives was $132 million and $(99) million for the three months ended March 2016 and March 2015, respectively.

Bifurcated Embedded Derivatives

The table below presents the fair value and the notional amount of derivatives that have been bifurcated from their related borrowings. These derivatives, which are recorded at fair value, primarily consist of interest rate, equity and commodity products and are included in Unsecured short-term borrowings and Unsecured long-term borrowings with the related borrowings. See Note 8 for further information.

	As of	
$ in millions	**March 2016**	December 2015
Fair value of assets	**$ 600**	$ 466
Fair value of liabilities	**668**	794
Net liability	**$ 68**	$ 328
Notional amount	**$9,235**	$7,869

Derivatives with Credit-Related Contingent Features

Certain of the firm s derivatives have been transacted under bilateral agreements with counterparties who may require the firm to post collateral or terminate the transactions based on changes in the firm s credit ratings. The firm assesses the impact of these bilateral agreements by determining the collateral or termination payments that would occur assuming a downgrade by all rating agencies. A downgrade by any one rating agency, depending on the agency s relative ratings of the firm at the time of the downgrade, may have an impact which is comparable to the impact of a downgrade by all rating agencies.

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The table below presents the aggregate fair value of net derivative liabilities under such agreements (excluding application of collateral posted to reduce these liabilities), the related aggregate fair value of the assets posted as collateral and the additional collateral or termination payments that could have been called at the reporting date by counterparties in the event of a one-notch and two-notch downgrade in the firm s credit ratings.

	As of	
$ in millions	**March 2016**	December 2015
Net derivative liabilities under bilateral agreements	**$36,752**	$29,836
Collateral posted	**31,979**	26,075
Additional collateral or termination payments for a one-notch downgrade	**676**	1,061
Additional collateral or termination payments for a two-notch downgrade	**2,031**	2,689

Hedge Accounting

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

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

Fair Value Hedges

The firm designates certain interest rate swaps as fair value hedges. These interest rate swaps hedge changes in fair value attributable to the designated benchmark interest rate (e.g., London Interbank Offered Rate (LIBOR) or Overnight Index Swap Rate (OIS)), effectively converting a substantial portion of fixed-rate obligations into floating-rate obligations.

The firm applies a statistical method that utilizes regression analysis when assessing the effectiveness of its fair value hedging relationships in achieving offsetting changes in the fair values of the hedging instrument and the risk being hedged (i.e., interest rate risk). An interest rate swap is considered highly effective in offsetting changes in fair value attributable to changes in the hedged risk when the regression analysis results in a coefficient of determination of 80%

or greater and a slope between 80% and 125%.

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

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

	Three Months Ended March	
$ in millions	**2016**	2015
Interest rate hedges	**$ 1,990**	$ 942
Hedged borrowings and bank deposits	**(2,028)**	(1,050)
Hedge ineffectiveness	**$ (38)**	$ (108)

Net Investment Hedges

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

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

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

	Three Months Ended March	
$ in millions	**2016**	2015
Foreign currency forward contract hedges	**$ (356)**	$ 444
Foreign currency-denominated debt hedges	**(150)**	2

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

As of March 2016 and December 2015, the firm had designated $2.36 billion and $2.20 billion, respectively, of foreign currency-denominated debt, included in Unsecured long-term borrowings and Unsecured short-term borrowings, as hedges of net investments in non-U.S. subsidiaries.

Note 8.

Fair Value Option

Other Financial Assets and Financial Liabilities at Fair Value

In addition to all cash and derivative instruments included in Financial instruments owned, at fair value and Financial instruments sold, but not yet purchased, at fair value, the firm accounts for certain of its other financial assets and financial liabilities at fair value primarily under the fair value option. The primary reasons for electing the fair value option are to:

- Reflect economic events in earnings on a timely basis;
- Mitigate volatility in earnings from using different measurement attributes (e.g., transfers of financial instruments owned accounted for as financings are recorded at fair value whereas the related secured financing would be recorded on an accrual basis absent electing the fair value option); and
- Address simplification and cost-benefit considerations (e.g., accounting for hybrid financial instruments at fair value in their entirety versus bifurcation of embedded derivatives and hedge accounting for debt hosts).

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

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

Repurchase agreements and substantially all resale agreements;

Securities borrowed and loaned within Fixed Income, Currency and Commodities Client Execution;

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

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

Certain unsecured long-term borrowings, including certain prepaid commodity transactions and certain hybrid financial instruments;

Certain receivables from customers and counterparties, including transfers of assets accounted for as secured loans rather than purchases and certain margin loans;

Certain time deposits issued by the firm s bank subsidiaries (deposits with no stated maturity are not eligible for a fair value option election), including structured certificates of deposit, which are hybrid financial instruments; and

Certain subordinated liabilities issued by consolidated VIEs.

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Fair Value of Other Financial Assets and Financial Liabilities by Level

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

$ in millions	Level 1	Level 2	Level 3	Total
As of March 2016				
Assets				
Securities segregated for regulatory and other purposes	**$17,681**	**$ 21,824**	**$**	**$ 39,505**
Securities purchased under agreements to resell		**127,189**		**127,189**
Securities borrowed		**66,212**		**66,212**
Receivables from customers and counterparties		**3,850**	**43**	**3,893**
Total	**$17,681**	**$ 219,075**	**$ 43**	**$ 236,799**
Liabilities				
Deposits	**$**	**$ (12,449)**	**$ (2,585)**	**$ (15,034)**
Securities sold under agreements to repurchase		**(77,544)**	**(73)**	**(77,617)**
Securities loaned		**(972)**		**(972)**
Other secured financings		**(23,565)**	**(829)**	**(24,394)**
Unsecured short-term borrowings		**(15,079)**	**(4,167)**	**(19,246)**
Unsecured long-term borrowings		**(19,748)**	**(5,923)**	**(25,671)**
Other liabilities and accrued expenses		**(503)**	**(73)**	**(576)**

Total	**$**	**$(149,860)**	**$(13,650)**	**$(163,510)**
As of December 2015				
Assets				
Securities segregated for regulatory and other purposes	$19,562	$ 18,942	$	$ 38,504
Securities purchased under agreements to resell		119,450		119,450
Securities borrowed		69,801		69,801
Receivables from customers and counterparties		4,947	45	4,992
Total	$19,562	$ 213,140	$ 45	$ 232,747
Liabilities				
Deposits	$	$ (12,465)	$ (2,215)	$ (14,680)
Securities sold under agreements to repurchase		(85,998)	(71)	(86,069)
Securities loaned		(466)		(466)
Other secured financings		(22,658)	(549)	(23,207)
Unsecured short-term borrowings		(13,610)	(4,133)	(17,743)
Unsecured long-term borrowings		(18,049)	(4,224)	(22,273)
Other liabilities and accrued expenses		(1,201)	(52)	(1,253)
Total	$	$(154,447)	$(11,244)	$(165,691)

In the table above:

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

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

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

Valuation Techniques and Significant Inputs

Other financial assets and financial liabilities at fair value are generally valued based on discounted cash flow techniques, which incorporate inputs with reasonable levels of price transparency, and are generally classified as level 2 because the inputs are observable. Valuation adjustments may be made for liquidity and for counterparty and the firm s credit quality.

See below for information about the significant inputs used to value other financial assets and financial liabilities at fair value, including the ranges of significant unobservable inputs used to value the level 3 instruments within these categories. These ranges represent the significant unobservable inputs that were used in the valuation of each type of other financial assets and financial liabilities at fair value. The ranges and weighted averages of these inputs are not representative of the appropriate inputs to use when calculating the fair value of any one instrument. For example, the highest yield presented below for other secured financings is appropriate for valuing a specific agreement in that category but may not be appropriate for valuing any other agreements in that category. Accordingly, the ranges of inputs presented below do not represent uncertainty in, or possible ranges of, fair value measurements of the firm s level 3 other financial assets and financial liabilities.

Resale and Repurchase Agreements and Securities Borrowed and Loaned. The significant inputs to the valuation of resale and repurchase agreements and securities borrowed and loaned are funding spreads, the amount and timing of expected future cash flows and interest rates. As of both March 2016 and December 2015, the firm had no level 3 resale agreements, securities borrowed or securities loaned. As of both March 2016 and December 2015, the firm s level 3 repurchase agreements were not material. See Note 10 for further information about collateralized agreements and financings.

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

As of March 2016:

Yield: 0.5% to 10.0% (weighted average: 3.1%)

Duration: 1.3 to 8.6 years (weighted average: 2.5 years)

As of December 2015:

Yield: 0.6% to 10.0% (weighted average: 2.7%)

Duration: 1.6 to 8.8 years (weighted average: 2.8 years)

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

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

Certain of the firm s unsecured short-term and long-term borrowings are included in level 3, substantially all of which are hybrid financial instruments. As the significant unobservable inputs used to value hybrid financial instruments primarily relate to the embedded derivative component of these borrowings, these inputs are incorporated in the firm s derivative disclosures related to unobservable inputs in Note 7.

Receivables from Customers and Counterparties. Receivables from customers and counterparties at fair value are primarily comprised of transfers of assets accounted for as secured loans rather than purchases. The significant inputs to the valuation of such receivables are commodity prices, interest rates, the amount and timing of expected future cash flows and funding spreads. As of both March 2016 and December 2015, the firm s level 3 receivables from customers and counterparties were not material.

Deposits. The significant inputs to the valuation of time deposits are interest rates and the amount and timing of future cash flows. The inputs used to value the embedded derivative component of hybrid financial instruments are consistent with the inputs used to value the firm s other derivative instruments. See Note 7 for further information about derivatives. See Note 14 for further information about deposits.

The firm s deposits that are included in level 3 are hybrid financial instruments. As the significant unobservable inputs used to value hybrid financial instruments primarily relate to the embedded derivative component of these deposits, these inputs are incorporated in the firm s derivative disclosures related to unobservable inputs in Note 7.

Transfers Between Levels of the Fair Value Hierarchy

Transfers between levels of the fair value hierarchy are reported at the beginning of the reporting period in which they occur. There were no transfers of other financial assets and financial liabilities between level 1 and level 2 during the three months ended March 2016 and March 2015. The table below presents information about transfers between level 2 and level 3.

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Level 3 Rollforward

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

If a financial asset or financial liability was transferred to level 3 during a reporting period, its entire gain or loss for the period is included in level 3. For level 3 other financial assets, increases are shown as positive amounts, while decreases are shown as negative amounts. For level 3 other financial liabilities, increases are shown as negative amounts, while decreases are shown as positive amounts.

Level 3 other financial assets and liabilities are frequently economically hedged with cash instruments and derivatives. Accordingly, gains or losses that are reported in level 3 can be partially offset by gains or losses attributable to level 1, 2 or 3 cash instruments or derivatives. As a result, gains or losses included in the level 3 rollforward below do not necessarily represent the overall impact on the firm s results of operations, liquidity or capital resources.

Net unrealized gains/(losses) relate to instruments that were still held at period-end.
For the three months ended March 2016, the net realized and unrealized losses on level 3 other financial liabilities of $102 million (reflecting $16 million of realized losses and $86 million of unrealized losses) include losses of approximately $150 million, $3 million and $2 million reported in Market making, Other principal transactions and Interest expense, respectively, in the condensed consolidated statements of earnings and gains of $53 million reported in Debt valuation adjustment in the condensed consolidated statements of comprehensive income.

For the three months ended March 2015, the net realized and unrealized losses on level 3 other financial liabilities of $247 million (reflecting $20 million of realized losses and $227 million of unrealized losses) include losses of approximately $9 million, $231 million and $7 million reported in Market making, Other principal transactions and Interest expense, respectively.

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

Level 3 Other Financial Assets and Liabilities at Fair Value

$ in millions	Balance, beginning of period	Net realized gains/ (losses)	Net unrealized gains/ (losses)	Purchases	Sales	Issuances	Settlements	Transfers into level 3	Transfe out leve
<u>Three Months Ended March 2016</u>									
Receivables from customers and counterparties	**$ 45**	**$**	**$ (1)**	**$**	**$**	**$**	**$ (1)**	**$**	**$**
Total other financial assets	**$ 45**	**$**	**$ (1)**	**$**	**$**	**$**	**$ (1)**	**$**	**$**
Deposits	**$ (2,215)**	**$ (2)**	**$(103)**	**$**	**$**	**$ (273)**	**$ 8**	**$**	**$**
Securities sold under agreements to repurchase	**(71)**		**(2)**						
Other secured financings	**(549)**	**6**	**(34)**			**(225)**	**7**	**(45)**	
Unsecured short-term borrowings	**(4,133)**	**(16)**	**17**			**(1,159)**	**1,450**	**(492)**	**1(**
Unsecured long-term borrowings	**(4,224)**	**(6)**	**36**	**(2)**		**(1,893)**	**39**	**(136)**	**2(**
Other liabilities and accrued expenses	**(52)**	**2**				**(23)**			
Total other financial liabilities	**$(11,244)**	**$(16)**	**$ (86)**	**$ (2)**	**$**	**$(3,573)**	**$1,504**	**$ (673)**	**$ 4(**
<u>Three Months Ended March 2015</u>									
Receivables from customers and	$ 56	$	$ (5)	$	$	$	$ (20)	$ 7	$

counterparties									
Total other financial assets	$ 56	$	$ (5)	$	$	$	$ (20)	$ 7	$
Deposits	$ (1,065)	$ (1)	$ (21)	$	$	$ (298)	$ 35	$	$
Securities sold under agreements to repurchase	(124)		(1)				42		
Other secured financings	(1,091)	(7)	13			(3)	205	(185)	
Unsecured short-term borrowings	(3,712)	(10)	(84)			(875)	800	(465)	3
Unsecured long-term borrowings	(2,585)	(1)	28			(574)	223	(209)	2
Other liabilities and accrued expenses	(715)	(1)	(162)						
Total other financial liabilities	$ (9,292)	$(20)	$(227)	$	$	$(1,750)	$1,305	$ (859)	$ 5

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Level 3 Rollforward Commentary

Three Months Ended March 2016. The net unrealized loss on level 3 other financial assets and liabilities of $87 million (reflecting $1 million of losses on other financial assets and $86 million of losses on other financial liabilities) for the three months ended March 2016 primarily consisted of losses on certain hybrid financial instruments included in deposits, principally due to the impact of a decrease in interest rates.

Transfers into level 3 of other financial liabilities during the three months ended March 2016 primarily reflected transfers of certain hybrid financial instruments included in unsecured short-term borrowings from level 2, principally due to unobservable inputs becoming significant to the valuation of these instruments, and transfers from level 3 unsecured long-term borrowings to level 3 unsecured short-term borrowings, as these borrowings neared maturity.

Transfers out of level 3 of other financial liabilities during the three months ended March 2016 primarily reflected transfers to level 3 unsecured short-term borrowings from level 3 unsecured long-term borrowings, as these borrowings neared maturity, and transfers of certain other hybrid financial instruments included in unsecured short-term and unsecured long-term borrowings to level 2, principally due to increased transparency of certain correlation and volatility inputs used to value these instruments.

Three Months Ended March 2015. The net unrealized loss on level 3 other financial assets and liabilities of $232 million (reflecting $5 million of losses on other financial assets and $227 million of losses on other financial liabilities) for the three months ended March 2015 primarily consisted of losses on certain subordinated liabilities included in other liabilities and accrued expenses, principally due to changes in the market value of the related underlying investments, and certain hybrid financial instruments included in unsecured short-term borrowings, principally due to an increase in global equity prices.

Transfers into level 3 of other financial liabilities during the three months ended March 2015 primarily reflected transfers of certain hybrid financial instruments included in unsecured short-term and long-term borrowings from level 2, principally due to decreased transparency of certain correlation and volatility inputs used to value these instruments, transfers of certain other hybrid financial instruments included in unsecured long-term borrowings, principally due to unobservable inputs being significant to the valuation of these instruments, and transfers from level 3 unsecured long-term borrowings to level 3 unsecured short-term borrowings, as these borrowings neared maturity.

Transfers out of level 3 of other financial liabilities during the three months ended March 2015 primarily reflected transfers of certain hybrid financial instruments included in unsecured short-term and long-term borrowings to level 2, principally due to increased transparency of certain correlation and volatility inputs used to value these instruments and transfers to level 3 unsecured short-term borrowings from level 3 unsecured long-term borrowings, as these borrowings neared maturity.

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

The table below presents the gains and losses recognized in earnings as a result of the firm electing to apply the fair value option to certain financial assets and financial liabilities. These gains and losses are included in Market making and Other principal transactions. The table below also includes gains and losses on the embedded derivative component of hybrid financial instruments included in unsecured short-term borrowings, unsecured long-term borrowings and deposits. These gains and losses would have been recognized under other U.S. GAAP even if the firm had not elected to account for the entire hybrid financial instrument at fair value.

	Three Months Ended March	
$ in millions	**2016**	2015
Unsecured short-term borrowings	**$ 198**	$ (705)
Unsecured long-term borrowings	**(422)**	(66)
Other liabilities and accrued expenses	**(28)**	(164)
Other	**(462)**	(224)
Total	**$(714)**	$(1,159)

In the table above:

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

Unsecured short-term borrowings includes gains/(losses) on the embedded derivative component of hybrid financial instruments of $205 million and $(695) million for the three months ended March 2016 and March 2015, respectively.

Unsecured long-term borrowings includes losses on the embedded derivative component of hybrid financial instruments of $338 million and $33 million for the three months ended March 2016 and March 2015, respectively.

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

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

Excluding the gains and losses on the instruments accounted for under the fair value option described above, Market making and Other principal transactions primarily represent gains and losses on Financial instruments owned, at fair value and Financial instruments sold, but not yet purchased, at fair value.

Loans and Lending Commitments

The table below presents the difference between the aggregate fair value and the aggregate contractual principal amount for loans and long-term receivables for which the fair value option was elected. In the table below, the aggregate contractual principal amount of loans on nonaccrual status and/or more than 90 days past due exceeds the related fair value primarily because the firm regularly purchases loans, such as distressed loans, at values significantly below the contractual principal amounts.

	As of	
$ in millions	**March 2016**	December 2015
Performing loans and long-term receivables		
Aggregate contractual principal in excess of the related fair value	**$1,215**	$1,330
Loans on nonaccrual status and/or more than 90 days past due		
Aggregate contractual principal in excess of the related fair value (excluding loans carried at zero fair value and considered uncollectible)	**8,981**	9,600
Aggregate fair value of loans on nonaccrual status and/or more than 90 days past due	**2,434**	2,391

As of March 2016 and December 2015, the fair value of unfunded lending commitments for which the fair value option was elected was a liability of $178 million and $211 million, respectively, and the related total contractual amount of these lending commitments was $11.58 billion and $14.01 billion, respectively. See Note 18 for further information about lending commitments.

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Long-Term Debt Instruments

The aggregate contractual principal amount of long-term other secured financings for which the fair value option was elected exceeded the related fair value by $618 million and $362 million as of March 2016 and December 2015, respectively. The aggregate contractual principal amount of unsecured long-term borrowings for which the fair value option was elected exceeded the related fair value by $488 million and $1.12 billion as of March 2016 and December 2015, respectively. The amounts above include both principal and non-principal-protected long-term borrowings.

Impact of Credit Spreads on Loans and Lending Commitments

The estimated net gain attributable to changes in instrument-specific credit spreads on loans and lending commitments for which the fair value option was elected was $51 million and $375 million for the three months ended March 2016 and March 2015, respectively. The firm generally calculates the fair value of loans and lending commitments for which the fair value option is elected by discounting future cash flows at a rate which incorporates the instrument-specific credit spreads. For floating-rate loans and lending commitments, substantially all changes in fair value are attributable to changes in instrument-specific credit spreads, whereas for fixed-rate loans and lending commitments, changes in fair value are also attributable to changes in interest rates.

Debt Valuation Adjustment

The firm calculates the fair value of financial liabilities for which the fair value option is elected by discounting future cash flows at a rate which incorporates the firm s credit spreads. The net DVA on such financial liabilities was a loss of $24 million ($12 million, net of tax) for the three months ended March 2016 and was included in Debt valuation adjustment in the condensed consolidated statements of comprehensive income. The gains/(losses) reclassified to earnings from accumulated other comprehensive loss were not material for the three months ended March 2016.

Note 9.

Loans Receivable

Loans receivable is comprised of loans held for investment that are accounted for at amortized cost net of allowance for loan losses. Interest on loans receivable is recognized over the life of the loan and is recorded on an accrual basis.

The table below presents details about loans receivable.

$ in millions	As of

	March 2016	December 2015
Corporate loans	**$23,096**	$20,740
Loans to private wealth management clients	**14,183**	13,961
Loans backed by commercial real estate	**5,013**	5,271
Loans backed by residential real estate	**2,238**	2,316
Other loans	**3,883**	3,533
Total loans receivable, gross	**48,413**	45,821
Allowance for loan losses	**(489)**	(414)
Total loans receivable	**$47,924**	$45,407

As of March 2016 and December 2015, the fair value of loans receivable was $47.61 billion and $45.19 billion, respectively. As of March 2016, had these loans been carried at fair value and included in the fair value hierarchy, $23.11 billion and $24.50 billion would have been classified in level 2 and level 3, respectively. As of December 2015, had these loans been carried at fair value and included in the fair value hierarchy, $23.91 billion and $21.28 billion would have been classified in level 2 and level 3, respectively.

The firm also extends lending commitments that are held for investment and accounted for on an accrual basis. As of March 2016 and December 2015, such lending commitments were $90.83 billion and $93.92 billion, respectively, substantially all of which were extended to corporate borrowers. The carrying value and the estimated fair value of such lending commitments were liabilities of $306 million and $3.22 billion, respectively, as of March 2016, and $291 million and $3.32 billion, respectively, as of December 2015. As of March 2016, had these lending commitments been carried at fair value and included in the fair value hierarchy, $1.36 billion and $1.86 billion would have been classified in level 2 and level 3, respectively. As of December 2015, had these lending commitments been carried at fair value and included in the fair value hierarchy, $1.35 billion and $1.97 billion would have been classified in level 2 and level 3, respectively.

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

Corporate Loans. Corporate loans include term loans, revolving lines of credit, letter of credit facilities and bridge loans, and are principally used for operating liquidity and general corporate purposes, or in connection with acquisitions. Corporate loans may be secured or unsecured, depending on the loan purpose, the risk profile of the borrower and other factors.

Loans to Private Wealth Management Clients. Loans to the firm s private wealth management clients include loans used by clients to finance private asset purchases, employ leverage for strategic investments in real or financial assets, bridge cash flow timing gaps or provide liquidity for other needs. Such loans are primarily secured by securities or other assets.

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

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

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

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

As of March 2016, the carrying value of PCI loans was $2.31 billion (including $1.16 billion, $1.13 billion and $25 million related to loans backed by commercial real estate, loans backed by residential real estate and other consumer loans, respectively). The outstanding principal balance and accretable yield related to such loans was $5.91 billion and $274 million, respectively, as of March 2016. At the time of acquisition, the fair value, related expected cash flows, and the contractually required cash flows of PCI loans acquired during the three months ended March 2016 was $214 million, $253 million and $526 million, respectively. As of December 2015, the carrying value of PCI loans was $2.12 billion (including $1.16 billion, $941 million and $23 million related to loans backed by commercial real estate, loans backed by residential real estate and other consumer loans, respectively). The outstanding principal balance and accretable yield related to such loans was $5.54 billion and $234 million, respectively, as of December 2015.

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Credit Quality

The firm s risk assessment process includes evaluating the credit quality of its loans receivable. For loans receivable (excluding PCI loans), the firm performs credit reviews which include initial and ongoing analyses of its borrowers. A credit review is an independent analysis of the capacity and willingness of a borrower to meet its financial obligations, resulting in an internal credit rating. The determination of internal credit ratings also incorporates assumptions with respect to the nature of and outlook for the borrower s industry, and the economic environment. The firm also assigns a regulatory risk rating to such loans based on the definitions provided by the U.S. federal bank regulatory agencies. Such loans are determined to be impaired when it is probable that the firm will not be able to collect all principal and interest due under the contractual terms of the loan. At that time, loans are placed on non-accrual status and all accrued but uncollected interest is reversed against interest income, and interest subsequently collected is recognized on a cash basis to the extent the loan balance is deemed collectible. Otherwise, all cash received is used to reduce the outstanding loan balance. As of March 2016 and December 2015, impaired loans receivable (excluding PCI loans) in non-accrual status were $440 million and $223 million, respectively.

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

The table below presents gross loans receivable (excluding PCI loans of $2.31 billion and $2.12 billion as of March 2016 and December 2015, respectively, which are not assigned a credit rating equivalent) and related lending commitments by the firm s internally determined public rating agency equivalent and by regulatory risk rating. Non-criticized/pass loans and lending commitments represent loans and lending commitments that are performing and/or do not demonstrate adverse characteristics that are likely to result in a credit loss.

$ in millions	Loans	Lending Commitments	Total
Credit Rating Equivalent			
As of March 2016			
Investment-grade	**$20,100**	**$63,119**	**$ 83,219**
Non-investment-grade	**26,002**	**27,706**	**53,708**
Total	**$46,102**	**$90,825**	**$136,927**
As of December 2015			
Investment-grade	$19,459	$64,898	$ 84,357

Non-investment-grade	24,241	29,021	53,262
Total	$43,700	$93,919	$137,619
Regulatory Risk Rating			
As of March 2016			
Non-criticized/pass	**$43,568**	**$88,065**	**$131,633**
Criticized	**2,534**	**2,760**	**5,294**
Total	**$46,102**	**$90,825**	**$136,927**
As of December 2015			
Non-criticized/pass	$40,967	$92,021	$132,988
Criticized	2,733	1,898	4,631
Total	$43,700	$93,919	$137,619

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Allowance for Losses on Loans and Lending Commitments

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

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

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

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

The allowance for loan losses is determined using various inputs, including industry default and loss data, current macroeconomic indicators, borrower s capacity to meet its financial obligations, borrower s country of risk, loan seniority and collateral type. Management s estimate of loan losses entails judgment about loan collectability at the reporting dates, and there are uncertainties inherent in those judgments. While management uses the best information available to determine this estimate, future adjustments to the allowance may be necessary based on, among other things, changes in the economic environment or variances between actual results and the original assumptions used. Loans are charged off against the allowance for loan losses when deemed to be uncollectible. As of March 2016 and December 2015, substantially all of the firm s loans receivable were evaluated for impairment at the portfolio level.

The firm also records an allowance for losses on lending commitments that are held for investment and accounted for on an accrual basis. Such allowance is determined using the same methodology as the allowance for loan losses, while also taking into consideration the probability of drawdowns or funding, and is included in Other liabilities and accrued expenses in the condensed consolidated statements of financial condition. As of March 2016 and December 2015, substantially all of such lending commitments were evaluated for impairment at the portfolio level.

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

$ in millions	**Three Months Ended March 2016**	Year Ended December 2015
Allowance for loan losses		
Balance, beginning of period	**$414**	$228
Charge-offs		(1)
Provision for loan losses	**99**	187
Other	**(24)**	
Balance, end of period	**$489**	$414
Allowance for losses on lending commitments		
Balance, beginning of period	**$188**	$ 86
Provision for losses on lending commitments	**37**	102
Other	**(12)**	
Balance, end of period	**$213**	$188

The provision for losses on loans and lending commitments is included in Other principal transactions in the condensed consolidated statements of earnings. As of March 2016 and December 2015, substantially all of the allowance for loan losses and allowance for losses on lending commitments were related to corporate loans and corporate lending commitments and were primarily determined at the portfolio level. The firm did not have any allowance for losses on PCI loans as of March 2016 and December 2015.

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Note 10.

Collateralized Agreements and Financings

Collateralized agreements are securities purchased under agreements to resell (resale agreements) and securities borrowed. Collateralized financings are securities sold under agreements to repurchase (repurchase agreements), securities loaned and other secured financings. The firm enters into these transactions in order to, among other things, facilitate client activities, invest excess cash, acquire securities to cover short positions and finance certain firm activities.

Collateralized agreements and financings are presented on a net-by-counterparty basis when a legal right of setoff exists. Interest on collateralized agreements and collateralized financings is recognized over the life of the transaction and included in Interest income and Interest expense, respectively. See Note 23 for further information about interest income and interest expense.

The table below presents the carrying value of resale and repurchase agreements and securities borrowed and loaned transactions.

	As of	
$ in millions	**March 2016**	December 2015
Securities purchased under agreements to resell	**$128,513**	$120,905
Securities borrowed	**180,603**	172,099
Securities sold under agreements to repurchase	**77,617**	86,069
Securities loaned	**4,427**	3,614

In the table above:

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

As of March 2016 and December 2015, $66.21 billion and $69.80 billion of securities borrowed, and $972 million and $466 million of securities loaned were at fair value, respectively.

Resale and Repurchase Agreements

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

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

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

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

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Securities Borrowed and Loaned Transactions

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

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

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

Securities borrowed and loaned within Fixed Income, Currency and Commodities Client Execution are recorded at fair value under the fair value option. See Note 8 for further information about securities borrowed and loaned accounted for at fair value.

Securities borrowed and loaned within Securities Services are recorded based on the amount of cash collateral advanced or received plus accrued interest. As these arrangements generally can be terminated on demand, they exhibit little, if any, sensitivity to changes in interest rates. Therefore, the carrying value of such arrangements approximates fair value. While these arrangements are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm s fair value hierarchy in Notes 6 through 8. Had these arrangements been included in the firm s fair value hierarchy, they would have been classified in level 2 as of March 2016 and December 2015.

Offsetting Arrangements

The table below presents the gross and net resale and repurchase agreements and securities borrowed and loaned transactions, and the related amount of counterparty netting included in the condensed consolidated statements of financial condition. The tables below also present the amounts not offset in the condensed consolidated statements of financial condition, including counterparty netting that does not meet the criteria for netting under U.S. GAAP and the fair value of cash or securities collateral received or posted subject to enforceable credit support agreements.

	Assets	Liabilities
$ in millions		

	Resale agreements	Securities borrowed	Repurchase agreements	Securities loaned
As of March 2016				
Amounts included in the condensed consolidated statements of financial condition				
Gross carrying value	**$ 185,335**	**$ 191,397**	**$118,919**	**$ 8,917**
Counterparty netting	**(41,302)**	**(4,490)**	**(41,302)**	**(4,490)**
Total	**144,033** [1]	**186,907** [1]	**77,617**	**4,427**
Amounts not offset in the condensed consolidated statements of financial condition				
Counterparty netting	**(6,124)**	**(1,493)**	**(6,124)**	**(1,493)**
Collateral	**(136,339)**	**(176,455)**	**(70,161)**	**(2,674)**
Total	**$ 1,570**	**$ 8,959**	**$ 1,332**	**$ 260**
As of December 2015				
Amounts included in the condensed consolidated statements of financial condition				
Gross carrying value	$ 163,199	$ 180,203	$114,960	$ 6,179
Counterparty netting	(28,891)	(2,565)	(28,891)	(2,565)
Total	134,308 [1]	177,638 [1]	86,069	3,614
Amounts not offset in the condensed consolidated statements of financial condition				
Counterparty netting	(4,979)	(1,732)	(4,979)	(1,732)
Collateral	(125,561)	(167,061)	(78,958)	(1,721)
Total	$ 3,768	$ 8,845	$ 2,132	$ 161

1. As of March 2016 and December 2015, the firm had $15.52 billion and $13.40 billion, respectively, of securities received under resale agreements, and $6.30 billion and $5.54 billion, respectively, of securities borrowed transactions that were segregated to satisfy certain regulatory requirements. These securities are included in Cash and securities segregated for regulatory and other purposes.

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.

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Gross Carrying Value of Repurchase Agreements and Securities Loaned

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

$ in millions	Repurchase agreements	Securities loaned
As of March 2016		
Commercial paper, certificates of deposit, time deposits and other money market instruments	**$ 472**	**$**
U.S. government and federal agency obligations	**52,083**	**108**
Non-U.S. government and agency obligations	**41,608**	**2,209**
Securities backed by commercial real estate	**56**	
Securities backed by residential real estate	**856**	
Corporate debt securities	**6,727**	**38**
State and municipal obligations	**175**	
Other debt obligations	**78**	
Equities and convertible debentures	**16,864**	**6,562**
Total	**$118,919**	**$8,917**
As of December 2015		
Commercial paper, certificates of deposit, time deposits and other money market instruments	$ 806	$
U.S. government and federal agency obligations	54,856	101
Non-U.S. government and agency obligations	31,547	2,465
Securities backed by commercial real estate	269	

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

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

	As of March 2016	
$ in millions	**Repurchase agreements**	**Securities loaned**
No stated maturity and overnight	**$ 34,115**	**$5,504**
2 - 30 days	**37,023**	**2,435**
31 - 90 days	**16,890**	**500**
91 days - 1 year	**24,679**	**478**
Greater than 1 year	**6,212**	
Total	**$118,919**	**$8,917**

In the table above:

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

Other Secured Financings

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

- Liabilities of consolidated VIEs;
- Transfers of assets accounted for as financings rather than sales (primarily collateralized central bank financings, pledged commodities, bank loans and mortgage whole loans); and

Other structured financing arrangements.
Other secured financings include arrangements that are nonrecourse. As of March 2016 and December 2015, nonrecourse other secured financings were $2.48 billion and $2.20 billion, respectively.

The firm has elected to apply the fair value option to substantially all other secured financings because the use of fair value eliminates non-economic volatility in earnings that would arise from using different measurement attributes. See Note 8 for further information about other secured financings that are accounted for at fair value.

Other secured financings that are not recorded at fair value are recorded based on the amount of cash received plus accrued interest, which generally approximates fair value. While these financings are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm s fair value hierarchy in Notes 6 through 8. Had these financings been included in the firm s fair value hierarchy, they would have been primarily classified in level 2 as of March 2016 and December 2015.

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The table below presents information about other secured financings.

$ in millions	U.S. Dollar	Non-U.S. Dollar	Total
As of March 2016			
Other secured financings (short-term):			
At fair value	**$ 8,151**	**$ 6,193**	**$14,344**
At amortized cost	**581**	**224**	**805**
Weighted average interest rates	***2.96%***	***2.37%***	
Other secured financings (long-term):			
At fair value	**7,194**	**2,856**	**10,050**
At amortized cost	**619**	**357**	**976**
Weighted average interest rates	***3.07%***	***1.83%***	
Total [1]	**$16,545**	**$ 9,630**	**$26,175**
Amount of other secured financings collateralized by:			
Financial instruments [2]	**$15,616**	**$ 9,259**	**$24,875**
Other assets	**929**	**371**	**1,300**
As of December 2015			
Other secured financings (short-term):			
At fair value	$ 7,952	$ 5,448	$13,400
At amortized cost	514	319	833
Weighted average interest rates	*2.93%*	*3.83%*	
Other secured financings (long-term):			
At fair value	6,702	3,105	9,807
At amortized cost	370	343	713

Weighted average interest rates	*2.87%*	*1.54%*	
Total [1]	$15,538	$ 9,215	$24,753
Amount of other secured financings collateralized by:			
Financial instruments [2]	$14,862	$ 8,872	$23,734
Other assets	676	343	1,019

1. Includes $464 million and $334 million related to transfers of financial assets accounted for as financings rather than sales as of March 2016 and December 2015, respectively. Such financings were collateralized by financial assets of $465 million and $336 million as of March 2016 and December 2015, respectively, primarily included in Financial instruments owned, at fair value.

2. Includes $15.05 billion and $14.98 billion of other secured financings collateralized by financial instruments owned, at fair value as of March 2016 and December 2015, respectively, and includes $9.83 billion and $8.76 billion of other secured financings collateralized by financial instruments received as collateral and repledged as of March 2016 and December 2015, respectively.

In the table above:

Short-term secured financings include financings maturing within one year of the financial statement date and financings that are redeemable within one year of the financial statement date at the option of the holder.

Weighted average interest rates exclude secured financings at fair value and include the effect of hedging activities. See Note 7 for further information about hedging activities.

The table below presents other secured financings by maturity date.

$ in millions	**As of March 2016**
Other secured financings (short-term)	**$15,149**
Other secured financings (long-term):	
2017	**5,741**
2018	**2,826**
2019	**605**
2020	**1,120**
2021	**184**
2022 - thereafter	**550**
Total other secured financings (long-term)	**11,026**
Total other secured financings	**$26,175**

In the table above:

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

Long-term secured financings that are redeemable prior to maturity at the option of the holders are reflected at the earliest dates such options become exercisable.

Collateral Received and Pledged

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

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

The firm also pledges certain financial instruments owned, at fair value in connection with repurchase agreements, securities loaned transactions and other secured financings, and other assets (substantially all real estate and cash) in connection with other secured financings to counterparties who may or may not have the right to deliver or repledge them.

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The table below presents financial instruments at fair value received as collateral that were available to be delivered or repledged and were delivered or repledged by the firm.

	As of	
$ in millions	**March 2016**	December 2015
Collateral available to be delivered or repledged [1]	**$674,270**	$636,684
Collateral that was delivered or repledged	**532,874**	496,240

1. As of March 2016 and December 2015, amounts exclude $15.52 billion and $13.40 billion, respectively, of securities received under resale agreements, and $6.30 billion and $5.54 billion, respectively, of securities borrowed transactions that contractually had the right to be delivered or repledged, but were segregated to satisfy certain regulatory requirements.

The table below presents information about assets pledged.

	As of	
$ in millions	**March 2016**	December 2015
Financial instruments owned, at fair value pledged to counterparties that:		
Had the right to deliver or repledge	**$53,548**	$54,426
Did not have the right to deliver or repledge	**58,627**	63,880
Other assets pledged to counterparties that:		
Did not have the right to deliver or repledge	**2,402**	1,841

Note 11.

Securitization Activities

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

Beneficial interests issued by securitization entities are debt or equity securities that give the investors rights to receive all or portions of specified cash inflows to a securitization vehicle and include senior and subordinated interests in principal, interest and/or other cash inflows. The proceeds from the sale of beneficial interests are used to pay the transferor for the financial assets sold to the securitization vehicle or to purchase securities which serve as collateral.

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

For transfers of assets that are not accounted for as sales, the assets remain in Financial instruments owned, at fair value and the transfer is accounted for as a collateralized financing, with the related interest expense recognized over the life of the transaction. See Notes 10 and 23 for further information about collateralized financings and interest expense, respectively.

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

The primary risks included in beneficial interests and other interests from the firm s continuing involvement with securitization vehicles are the performance of the underlying collateral, the position of the firm s investment in the capital structure of the securitization vehicle and the market yield for the security. Substantially all of these interests are accounted for at fair value, are included in Financial instruments owned, at fair value and are classified in level 2 of the fair value hierarchy. See Notes 5 through 8 for further information about fair value measurements.

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

	Three Months Ended March	
$ in millions	**2016**	2015
Residential mortgages	**$623**	$4,610
Commercial mortgages	**177**	2,164
Total	**$800**	$6,774
Cash flows on retained interests	**$ 21**	$ 40

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

$ in millions	Outstanding Principal Amount	Fair Value of Retained Interests	Fair Value of Purchased Interests
As of March 2016			
U.S. government agency-issued collateralized mortgage obligations	**$35,170**	**$ 543**	**$ 6**
Other residential mortgage-backed	**1,648**	**67**	
Other commercial mortgage-backed	**3,698**	**88**	**30**
CDOs, CLOs and other	**2,710**	**41**	**9**
Total	**$43,226**	**$ 739**	**$45**
As of December 2015			
U.S. government agency-issued collateralized mortgage obligations	$39,088	$ 846	$20
Other residential mortgage-backed	2,195	154	17
Other commercial mortgage-backed	6,842	115	28
CDOs, CLOs and other	2,732	44	7
Total	$50,857	$1,159	$72

In the table above:

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

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

Purchased interests represent senior and subordinated interests, purchased in connection with secondary market-making activities, in securitization entities in which the firm also holds retained interests.

Substantially all of the total outstanding principal amount and total fair value of retained interests as of March 2016 and December 2015 relate to securitizations during 2012 and thereafter.

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 $80 million and $92 million as of March 2016 and December 2015, respectively. The notional amounts of these derivatives and commitments are included in maximum exposure to loss in the nonconsolidated VIE table in Note 12.

The table below presents the weighted average key economic assumptions used in measuring the fair value of mortgage-backed retained interests and the sensitivity of this fair value to immediate adverse changes of 10% and 20% in those assumptions.

	As of	
$ in millions	**March 2016**	December 2015
Fair value of retained interests	**$ 698**	$ 1,115
Weighted average life (years)	**7.5**	7.5
Constant prepayment rate	**12.7%**	10.4%
Impact of 10% adverse change	**$ (17)**	$ (22)
Impact of 20% adverse change	**(34)**	(43)
Discount rate	**5.4%**	5.5%
Impact of 10% adverse change	**$ (15)**	$ (28)
Impact of 20% adverse change	**(30)**	(55)

In the table above:

Amounts do not reflect the benefit of other financial instruments that are held to mitigate risks inherent in these retained interests.

Changes in fair value based on an adverse variation in assumptions generally cannot be extrapolated because the relationship of the change in assumptions to the change in fair value is not usually linear.

The impact of a change in a particular assumption is calculated independently of changes in any other assumption. In practice, simultaneous changes in assumptions might magnify or counteract the sensitivities disclosed above.

The constant prepayment rate is included only for positions for which it is a key assumption in the determination of fair value.

The discount rate for retained interests that relate to U.S. government agency-issued collateralized mortgage obligations does not include any credit loss.

Expected credit loss assumptions are reflected in the discount rate for the remainder of retained interests.

The firm has other retained interests not reflected in the table above with a fair value of $41 million and a weighted average life of 3.0 years as of March 2016, and a fair value of $44 million and a weighted average life of 3.5 years as of December 2015. Due to the nature and current fair value of certain of these retained interests, the weighted average assumptions for constant prepayment and discount rates and the related sensitivity to adverse changes are not meaningful as of March 2016 and December 2015. The firm s maximum exposure to adverse changes in the value of these interests is the carrying value of $41 million and $44 million as of March 2016 and December 2015, respectively.

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Note 12.

Variable Interest Entities

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

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

VIEs generally finance the purchase of assets by issuing debt and equity securities that are either collateralized by or indexed to the assets held by the VIE. The debt and equity securities issued by a VIE may include tranches of varying levels of subordination. The firm s involvement with VIEs includes securitization of financial assets, as described in Note 11, and investments in and loans to other types of VIEs, as described below. See Note 11 for additional information about securitization activities, including the definition of beneficial interests. See Note 3 for the firm s consolidation policies, including the definition of a VIE.

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

VIE Activities

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

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

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

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Real Estate, Credit-Related and Other Investing VIEs. The firm purchases equity and debt securities issued by and makes loans to VIEs that hold real estate, performing and nonperforming debt, distressed loans and equity securities. The firm typically does not sell assets to, or enter into derivatives with, these VIEs.

Other Asset-Backed VIEs. The firm structures VIEs that issue notes to clients, and purchases and sells beneficial interests issued by other asset-backed VIEs in connection with market-making activities. In addition, the firm may enter into derivatives with certain other asset-backed VIEs, primarily total return swaps on the collateral assets held by these VIEs under which the firm pays the VIE the return due to the note holders and receives the return on the collateral assets owned by the VIE. The firm generally can be removed as the total return swap counterparty. The firm generally enters into derivatives with other counterparties to mitigate its risk from derivatives with these VIEs. The firm typically does not sell assets to the other asset-backed VIEs it structures.

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

Investments in Funds and Other VIEs. The firm makes equity investments in certain of the investment fund VIEs it manages, and is entitled to receive fees from these VIEs. The firm typically does not sell assets to, or enter into derivatives with, these VIEs. Other VIEs primarily includes nonconsolidated power-related VIEs. The firm purchases debt and equity securities issued by VIEs that hold power-related assets, and may provide commitments to these VIEs.

Adoption of ASU No. 2015-02

The firm adopted ASU No. 2015-02 as of January 1, 2016. Upon adoption, certain of the firm s investments in entities that were previously classified as voting interest entities are now classified as VIEs. These include investments in certain limited partnership entities that have been deconsolidated upon adoption as certain fee interests are not considered significant interests under the guidance, and the firm is no longer deemed to have a controlling financial interest in such entities. See Note 3 for further information about the adoption of ASU No. 2015-02.

Nonconsolidated VIEs. As a result of adoption as of January 1, 2016, Investments in funds and other nonconsolidated VIEs included $10.70 billion in Assets in VIEs, $543 million in Carrying value of variable interests assets and $559 million in Maximum Exposure to Loss related to investments in limited partnership entities that were previously classified as nonconsolidated voting interest entities.

Consolidated VIEs. As a result of adoption as of January 1, 2016, Real estate, credit-related and other investing consolidated VIEs included $302 million of assets, substantially all included in Financial instruments owned, at fair

value, and $122 million of liabilities, included in Other liabilities and accrued expenses primarily related to investments in limited partnership entities that were previously classified as consolidated voting interest entities.

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Nonconsolidated VIEs

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

	As of	
$ in millions	**March 2016**	December 2015
Mortgage-backed [1]		
Assets in VIEs	**$51,020**	$62,672
Carrying value of variable interests — assets	**1,702**	2,439
Maximum Exposure to Loss		
Retained interests	**698**	1,115
Purchased interests	**1,004**	1,324
Commitments and guarantees	**41**	40
Derivatives	**216**	222
Total maximum exposure to loss	**1,959**	2,701
Corporate CDOs and CLOs		
Assets in VIEs	**6,207**	6,493
Carrying value of variable interests — assets	**754**	624
Carrying value of variable interests — liabilities	**34**	29
Maximum Exposure to Loss		
Retained interests	**2**	3
Purchased interests	**123**	106
Commitments and guarantees	**910**	647
Derivatives	**1,763**	2,633

Loans and investments		**427**	265
Total maximum exposure to loss		**3,225**	3,654
Real estate, credit-related and other investing			
Assets in VIEs		**9,923**	9,793
Carrying value of variable interests	assets	**3,632**	3,557
Carrying value of variable interests	liabilities	**4**	3
Maximum Exposure to Loss			
Commitments and guarantees		**597**	570
Loans and investments		**3,632**	3,557
Total maximum exposure to loss		**4,229**	4,127
Other asset-backed			
Assets in VIEs		**6,326**	7,026
Carrying value of variable interests	assets	**226**	265
Carrying value of variable interests	liabilities	**113**	145
Maximum Exposure to Loss			
Retained interests		**39**	41
Purchased interests		**29**	98
Commitments and guarantees		**500**	500
Derivatives		**4,136**	4,075
Total maximum exposure to loss		**4,704**	4,714
Investments in funds and other			
Assets in VIEs		**14,548**	4,161
Carrying value of variable interests	assets	**931**	286
Maximum Exposure to Loss			
Commitments and guarantees		**250**	263
Derivatives		**6**	6
Loans and investments		**931**	286
Total maximum exposure to loss		**1,187**	555

Total nonconsolidated VIEs		
Assets in VIEs	**88,024**	90,145
Carrying value of variable interests assets	**7,245**	7,171
Carrying value of variable interests liabilities	**151**	177
Maximum Exposure to Loss		
Retained interests	**739**	1,159
Purchased interests	**1,156**	1,528
Commitments and guarantees [2]	**2,298**	2,020
Derivatives [2]	**6,121**	6,936
Loans and investments	**4,990**	4,108
Total maximum exposure to loss	**$15,304**	$15,751

1. Assets in VIEs and maximum exposure to loss include $4.16 billion and $469 million, respectively, as of March 2016, and $4.08 billion and $502 million, respectively, as of December 2015, related to CDOs backed by mortgage obligations.

2. Includes $1.57 billion and $1.52 billion as of March 2016 and December 2015, respectively, related to commitments and derivative transactions with VIEs to which the firm transferred assets.

The firm s exposure to the obligations of VIEs is generally limited to its interests in these entities. In certain instances, the firm provides guarantees, including derivative guarantees, to VIEs or holders of variable interests in VIEs.

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

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

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

For commitments and guarantees, and derivatives, the maximum exposure to loss is the notional amount, which does not represent anticipated losses and also has not been reduced by unrealized losses already recorded. As a result, the maximum exposure to loss exceeds liabilities recorded for commitments and guarantees, and derivatives provided to VIEs.

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

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

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

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

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Consolidated VIEs

The table below presents the carrying amount and classification of assets and liabilities in consolidated VIEs.

	As of	
$ in millions	**March 2016**	December 2015
Real estate, credit-related and other investing		
Assets		
Cash and cash equivalents	**$ 178**	$ 374
Cash and securities segregated for regulatory and other purposes	**57**	49
Receivables from brokers, dealers and clearing organizations		1
Receivables from customers and counterparties	**13**	
Loans receivable	**1,547**	1,534
Financial instruments owned, at fair value	**1,873**	1,585
Other assets	**576**	456
Total	**4,244**	3,999
Liabilities		
Other secured financings	**370**	332
Payables to brokers, dealers and clearing organizations	**1**	
Payables to customers and counterparties	**2**	2
Financial instruments sold, but not yet purchased, at fair value	**12**	16
Other liabilities and accrued expenses	**695**	556
Total	**1,080**	906
CDOs, mortgage-backed and other asset-backed		
Assets		

Financial instruments owned, at fair value	**372**	572
Other assets	**9**	15
Total	**381**	587
Liabilities		
Other secured financings	**204**	113
Payables to customers and counterparties		432
Total	**204**	545
Principal-protected notes		
Assets		
Cash and cash equivalents	**9**	
Financial instruments owned, at fair value	**100**	126
Total	**109**	126
Liabilities		
Other secured financings	**466**	413
Unsecured short-term borrowings, including the current portion of unsecured long-term borrowings	**426**	416
Unsecured long-term borrowings	**320**	312
Total	**1,212**	1,141
Total consolidated VIEs		
Assets		
Cash and cash equivalents	**187**	374
Cash and securities segregated for regulatory and other purposes	**57**	49
Receivables from brokers, dealers and clearing organizations		1
Receivables from customers and counterparties	**13**	
Loans receivable	**1,547**	1,534
Financial instruments owned, at fair value	**2,345**	2,283
Other assets	**585**	471
Total	**4,734**	4,712
Liabilities		
Other secured financings	**1,040**	858
Payables to brokers, dealers and clearing organizations	**1**	
Payables to customers and counterparties	**2**	434
Financial instruments sold, but not yet purchased, at fair value	**12**	16

Unsecured short-term borrowings, including the current portion of unsecured long-term borrowings	**426**	416
Unsecured long-term borrowings	**320**	312
Other liabilities and accrued expenses	**695**	556
Total	**$2,496**	$2,592

In the table above:

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

VIEs in which the firm holds a majority voting interest are excluded if (i) the VIE meets the definition of a business and (ii) the VIE s assets can be used for purposes other than the settlement of its obligations.

Substantially all the assets can only be used to settle obligations of the VIE. The liabilities of real estate, credit-related and other investing VIEs, and CDOs, mortgage-backed and other asset-backed VIEs do not have recourse to the general credit of the firm.

Assets and liabilities exclude the benefit of offsetting financial instruments that are held to mitigate the risks associated with the firm s variable interests.

Note 13.

Other Assets

Other assets are generally less liquid, non-financial assets. The table below presents other assets by type.

	As of	
$ in millions	**March 2016**	December 2015
Property, leasehold improvements and equipment	**$10,612**	$ 9,956
Goodwill and identifiable intangible assets	**4,136**	4,148
Income tax-related assets	**5,783**	5,548
Equity-method investments [1]	**237**	258
Miscellaneous receivables and other [2, 3]	**3,500**	5,308
Total	**$24,268**	$25,218

1. Excludes investments accounted for at fair value under the fair value option where the firm would otherwise apply the equity method of accounting of $7.11 billion and $6.59 billion as of March 2016 and December 2015, respectively, all of which are included in Financial instruments owned, at fair value. The firm has generally elected the fair value option for such investments acquired after the fair value option became available.

2. Includes $599 million and $581 million of investments in qualified affordable housing projects as of March 2016 and December 2015, respectively.

3. The decrease from December 2015 to March 2016 reflects the sale of assets previously classified as held for sale related to certain of the firm s consolidated investments.

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Property, Leasehold Improvements and Equipment

Property, leasehold improvements and equipment in the table above is net of accumulated depreciation and amortization of $7.95 billion and $7.77 billion as of March 2016 and December 2015, respectively. Property, leasehold improvements and equipment included $5.96 billion and $5.93 billion as of March 2016 and December 2015, respectively, related to property, leasehold improvements and equipment that the firm uses in connection with its operations. The remainder is held by investment entities, including VIEs, consolidated by the firm. Substantially all property and equipment is depreciated on a straight-line basis over the useful life of the asset. Leasehold improvements are amortized on a straight-line basis over the useful life of the improvement or the term of the lease, whichever is shorter. Certain costs of software developed or obtained for internal use are capitalized and amortized on a straight-line basis over the useful life of the software.

Goodwill and Identifiable Intangible Assets

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

	Goodwill as of	
$ in millions	**March 2016**	December 2015
Investment Banking:		
Financial Advisory	**$ 98**	$ 98
Underwriting	**183**	183
Institutional Client Services:		
Fixed Income, Currency and Commodities Client Execution	**269**	269
Equities Client Execution	**2,404**	2,402
Securities Services	**105**	105
Investing & Lending	**2**	2
Investment Management	**598**	598
Total	**$3,659**	$3,657

Identifiable Intangible Assets as of

$ in millions	**March 2016**	December 2015
Institutional Client Services:		
Fixed Income, Currency and Commodities Client Execution	**$ 73**	$ 92
Equities Client Execution	**189**	193
Investing & Lending	**91**	75
Investment Management	**124**	131
Total	**$ 477**	$ 491

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

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

- The first step compares the estimated fair value of each reporting unit with its estimated net book value (including goodwill and identifiable intangible assets). If the reporting unit s estimated fair value exceeds its estimated net book value, goodwill is not impaired.

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

Goodwill was tested for impairment, using a quantitative test, during the fourth quarter of 2015. The estimated fair value of each of the reporting units exceeded its respective net book value. Accordingly, goodwill was not impaired and step two of the quantitative goodwill test was not performed.

To estimate the fair value of each reporting unit, a relative value technique was used because the firm believes market participants would use this technique to value the firm s reporting units. The relative value technique applies observable price-to-earnings multiples or price-to-book multiples and projected return on equity of comparable competitors to reporting units net earnings or net book value. The net book value of each reporting unit reflects an allocation of total shareholders equity and represents the estimated amount of total shareholders equity required to support the activities of the reporting unit under currently applicable regulatory capital requirements.

There were no events or changes in circumstances during the three months ended March 2016 that would indicate that it was more likely than not that the fair value of each of the reporting units did not exceed its respective carrying amount as of March 2016.

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

$ in millions	**March 2016**	As of Weighted Average Remaining Useful Lives *(years)*	December 2015
Customer lists			
Gross carrying amount	**$ 1,065**		$ 1,072
Accumulated amortization	**(787)**		(777)
Net carrying amount	**278**	**6**	295
Commodities-related			
Gross carrying amount	**184**		185
Accumulated amortization	**(111)**		(94)
Net carrying amount	**73**	**7**	91
Other			
Gross carrying amount	**298**		264
Accumulated amortization	**(172)**		(159)
Net carrying amount	**126**	**6**	105
Total			
Gross carrying amount	**1,547**		1,521
Accumulated amortization	**(1,070)**		(1,030)
Net carrying amount	**$ 477**	**6**	$ 491

In the table above:

The net carrying amount of commodities-related intangibles primarily includes transportation rights.

The net carrying amount of other intangibles primarily includes intangible assets related to acquired leases. Substantially all of the firm s identifiable intangible assets are considered to have finite useful lives and are amortized over their estimated useful lives using the straight-line method or based on economic usage for certain customer lists and commodities-related intangibles.

The tables below present details about amortization of identifiable intangible assets.

	Three Months Ended March	
$ in millions	**2016**	2015
Amortization	**$ 47**	$ 43

$ in millions

Estimated future amortization	**As of March 2016**
Remainder of 2016	**$ 93**
2017	**121**
2018	**103**
2019	**71**
2020	**25**
2021	**17**

Impairments

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

During the quarters ended March 2016 and March 2015, impairments were not material to the firm s results of operations or financial condition.

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Note 14.

Deposits

The table below presents deposits held in U.S. and non-U.S. offices, substantially all of which were interest-bearing. Substantially all U.S. deposits were held at Goldman Sachs Bank USA (GS Bank USA) and substantially all non-U.S. deposits were held at Goldman Sachs International Bank (GSIB).

	As of	
$ in millions	**March 2016**	December 2015
U.S. offices	**$ 87,422**	$81,920
Non-U.S. offices	**17,444**	15,599
Total	**$104,866**	$97,519

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

	As of March 2016		
$ in millions	**U.S.**	**Non-U.S.**	**Total**
Remainder of 2016	**$ 7,934**	**$8,442**	**$16,376**
2017	**7,267**	**875**	**8,142**
2018	**4,698**	**69**	**4,767**
2019	**4,654**		**4,654**
2020	**3,689**		**3,689**
2021	**2,933**	**42**	**2,975**
2022 - thereafter	**7,019**	**136**	**7,155**
Total	**$38,194**	**$9,564**	**$47,758** [1, 2]

1. Includes $1.95 billion and $7.78 billion of deposits greater than $250,000 in U.S. and non-U.S. offices, respectively.

2. Includes $15.03 billion of time deposits accounted for at fair value under the fair value option. See Note 8 for further information about deposits accounted for at fair value.

As of March 2016 and December 2015, deposits include $57.11 billion and $54.51 billion, respectively, of savings and demand deposits, which have no stated maturity, and were recorded based on the amount of cash received plus accrued interest, which approximates fair value. In addition, the firm designates certain derivatives as fair value hedges to convert substantially all of its time deposits not accounted for at fair value from fixed-rate obligations into floating-rate obligations. Accordingly, the carrying value of time deposits approximated fair value as of March 2016 and December 2015. While these savings and demand deposits and time deposits are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm s fair value hierarchy in Notes 6 through 8. Had these deposits been included in the firm s fair value hierarchy, they would have been classified in level 2 as of March 2016 and December 2015.

Note 15.

Short-Term Borrowings

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

	As of	
	March	December
$ in millions	**2016**	2015
Other secured financings (short-term)	**$15,149**	$14,233
Unsecured short-term borrowings	**46,691**	42,787
Total	**$61,840**	$57,020

See Note 10 for information about other secured financings.

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

The firm accounts for commercial paper and certain hybrid financial instruments at fair value under the fair value option. See Note 8 for further information about unsecured short-term borrowings that are accounted for at fair value. The carrying value of unsecured short-term borrowings that are not recorded at fair value generally approximates fair value due to the short-term nature of the obligations. While these unsecured short-term borrowings are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm s fair value hierarchy in Notes 6 through 8. Had these borrowings been included in the firm s fair value hierarchy, substantially all would have been classified in level 2 as of March 2016 and December 2015.

The table below presents details about the firm s unsecured short-term borrowings. The weighted average interest rates for these borrowings include the effect of hedging activities and exclude financial instruments accounted for at fair value under the fair value option. See Note 7 for further information about hedging activities.

	As of	
$ in millions	**March 2016**	December 2015
Current portion of unsecured long-term borrowings	**$28,678**	$25,373
Hybrid financial instruments	**13,765**	12,956
Commercial paper	**133**	208
Other short-term borrowings	**4,115**	4,250
Total	**$46,691**	$42,787
Weighted average interest rate	**1.85%**	1.52%

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Note 16.

Long-Term Borrowings

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

	As of	
$ in millions	**March 2016**	December 2015
Other secured financings (long-term)	**$ 11,026**	$ 10,520
Unsecured long-term borrowings	**180,159**	175,422
Total	**$191,185**	$185,942

See Note 10 for information about other secured financings.

The table below presents unsecured long-term borrowings extending through 2061 and consisting principally of senior borrowings. Floating interest rates generally are based on LIBOR or OIS. Equity-linked and indexed instruments are included in floating-rate obligations.

$ in millions	U.S. Dollar	Non-U.S. Dollar	Total
As of March 2016			
Fixed-rate obligations [1]	**$ 92,405**	**$31,948**	**$124,353**
Floating-rate obligations	**34,825**	**20,981**	**55,806**
Total	**$127,230**	**$52,929**	**$180,159**
As of December 2015			
Fixed-rate obligations [1]	$ 92,190	$30,703	$122,893
Floating-rate obligations	33,543	18,986	52,529
Total	$125,733	$49,689	$175,422

1. Interest rates on U.S. dollar-denominated debt ranged from 1.60% to 10.04% (with a weighted average rate of 4.82%) and 1.60% to 10.04% (with a weighted average rate of 4.89%) as of March 2016 and December 2015, respectively. Interest rates on non-U.S. dollar-denominated debt ranged from 0.02% to 13.00% (with a weighted average rate of 3.43%) and 0.40% to 13.00% (with a weighted average rate of 3.81%) as of March 2016 and December 2015, respectively.

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

$ in millions	**As of March 2016**
2017	**$ 14,529**
2018	**25,382**
2019	**18,722**
2020	**19,125**
2021	**12,695**
2022 - thereafter	**89,706**
Total [1]	**$180,159**

1. Includes $9.91 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: $250 million in 2017, $620 million in 2018, $518 million in 2019, $542 million in 2020, $814 million in 2021, and $7.17 billion in 2022 and thereafter.

In the table above:

- Unsecured long-term borrowings maturing within one year of the financial statement date and unsecured long-term borrowings that are redeemable within one year of the financial statement date at the option of the holders are excluded from the table as they are included as unsecured short-term borrowings.

- Unsecured long-term borrowings that are repayable prior to maturity at the option of the firm are reflected at their contractual maturity dates.

- Unsecured long-term borrowings that are redeemable prior to maturity at the option of the holders are reflected at the earliest dates such options become exercisable.

The firm designates certain derivatives as fair value hedges to convert a majority of the amount of its fixed-rate unsecured long-term borrowings not accounted for at fair value into floating-rate obligations. Accordingly, excluding the cumulative impact of changes in the firm s credit spreads, the carrying value of unsecured long-term borrowings approximated fair value as of March 2016 and December 2015. See Note 7 for further information about hedging activities. For unsecured long-term borrowings for which the firm did not elect the fair value option, the cumulative impact due to changes in the firm s own credit spreads would be a decrease of less than 1% and an increase of less than

1% in the carrying value of such borrowings as of March 2016 and December 2015, respectively. As these borrowings are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP, their fair value is not included in the firm s fair value hierarchy in Notes 6 through 8. Had these borrowings been included in the firm s fair value hierarchy, substantially all would have been classified in level 2 as of March 2016 and December 2015.

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

	As of	
$ in millions	**March 2016**	December 2015
Fixed-rate obligations		
At fair value	**$ 40**	$ 21
At amortized cost [1]	**62,158**	55,017
Floating-rate obligations		
At fair value	**25,631**	22,252
At amortized cost [1]	**92,330**	98,132
Total	**$180,159**	$175,422

1. The weighted average interest rates on the aggregate amounts were 2.81% (4.14% related to fixed-rate obligations and 1.90% related to floating-rate obligations) and 2.73% (4.33% related to fixed-rate obligations and 1.84% related to floating-rate obligations) as of March 2016 and December 2015, respectively. These rates exclude financial instruments accounted for at fair value under the fair value option.

Subordinated Borrowings

Unsecured long-term borrowings include subordinated debt and junior subordinated debt. Junior subordinated debt is junior in right of payment to other subordinated borrowings, which are junior to senior borrowings. As of both March 2016 and December 2015, subordinated debt had maturities ranging from 2017 to 2045.

The table below presents subordinated borrowings. The weighted average interest rates for these borrowings include the effect of fair value hedges used to convert these fixed-rate obligations into floating-rate obligations. See Note 7 for further information about hedging activities.

$ in millions	Par Amount	Carrying Amount	Rate
As of March 2016			
Subordinated debt	**$15,983**	**$19,033**	**4.12%**

Junior subordinated debt	**1,360**	**1,815**	**5.80%**
Total subordinated borrowings	**$17,343**	**$20,848**	**4.26%**
As of December 2015			
Subordinated debt	$18,004	$20,784	3.79%
Junior subordinated debt	1,359	1,817	5.77%
Total subordinated borrowings	$19,363	$22,601	3.93%

Junior Subordinated Debt

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

The 2012 Trusts purchased the junior subordinated debt from Goldman Sachs Capital II and Goldman Sachs Capital III (APEX Trusts). The APEX Trusts used the proceeds from such sales to purchase shares of Group Inc. s Perpetual Non-Cumulative Preferred Stock, Series E (Series E Preferred Stock) and Perpetual Non-Cumulative Preferred Stock, Series F (Series F Preferred Stock).

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

The firm has the right to defer payments on the junior subordinated debt, subject to limitations. During any such deferral period, the firm will not be permitted to, among other things, pay dividends on or make certain repurchases of its common or preferred stock. However, as Group Inc. fully and unconditionally guarantees the payment of the distribution and redemption amounts when due on a senior basis on the senior guaranteed trust securities issued by the 2012 Trusts, if the 2012 Trusts are unable to make scheduled distributions to the holders of the senior guaranteed trust securities, under the guarantee, Group Inc. would be obligated to make those payments. As such, junior subordinated debt held by the 2012 Trusts for the benefit of investors, included in Unsecured short-term borrowings in the condensed consolidated statements of financial condition, is not classified as subordinated borrowings.

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The APEX Trusts and the 2012 Trusts are Delaware statutory trusts sponsored by the firm and wholly-owned finance subsidiaries of the firm for regulatory and legal purposes but are not consolidated for accounting purposes.

The firm has covenanted in favor of the holders of Group Inc. s 6.345% junior subordinated debt due February 15, 2034, that, subject to certain exceptions, the firm will not redeem or purchase the capital securities issued by the APEX Trusts or shares of Group Inc. s Series E or Series F Preferred Stock prior to specified dates in 2022 for a price that exceeds a maximum amount determined by reference to the net cash proceeds that the firm has received from the sale of qualifying securities. During the first quarter of 2016, the firm exchanged a par amount of $672 million of APEX issued by the APEX Trusts for a corresponding redemption value of the Series E and Series F Preferred Stock, which was permitted under the covenants referenced above. See Note 19 for additional information about this exchange.

Junior Subordinated Debt Issued in Connection with Trust Preferred Securities. Group Inc. issued $2.84 billion of junior subordinated debt in 2004 to Goldman Sachs Capital I (Trust), a Delaware statutory trust. The Trust issued $2.75 billion of guaranteed preferred beneficial interests (Trust Preferred Securities) to third parties and $85 million of common beneficial interests to Group Inc. and used the proceeds from the issuances to purchase the junior subordinated debt from Group Inc. During 2014 and the first quarter of 2015, the firm purchased $1.43 billion (par amount) of Trust Preferred Securities and delivered these securities, along with $44.2 million of common beneficial interests, to the Trust in exchange for a corresponding par amount of the junior subordinated debt. Following the exchanges, these Trust Preferred Securities, common beneficial interests and junior subordinated debt were extinguished. Subsequent to these extinguishments, the outstanding par amount of junior subordinated debt held by the Trust was $1.36 billion and the outstanding par amount of Trust Preferred Securities and common beneficial interests issued by the Trust was $1.32 billion and $40.8 million, respectively. The Trust is a wholly-owned finance subsidiary of the firm for regulatory and legal purposes but is not consolidated for accounting purposes.

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

Note 17.

Other Liabilities and Accrued Expenses

The table below presents other liabilities and accrued expenses by type.

	As of	
$ in millions	**March 2016**	December 2015
Compensation and benefits	**$ 3,622**	$ 8,149
Noncontrolling interests	**387**	459
Income tax-related liabilities	**1,213**	1,280
Employee interests in consolidated funds	**136**	149
Subordinated liabilities issued by consolidated VIEs	**529**	501
Accrued expenses and other [1]	**7,426**	8,355
Total	**$13,313**	$18,893

1. The decrease from December 2015 to March 2016 reflects the sale of liabilities previously classified as held for sale related to certain of the firm s consolidated investments.

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Note 18.

Commitments, Contingencies and

Guarantees

Commitments

The table below presents the firm s commitments by type.

$ in millions	As of **March 2016**	December 2015
Commitments to extend credit		
Commercial lending:		
Investment-grade	**$ 67,876**	$ 72,428
Non-investment-grade	**36,529**	41,277
Warehouse financing	**3,553**	3,453
Total commitments to extend credit	**107,958**	117,158
Contingent and forward starting resale and securities borrowing agreements	**56,227**	28,874
Forward starting repurchase and secured lending agreements	**12,622**	5,878
Letters of credit	**352**	249
Investment commitments	**4,407**	6,054
Other	**5,201**	6,944
Total commitments	**$186,767**	$165,157

The table below presents the firm s commitments by period of expiration.

	As of March 2016			
$ in millions	**Remainder of 2016**	**2017 - 2018**	**2019 - 2020**	**2021 - Thereafter**
Commitments to extend credit				
Commercial lending:				
Investment-grade	**$10,162**	**$17,519**	**$33,701**	**$ 6,494**
Non-investment-grade	**7,223**	**8,696**	**15,429**	**5,181**
Warehouse financing	**465**	**1,624**	**156**	**1,308**
Total commitments to extend credit	**17,850**	**27,839**	**49,286**	**12,983**
Contingent and forward starting resale and securities borrowing agreements	**56,191**	**36**		
Forward starting repurchase and secured lending agreements	**12,622**			
Letters of credit	**174**	**171**	**3**	**4**
Investment commitments	**2,772**	**420**	**28**	**1,187**
Other	**4,724**	**351**	**76**	**50**
Total commitments	**$94,333**	**$28,817**	**$49,393**	**$14,224**

Commitments to Extend Credit

The firm s commitments to extend credit are agreements to lend with fixed termination dates and depend on the satisfaction of all contractual conditions to borrowing. These commitments are presented net of amounts syndicated to third parties. The total commitment amount does not necessarily reflect actual future cash flows because the firm may syndicate all or substantial additional portions of these commitments. In addition, commitments can expire unused or be reduced or cancelled at the counterparty s request.

As of March 2016 and December 2015, $90.83 billion and $93.92 billion, respectively, of the firm s lending commitments were held for investment and were accounted for on an accrual basis. See Note 9 for further information about such commitments. In addition, as of March 2016 and December 2015, $6.18 billion and $9.92 billion, respectively, of the firm s lending commitments were held for sale and were accounted for at the lower of cost or fair value.

The firm accounts for the remaining commitments to extend credit at fair value. Losses, if any, are generally recorded, net of any fees in Other principal transactions.

Commercial Lending. The firm s commercial lending commitments are extended to investment-grade and non-investment-grade corporate borrowers. Commitments to investment-grade corporate borrowers are principally used for operating liquidity and general corporate purposes. The firm also extends lending commitments in connection with contingent acquisition financing and other types of corporate lending as well as commercial real estate financing. Commitments that are extended for contingent acquisition financing are often intended to be short-term in nature, as borrowers often seek to replace them with other funding sources.

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Sumitomo Mitsui Financial Group, Inc. (SMFG) provides the firm with credit loss protection on certain approved loan commitments (primarily investment-grade commercial lending commitments). The notional amount of such loan commitments was $27.33 billion and $27.03 billion as of March 2016 and December 2015, respectively. The credit loss protection on loan commitments provided by SMFG is generally limited to 95% of the first loss the firm realizes on such commitments, up to a maximum of approximately $950 million. In addition, subject to the satisfaction of certain conditions, upon the firm s request, SMFG will provide protection for 70% of additional losses on such commitments, up to a maximum of $1.13 billion, of which $768 million of protection had been provided as of both March 2016 and December 2015. The firm also uses other financial instruments to mitigate credit risks related to certain commitments not covered by SMFG. These instruments primarily include credit default swaps that reference the same or similar underlying instrument or entity, or credit default swaps that reference a market index.

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

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

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

Letters of Credit

The firm has commitments under letters of credit issued by various banks which the firm provides to counterparties in lieu of securities or cash to satisfy various collateral and margin deposit requirements.

Investment Commitments

The firm s investment commitments include commitments to invest in private equity, real estate and other assets directly and through funds that the firm raises and manages. Investment commitments include $2.74 billion and $2.86 billion as of March 2016 and December 2015, respectively, related to commitments to invest in funds managed by the firm. If these commitments are called, they would be funded at market value on the date of investment.

Leases

The firm has contractual obligations under long-term noncancelable lease agreements for office space expiring on various dates through 2069. Certain agreements are subject to periodic escalation provisions for increases in real estate taxes and other charges.

The table below presents future minimum rental payments, net of minimum sublease rentals.

$ in millions	**As of March 2016**
Remainder of 2016	**$ 242**
2017	**317**
2018	**305**
2019	**261**
2020	**229**
2021	**180**
2022 - thereafter	**984**
Total	**$2,518**

Rent charged to operating expense was $62 million and $64 million for the three months ended March 2016 and March 2015, respectively.

Operating leases include office space held in excess of current requirements. Rent expense relating to space held for growth is included in Occupancy. The firm records a liability, based on the fair value of the remaining lease rentals reduced by any potential or existing sublease rentals, for leases where the firm has ceased using the space and management has concluded that the firm will not derive any future economic benefits. Costs to terminate a lease before the end of its term are recognized and measured at fair value on termination.

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Contingencies

Legal Proceedings. See Note 27 for information about legal proceedings, including certain mortgage-related matters, and agreements the firm has entered into to toll the statute of limitations.

Certain Mortgage-Related Contingencies. There are multiple areas of focus by regulators, governmental agencies and others within the mortgage market that may impact originators, issuers, servicers and investors. There remains significant uncertainty surrounding the nature and extent of any potential exposure for participants in this market.

The firm has not been a significant originator of residential mortgage loans. The firm did purchase loans originated by others and generally received loan-level representations. During the period 2005 through 2008, the firm sold approximately $10 billion of loans to government-sponsored enterprises and approximately $11 billion of loans to other third parties. In addition, the firm transferred $125 billion of loans to trusts and other mortgage securitization vehicles. In connection with both sales of loans and securitizations, the firm provided loan-level representations and/or assigned the loan-level representations from the party from whom the firm purchased the loans.

The firm s exposure to claims for repurchase of residential mortgage loans based on alleged breaches of representations will depend on a number of factors such as the extent to which these claims are made within the statute of limitations taking into consideration the agreements to toll the statute of limitations the firm has entered into with trustees representing trusts. Based upon the large number of defaults in residential mortgages, including those sold or securitized by the firm, there is a potential for repurchase claims. However, the firm is not in a position to make a meaningful estimate of that exposure at this time.

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

Guarantees

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

$ in millions	Derivatives	Securities lending indemnifications	Other financial guarantees
As of March 2016			
Carrying Value of Net Liability	**$ 10,026**	**$**	**$ 60**

Maximum Payout/Notional Amount by Period of Expiration			
Remainder of 2016	**$ 622,772**	**$36,841**	**$ 554**
2017 - 2018	**266,094**		**1,359**
2019 - 2020	**87,837**		**1,235**
2021 - thereafter	**61,261**		**729**
Total	**$1,037,964**	**$36,841**	**$3,877**
As of December 2015			
Carrying Value of Net Liability	$ 8,351	$	$ 76
Maximum Payout/Notional Amount by Period of Expiration			
2016	$ 640,288	$31,902	$ 611
2017 - 2018	168,784		1,402
2019 - 2020	67,643		1,772
2021 - thereafter	49,728		676
Total	$ 926,443	$31,902	$4,461

In the table above:

The maximum payout is based on the notional amount of the contract and does not represent anticipated losses.

Amounts exclude certain commitments to issue standby letters of credit that are included in Commitments to extend credit. See the tables in Commitments above for a summary of the firm s commitments.

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

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

Securities Lending Indemnifications. The firm, in its capacity as an agency lender, indemnifies most of its securities lending customers against losses incurred in the event that borrowers do not return securities and the collateral held is insufficient to cover the market value of the securities borrowed. Collateral held by the lenders in connection with securities lending indemnifications was $37.99 billion and $32.85 billion as of March 2016 and December 2015, respectively. Because the contractual nature of these arrangements requires the firm to obtain collateral with a market value that exceeds the value of the securities lent to the borrower, there is minimal performance risk associated with these guarantees.

Other Financial Guarantees. In the ordinary course of business, the firm provides other financial guarantees of the obligations of third parties (e.g., standby letters of credit and other guarantees to enable clients to complete transactions and fund-related guarantees). These guarantees represent obligations to make payments to beneficiaries if the guaranteed party fails to fulfill its obligation under a contractual arrangement with that beneficiary.

Guarantees of Securities Issued by Trusts. The firm has established trusts, including Goldman Sachs Capital I, the APEX Trusts, the 2012 Trusts, and other entities for the limited purpose of issuing securities to third parties, lending the proceeds to the firm and entering into contractual arrangements with the firm and third parties related to this purpose. The firm does not consolidate these entities. See Note 16 for further information about the transactions involving Goldman Sachs Capital I, the APEX Trusts, and the 2012 Trusts.

The firm effectively provides for the full and unconditional guarantee of the securities issued by these entities. Timely payment by the firm of amounts due to these entities under the guarantee, borrowing, preferred stock and related contractual arrangements will be sufficient to cover payments due on the securities issued by these entities.

Management believes that it is unlikely that any circumstances will occur, such as nonperformance on the part of paying agents or other service providers, that would make it necessary for the firm to make payments related to these

entities other than those required under the terms of the guarantee, borrowing, preferred stock and related contractual arrangements and in connection with certain expenses incurred by these entities.

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

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

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

The firm is unable to develop an estimate of the maximum payout under these guarantees and indemnifications. However, management believes that it is unlikely the firm will have to make any material payments under these arrangements, and no material liabilities related to these guarantees and indemnifications have been recognized in the condensed consolidated statements of financial condition as of March 2016 and December 2015.

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

In addition, the firm may provide indemnifications to some counterparties to protect them in the event additional taxes are owed or payments are withheld, due either to a change in or an adverse application of certain non-U.S. tax laws.

These indemnifications generally are standard contractual terms and are entered into in the ordinary course of business. Generally, there are no stated or notional amounts included in these indemnifications, and the contingencies triggering the obligation to indemnify are not expected to occur. The firm is unable to develop an estimate of the maximum payout under these guarantees and indemnifications. However, management believes that it is unlikely the firm will have to make any material payments under these arrangements, and no material liabilities related to these arrangements have been recognized in the condensed consolidated statements of financial condition as of March 2016 and December 2015.

Guarantees of Subsidiaries. Group Inc. fully and unconditionally guarantees the securities issued by GS Finance Corp., a wholly-owned finance subsidiary of the firm.

Group Inc. has guaranteed the payment obligations of Goldman, Sachs & Co. (GS&Co.), GS Bank USA and Goldman Sachs Execution & Clearing, L.P. (GSEC), subject to certain exceptions.

In November 2008, the firm contributed subsidiaries into GS Bank USA, and Group Inc. agreed to guarantee the reimbursement of certain losses, including credit-related losses, relating to assets held by the contributed entities.

In addition, Group Inc. guarantees many of the obligations of its other consolidated subsidiaries on a transaction-by-transaction basis, as negotiated with counterparties. Group Inc. is unable to develop an estimate of the maximum payout under its subsidiary guarantees; however, because these guaranteed obligations are also obligations of consolidated subsidiaries, Group Inc. s liabilities as guarantor are not separately disclosed.

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Note 19.

Shareholders Equity

Common Equity

On April 18, 2016, the Board of Directors of Group Inc. (Board) declared a dividend of $0.65 per common share to be paid on June 29, 2016 to common shareholders of record on June 1, 2016.

The firm s share repurchase program is intended to help maintain the appropriate level of common equity. The share repurchase program is effected primarily through regular open-market purchases (which may include repurchase plans designed to comply with Rule 10b5-1), the amounts and timing of which are determined primarily by the firm s current and projected capital position, but which may also be influenced by general market conditions and the prevailing price and trading volumes of the firm s common stock. Prior to repurchasing common stock, the firm must receive confirmation that the Federal Reserve Board does not object to such capital actions.

The table below presents the amount of common stock repurchased by the firm under the share repurchase program.

in millions, except per share amounts	**Three Months Ended March 2016**
Common share repurchases	**10.0**
Average cost per share	**$154.44**
Total cost of common share repurchases	**$ 1,550**

Pursuant to the terms of certain share-based compensation plans, employees may remit shares to the firm or the firm may cancel restricted stock units (RSUs) or stock options to satisfy minimum statutory employee tax withholding requirements and the exercise price of stock options. Under these plans, during the three months ended March 2016, 49,353 shares were remitted with a total value of $7 million, and the firm cancelled 5.8 million of RSUs with a total value of $876 million and 99,930 stock options with a total value of $15 million.

Preferred Equity

The tables below present details about the perpetual preferred stock issued and outstanding as of March 2016.

Series	Shares Authorized	Shares Issued	Shares Outstanding	Depositary Shares Per Share
A	50,000	30,000	29,999	1,000
B	50,000	32,000	32,000	1,000
C	25,000	8,000	8,000	1,000
D	60,000	54,000	53,999	1,000
E	17,500	17,500	12,528	N/A
F	5,000	5,000	3,254	N/A
I	34,500	34,000	34,000	1,000
J	46,000	40,000	40,000	1,000
K	32,200	28,000	28,000	1,000
L	52,000	52,000	52,000	25
M	80,000	80,000	80,000	25
N [1]	31,050	27,000	27,000	1,000
Total	**483,250**	**407,500**	**400,780**	

1. In February 2016, Group Inc. issued 27,000 shares of Series N perpetual 6.30% Non-Cumulative Preferred Stock (Series N Preferred Stock).

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

E	100,000	$100,000 plus declared and unpaid dividends	**1,253**
F	100,000	$100,000 plus declared and unpaid dividends	**325**
I	25,000	$25,000 plus accrued and unpaid dividends	**850**
J	25,000	$25,000 plus accrued and unpaid dividends	**1,000**
K	25,000	$25,000 plus accrued and unpaid dividends	**700**
L	25,000	$25,000 plus accrued and unpaid dividends	**1,300**
M	25,000	$25,000 plus accrued and unpaid dividends	**2,000**
N	25,000	$25,000 plus accrued and unpaid dividends	**675**
Total			**$11,203**

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In the tables above:

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

Each share of non-cumulative Series E and Series F Preferred Stock issued and outstanding is redeemable at the firm s option, subject to certain covenant restrictions governing the firm s ability to redeem or purchase the preferred stock without issuing common stock or other instruments with equity-like characteristics. See Note 16 for information about the replacement capital covenants applicable to the Series E and Series F Preferred Stock.

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

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

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

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

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

Each share of non-cumulative Series N Preferred Stock issued and outstanding is redeemable at the firm s option beginning May 10, 2021.

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

Prior to redeeming preferred stock, the firm must receive confirmation that the Federal Reserve Board does not object to such capital actions. All series of preferred stock are pari passu and have a preference over the firm s common stock on liquidation. Dividends on each series of preferred stock, excluding Series L and Series M Preferred Stock, if declared, are payable quarterly in arrears. Dividends on Series L and Series M Preferred Stock, if declared, are payable semi-annually in arrears from the issuance date to, but excluding, May 10, 2019 and May 10, 2020, respectively, and quarterly thereafter. The firm s ability to declare or pay dividends on, or purchase, redeem or otherwise acquire, its common stock is subject to certain restrictions in the event that the firm fails to pay or set aside full dividends on the preferred stock for the latest completed dividend period.

During the first quarter of 2016, the firm delivered a par amount of $672 million (fair value of $505 million) of APEX to the APEX Trusts in exchange for 4,972 shares of Series E Preferred Stock and 1,746 shares of Series F Preferred Stock for a total redemption value of $672 million (net carrying value of $666 million). Following the exchange, shares of Series E and Series F Preferred Stock were cancelled. The difference of $161 million between the fair value of the APEX and the net carrying value of the preferred stock at the time of cancellation was recorded in Preferred stock dividends in the condensed consolidated statements of earnings. See Note 16 for further information about APEX.

The table below presents the dividend rates of the firm s perpetual preferred stock as of March 2016.

Series	**Dividend Rate**
A	3 month LIBOR + 0.75%, with floor of 3.75% per annum
B	6.20% per annum
C	3 month LIBOR + 0.75%, with floor of 4.00% per annum
D	3 month LIBOR + 0.67%, with floor of 4.00% per annum
E	3 month LIBOR + 0.77%, with floor of 4.00% per annum
F	3 month LIBOR + 0.77%, with floor of 4.00% per annum
I	5.95% per annum
J	5.50% per annum to, but excluding, May 10, 2023; 3 month LIBOR + 3.64% per annum thereafter
K	6.375% per annum to, but excluding, May 10, 2024; 3 month LIBOR + 3.55% per annum thereafter
L	5.70% per annum to, but excluding, May 10, 2019; 3 month LIBOR + 3.884% per annum thereafter
M	5.375% per annum to, but excluding, May 10, 2020; 3 month LIBOR + 3.922% per annum thereafter
N	6.30% per annum

The table below presents preferred dividends declared on the firm s preferred stock.

	Three Months Ended March			
	2016		2015	
Series	***per share***	***$ in millions***	*per share*	*$ in millions*
A	**$ 239.58**	**$ 7**	$ 239.58	$ 7
B	**387.50**	**12**	387.50	12
C	**255.56**	**2**	255.56	2
D	**255.56**	**14**	255.56	14
E	**1,011.11**	**18**	1,011.11	18
F	**1,011.11**	**5**	1,011.11	5
I	**371.88**	**13**	371.88	13
J	**343.75**	**14**	343.75	14
K	**398.44**	**11**	398.44	11
Total		**$96**		$96

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Accumulated Other Comprehensive Loss

The table below presents accumulated other comprehensive loss, net of tax, by type. In the table below, the beginning balance of accumulated other comprehensive loss for the current period has been adjusted to reflect the impact of reclassifying the cumulative debt valuation adjustment, net of tax, from retained earnings to accumulated other comprehensive loss. See Note 3 for further information about the adoption of ASU No. 2016-01.

$ in millions	Balance, beginning of year, adjusted	Other comprehensive income/(loss) adjustments, net of tax	Balance, end of period
As of March 2016			
Currency translation	**$(587)**	**$ (17)**	**$(604)**
Debt valuation adjustment	**305**	**(12)**	**293**
Pension and postretirement liabilities	**(131)**	**(36)**	**(167)**
Accumulated other comprehensive loss, net of tax	**$(413)**	**$ (65)**	**$(478)**
As of December 2015			
Currency translation	$(473)	$(114)	$(587)
Pension and postretirement liabilities	(270)	139	(131)
Accumulated other comprehensive income/(loss), net of tax	$(743)	$ 25	$(718)

Note 20.

Regulation and Capital Adequacy

The Federal Reserve Board is the primary regulator of Group Inc., a bank holding company under the Bank Holding Company Act of 1956 (BHC Act) and a financial holding company under amendments to the BHC Act. As a bank holding company, the firm is subject to consolidated regulatory capital requirements which are calculated in accordance with the revised risk-based capital and leverage regulations of the Federal Reserve Board, subject to certain transitional provisions (Revised Capital Framework).

The risk-based capital requirements are expressed as capital ratios that compare measures of regulatory capital to risk-weighted assets (RWAs). Failure to comply with these capital requirements could result in restrictions being

imposed by the firm s regulators. The firm s capital levels are also subject to qualitative judgments by the regulators about components of capital, risk weightings and other factors. Furthermore, certain of the firm s subsidiaries are subject to separate regulations and capital requirements as described below.

Capital Framework

The regulations under the Revised Capital Framework are largely based on the Basel Committee s final capital framework for strengthening international capital standards (Basel III) and also implement certain provisions of the Dodd-Frank Act. Under the Revised Capital Framework, the firm is an Advanced approach banking organization.

The firm calculates its Common Equity Tier 1 (CET1), Tier 1 capital and Total capital ratios in accordance with (i) the Standardized approach and market risk rules set out in the Revised Capital Framework (together, the Standardized Capital Rules) and (ii) the Advanced approach and market risk rules set out in the Revised Capital Framework (together, the Basel III Advanced Rules). The lower of each ratio calculated in (i) and (ii) is the ratio against which the firm s compliance with its minimum ratio requirements is assessed. Each of the ratios calculated in accordance with the Basel III Advanced Rules was lower than that calculated in accordance with the Standardized Capital Rules and therefore the Basel III Advanced ratios were the ratios that applied to the firm as of March 2016 and December 2015. The capital ratios that apply to the firm can change in future reporting periods as a result of these regulatory requirements.

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Regulatory Capital and Capital Ratios. The table below presents the minimum ratios required for the firm.

	As of	
	March 2016	December 2015
CET1 ratio	**5.875%**	4.5%
Tier 1 capital ratio	**7.375%**	6.0%
Total capital ratio [1]	**9.375%**	8.0%
Tier 1 leverage ratio	**4.000%**	4.0%

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

In the table above:

The minimum ratios as of March 2016 reflect (i) the 25% phase-in of the capital conservation buffer (0.625%), (ii) the 25% phase-in of the Global Systemically Important Bank (G-SIB) buffer (0.75%), and (iii) the counter-cyclical capital buffer of zero percent, each described below.

Tier 1 leverage ratio is defined as Tier 1 capital divided by quarterly average adjusted total assets (which includes adjustments for goodwill and identifiable intangible assets, and certain investments in nonconsolidated financial institutions).

Certain aspects of the Revised Capital Framework s requirements phase in over time (transitional provisions). These include capital buffers and certain deductions from regulatory capital (such as investments in nonconsolidated financial institutions). These deductions from regulatory capital are required to be phased in ratably per year from 2014 to 2018, with residual amounts not deducted during the transitional period subject to risk weighting. In addition, junior subordinated debt issued to trusts is being phased out of regulatory capital. The minimum CET1, Tier 1 and Total capital ratios that apply to the firm will increase as the capital buffers are phased in.

The capital conservation buffer, which consists entirely of capital that qualifies as CET1, began to phase in on January 1, 2016 and will continue to do so in increments of 0.625% per year until it reaches 2.5% of RWAs on January 1, 2019.

The G-SIB buffer, which is an extension of the capital conservation buffer, phases in ratably, beginning on January 1, 2016, becoming fully effective on January 1, 2019, and must consist entirely of capital that qualifies as CET1. The buffer must be calculated using two methodologies, the higher of which is reflected in the firm s minimum risk-based capital ratios. The first calculation is based upon the Basel Committee s methodology which, among other factors, relies upon measures of the size, activity and complexity of each G-SIB (Method One). The second calculation uses similar inputs, but it includes a measure of reliance on short-term wholesale funding (Method Two). The firm s G-SIB buffer is 3.0%, using financial data primarily as of December 2014. The buffer will be updated annually based on financial data as of the end of the prior year, and will be applicable for the following year.

The Revised Capital Framework also provides for a counter-cyclical capital buffer, which is an extension of the capital conservation buffer, of up to 2.5% (consisting entirely of CET1) intended to counteract excessive credit growth. As of March 2016 the Federal Reserve Board has set the firm s counter-cyclical capital buffer at 0%.

Failure to meet the requirements of these buffers could result in limitations on the firm s ability to distribute capital, including share repurchases and dividend payments, and to make certain discretionary compensation payments.

Definition of Risk-Weighted Assets. RWAs are calculated in accordance with both the Standardized Capital Rules and the Basel III Advanced Rules. The following is a comparison of RWA calculations under these rules:

RWAs for credit risk in accordance with the Standardized Capital Rules are calculated in a different manner than the Basel III Advanced Rules. The primary difference is that the Standardized Capital Rules do not contemplate the use of internal models to compute exposure for credit risk on derivatives and securities financing transactions, whereas the Basel III Advanced Rules permit the use of such models, subject to supervisory approval. In addition, credit RWAs calculated in accordance with the Standardized Capital Rules utilize prescribed risk-weights which depend largely on the type of counterparty, rather than on internal assessments of the creditworthiness of such counterparties;

RWAs for market risk in accordance with the Standardized Capital Rules and the Basel III Advanced Rules are generally consistent; and

RWAs for operational risk are not required by the Standardized Capital Rules, whereas the Basel III Advanced Rules do include such a requirement.

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Credit Risk

Credit RWAs are calculated based upon measures of exposure, which are then risk weighted. The following is a description of the calculation of credit RWAs in accordance with the Standardized Capital Rules and the Basel III Advanced Rules:

For credit RWAs calculated in accordance with the Standardized Capital Rules, the firm utilizes prescribed risk-weights which depend largely on the type of counterparty (e.g., whether the counterparty is a sovereign, bank, broker-dealer or other entity). The exposure measure for derivatives is based on a combination of positive net current exposure and a percentage of the notional amount of each derivative. The exposure measure for securities financing transactions is calculated to reflect adjustments for potential price volatility, the size of which depends on factors such as the type and maturity of the security, and whether it is denominated in the same currency as the other side of the financing transaction. The firm utilizes specific required formulaic approaches to measure exposure for securitizations and equities; and

For credit RWAs calculated in accordance with the Basel III Advanced Rules, the firm has been given permission by its regulators to compute risk-weights for wholesale and retail credit exposures in accordance with the Advanced Internal Ratings-Based approach. This approach is based on internal assessments of the creditworthiness of counterparties, with key inputs being the probability of default, loss given default and the effective maturity. The firm utilizes internal models to measure exposure for derivatives, securities financing transactions and eligible margin loans. The Revised Capital Framework requires that a bank holding company obtain prior written agreement from its regulators before using internal models for such purposes. The firm utilizes specific required formulaic approaches to measure exposure for securitizations and equities.

Market Risk

Market RWAs are calculated based on measures of exposure which include Value-at-Risk (VaR), stressed VaR, incremental risk and comprehensive risk based on internal models, and a standardized measurement method for specific risk. The market risk regulatory capital rules require that a bank holding company obtain prior written agreement from its regulators before using any internal model to calculate its risk-based capital requirement. The following is further information regarding the measures of exposure for market RWAs calculated in accordance with the Standardized Capital Rules and Basel III Advanced Rules:

VaR is the potential loss in value of inventory positions, as well as certain other financial assets and financial liabilities, due to adverse market movements over a defined time horizon with a specified confidence level. For both risk management purposes and regulatory capital calculations the firm uses a single VaR model which captures

risks including those related to interest rates, equity prices, currency rates and commodity prices. However, VaR used for regulatory capital requirements (regulatory VaR) differs from risk management VaR due to different time horizons and confidence levels (10-day and 99% for regulatory VaR vs. one-day and 95% for risk management VaR), as well as differences in the scope of positions on which VaR is calculated. In addition, the daily trading net revenues used to determine risk management VaR exceptions (i.e., comparing the daily trading net revenues to the VaR measure calculated as of the end of the prior business day) include intraday activity, whereas the Federal Reserve Board s regulatory capital rules require that intraday activity be excluded from daily trading net revenues when calculating regulatory VaR exceptions. Intraday activity includes bid/offer net revenues, which are more likely than not to be positive by their nature. As a result, there may be differences in the number of VaR exceptions and the amount of daily trading net revenues calculated for regulatory VaR compared to the amounts calculated for risk management VaR. The firm s positional losses observed on a single day exceeded its 99% one-day regulatory VaR on one occasion during the three months ended March 2016, but did not exceed its 99% one-day regulatory VaR during the year ended December 2015. There was no change in the VaR multiplier used to calculate Market RWAs;

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Stressed VaR is the potential loss in value of inventory positions, as well as certain other financial assets and financial liabilities, during a period of significant market stress;

Incremental risk is the potential loss in value of non-securitized inventory positions due to the default or credit migration of issuers of financial instruments over a one-year time horizon;

Comprehensive risk is the potential loss in value, due to price risk and defaults, within the firm s credit correlation positions; and

Specific risk is the risk of loss on a position that could result from factors other than broad market movements, including event risk, default risk and idiosyncratic risk. The standardized measurement method is used to determine specific risk RWAs, by applying supervisory defined risk-weighting factors after applicable netting is performed.

Operational Risk

Operational RWAs are only required to be included under the Basel III Advanced Rules. The firm has been given permission by its regulators to calculate operational RWAs in accordance with the Advanced Measurement Approach, and therefore utilizes an internal risk-based model to quantify operational RWAs.

Consolidated Regulatory Capital Ratios

Capital Ratios and RWAs. Each of the ratios calculated in accordance with the Basel III Advanced Rules was lower than that calculated in accordance with the Standardized Rules as of March 2016 and December 2015, and therefore such lower ratios applied to the firm as of these dates.

The table below presents the ratios calculated in accordance with both the Standardized and Basel III Advanced Rules.

	As of	
	March	December
$ in millions	**2016**	2015
Standardized		
Common shareholders equity	**$ 75,634**	$ 75,528
Deductions for goodwill and identifiable intangible assets, net of deferred tax liabilities	**(2,885)**	(2,814)

Deductions for investments in nonconsolidated financial institutions	**(996)**	(864)
Other adjustments	**(813)**	(487)
Common Equity Tier 1	**70,940**	71,363
Perpetual non-cumulative preferred stock	**11,203**	11,200
Junior subordinated debt issued to trusts		330
Deduction for investments in covered funds	**(414)**	(413)
Other adjustments	**(648)**	(969)
Tier 1 capital	**$ 81,081**	$ 81,511
Standardized Tier 2 and total capital		
Tier 1 capital	**$ 81,081**	$ 81,511
Qualifying subordinated debt	**14,939**	15,132
Junior subordinated debt issued to trusts	**792**	990
Allowance for losses on loans and lending commitments	**703**	602
Other adjustments	**(17)**	(19)
Standardized Tier 2 capital	**16,417**	16,705
Standardized total capital	**$ 97,498**	$ 98,216
Basel III Advanced Tier 2 and total capital		
Tier 1 capital	**$ 81,081**	$ 81,511
Standardized Tier 2 capital	**16,417**	16,705
Allowance for losses on loans and lending commitments	**(703)**	(602)
Basel III Advanced Tier 2 capital	**15,714**	16,103
Basel III Advanced total capital	**$ 96,795**	$ 97,614
RWAs		
Standardized	**$527,669**	$524,107
Basel III Advanced	**581,699**	577,651
CET1 ratio		
Standardized	**13.4%**	13.6%
Basel III Advanced	**12.2%**	12.4%
Tier 1 capital ratio		
Standardized	**15.4%**	15.6%
Basel III Advanced	**13.9%**	14.1%

Total capital ratio		
Standardized	**18.5%**	18.7%
Basel III Advanced	**16.6%**	16.9%
Tier 1 leverage ratio	**9.2%**	9.3%

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In the table above:

The deductions for goodwill and identifiable intangible assets, net of deferred tax liabilities, include goodwill of $3.66 billion as of March 2016 and December 2015 and identifiable intangible assets of $286 million (60% of $477 million) and $196 million (40% of $491 million) as of March 2016 and December 2015, respectively, net of associated deferred tax liabilities of $1.06 billion and $1.04 billion as of March 2016 and December 2015, respectively. Goodwill is fully deducted from CET1, while the deduction for identifiable intangible assets is required to be phased into CET1 ratably over five years from 2014 to 2018. The balance that is not deducted during the transitional period is risk weighted.

The deductions for investments in nonconsolidated financial institutions represent the amount by which the firm s investments in the capital of nonconsolidated financial institutions exceed certain prescribed thresholds. The deduction for such investments is required to be phased into CET1 ratably over five years from 2014 to 2018. As of March 2016 and December 2015, CET1 reflects 60% and 40% of the deduction, respectively. The balance that is not deducted during the transitional period is risk weighted.

The deduction for investments in covered funds represents the firm s aggregate investments in applicable covered funds, as permitted by the Volcker Rule, that were purchased after December 2013. Substantially all of these investments in covered funds were purchased in connection with the firm s market-making activities. This deduction was not subject to a transition period. See Note 6 for further information about the Volcker Rule.

Other adjustments within CET1 and Tier 1 capital primarily include accumulated other comprehensive loss, credit valuation adjustments on derivative liabilities, the overfunded portion of the firm s defined benefit pension plan obligation net of associated deferred tax liabilities, disallowed deferred tax assets and other required credit risk-based deductions. The deductions for such items are generally required to be phased into CET1 ratably over five years from 2014 to 2018. As of March 2016 and December 2015, CET1 reflects 60% and 40% of such deductions, respectively. The balance that is not deducted from CET1 during the transitional period is generally deducted from Tier 1 capital within other adjustments.
As of March 2016, junior subordinated debt issued to trusts is fully phased out of Tier 1 capital, with 60% included in Tier 2 capital and 40% fully phased out of regulatory capital. As of December 2015, junior subordinated debt issued to trusts is reflected in both Tier 1 capital (25%) and Tier 2 capital (75%). Junior subordinated debt issued to trusts is reduced by the amount of trust preferred securities purchased by the firm and will be fully phased out of Tier 2 capital by 2022 at a rate of 10% per year. See Note 16 for additional information about the firm s junior subordinated debt issued to trusts and trust preferred securities purchased by the firm.

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

The tables below present changes in CET1, Tier 1 capital and Tier 2 capital for the three months ended March 2016 and year ended December 2015.

	Three Months Ended March 2016	
$ in millions	**Standardized**	**Basel III Advanced**
Common Equity Tier 1		
Beginning balance	**$71,363**	**$71,363**
Increased deductions due to transitional provisions	**(839)**	**(839)**
Increase in common shareholders equity	**106**	**106**
Change in deduction for goodwill and identifiable intangible assets, net of deferred tax liabilities	**5**	**5**
Change in deduction for investments in nonconsolidated financial institutions	**323**	**323**
Change in other adjustments	**(18)**	**(18)**
Ending balance	**$70,940**	**$70,940**
Tier 1 capital		
Beginning balance	**$81,511**	**$81,511**
Increased deductions due to transitional provisions	**(559)**	**(559)**
Other net increase in CET1	**416**	**416**
Redesignation of junior subordinated debt issued to trusts	**(330)**	**(330)**
Increase in perpetual non-cumulative preferred stock	**3**	**3**
Change in deduction for investments in covered funds	**(1)**	**(1)**
Change in other adjustments	**41**	**41**
Ending balance	**81,081**	**81,081**
Tier 2 capital		
Beginning balance	**16,705**	**16,103**
Decrease in qualifying subordinated debt	**(193)**	**(193)**
Redesignation of junior subordinated debt issued to trusts	**(198)**	**(198)**
Change in the allowance for losses on loans and lending commitments	**101**	

Change in other adjustments	**2**	**2**
Ending balance	**16,417**	**15,714**
Total capital	**$97,498**	**$96,795**

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	Year Ended December 2015	
$ in millions	Standardized	Basel III Advanced
Common Equity Tier 1		
Beginning balance	$69,830	$69,830
Increased deductions due to transitional provisions	(1,368)	(1,368)
Increase in common shareholders equity	1,931	1,931
Change in deduction for goodwill and identifiable intangible assets, net of deferred tax liabilities	75	75
Change in deduction for investments in nonconsolidated financial institutions	1,059	1,059
Change in other adjustments	(164)	(164)
Ending balance	$71,363	$71,363
Tier 1 capital		
Beginning balance	$78,433	$78,433
Increased deductions due to transitional provisions	(1,073)	(1,073)
Other net increase in CET1	2,901	2,901
Redesignation of junior subordinated debt issued to trusts	(330)	(330)
Increase in perpetual non-cumulative preferred stock	2,000	2,000
Deduction for investments in covered funds	(413)	(413)
Change in other adjustments	(7)	(7)
Ending balance	81,511	81,511
Tier 2 capital		
Beginning balance	12,861	12,545
Increased deductions due to transitional provisions	(53)	(53)
Increase in qualifying subordinated debt	3,238	3,238

Redesignation of junior subordinated debt issued to trusts	330	330
Change in the allowance for losses on loans and lending commitments	286	
Change in other adjustments	43	43
Ending balance	16,705	16,103
Total capital	$98,216	$97,614

The increased deductions due to transitional provisions in the tables above represent the increased phase-in of deductions from 40% to 60% (effective January 1, 2016) for the three months ended March 2016 and from 20% to 40% (effective January 1, 2015) for the year ended December 2015.

The tables below present the components of RWAs calculated in accordance with the Standardized and Basel III Advanced Rules.

	Standardized Capital Rules as of	
$ in millions	**March 2016**	December 2015
Credit RWAs		
Derivatives	**$138,947**	$136,841
Commitments, guarantees and loans	**114,253**	111,391
Securities financing transactions	**76,317**	71,392
Equity investments	**36,671**	37,687
Other	**60,109**	62,807
Total Credit RWAs	**426,297**	420,118
Market RWAs		
Regulatory VaR	**11,025**	12,000
Stressed VaR	**24,738**	21,738
Incremental risk	**10,338**	9,513
Comprehensive risk	**5,835**	5,725
Specific risk	**49,436**	55,013
Total Market RWAs	**101,372**	103,989
Total RWAs	**$527,669**	$524,107

	Basel III Advanced Rules as of	
$ in millions	**March 2016**	December 2015
Credit RWAs		
Derivatives	**$120,876**	$113,671
Commitments, guarantees and loans	**115,376**	114,523
Securities financing transactions	**13,467**	14,901

Equity investments	**39,091**	40,110
Other	**61,606**	60,877
Total Credit RWAs	**350,416**	344,082
Market RWAs		
Regulatory VaR	**11,025**	12,000
Stressed VaR	**24,738**	21,738
Incremental risk	**10,338**	9,513
Comprehensive risk	**5,008**	4,717
Specific risk	**49,436**	55,013
Total Market RWAs	**100,545**	102,981
Total Operational RWAs	**130,738**	130,588
Total RWAs	**$581,699**	$577,651

In the tables above:

Securities financing transactions represents resale and repurchase agreements and securities borrowed and loaned transactions.

Other includes receivables, other assets, and cash and cash equivalents.

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The table below presents changes in RWAs calculated in accordance with the Standardized and Basel III Advanced Rules for the three months ended March 2016. The increased deductions due to transitional provisions represent the increased phase-in of deductions from 40% to 60%, effective January 1, 2016.

	Three Months Ended March 2016	
$ in millions	**Standardized**	**Basel III Advanced**
Risk-Weighted Assets		
Beginning balance	**$524,107**	**$577,651**
Credit RWAs		
Increased deductions due to transitional provisions	**(531)**	**(531)**
Increase/(decrease) in derivatives	**2,106**	**7,205**
Increase/(decrease) in commitments, guarantees and loans	**2,862**	**853**
Increase/(decrease) in securities financing transactions	**4,925**	**(1,434)**
Increase/(decrease) in equity investments	**(561)**	**(564)**
Change in other	**(2,622)**	**805**
Change in Credit RWAs	**6,179**	**6,334**
Market RWAs		
Increase/(decrease) in regulatory VaR	**(975)**	**(975)**
Increase/(decrease) in stressed VaR	**3,000**	**3,000**
Increase/(decrease) in incremental risk	**825**	**825**
Increase/(decrease) in comprehensive risk	**110**	**291**
Increase/(decrease) in specific risk	**(5,577)**	**(5,577)**
Change in Market RWAs	**(2,617)**	**(2,436)**
Operational RWAs		
Increase/(decrease) in operational risk		**150**
Change in Operational RWAs		**150**

Ending balance	**$527,669**	**$581,699**

Standardized Credit RWAs as of March 2016 increased by $6.18 billion compared with December 2015, primarily reflecting an increase in securities financing transactions, principally due to increased exposures, and an increase in lending activity. Standardized Market RWAs decreased $2.62 billion compared with December 2015, primarily reflecting a decrease in specific risk as a result of reduced risk exposures, partially offset by increased stressed VaR.

Basel III Advanced Credit RWAs as of March 2016 increased by $6.33 billion compared with December 2015, primarily reflecting an increase in derivatives, principally due to higher counterparty credit risk. Basel III Advanced Market RWAs as of March 2016 decreased by $2.44 billion compared with December 2015, primarily reflecting a decrease in specific risk as a result of reduced risk exposures, partially offset by increased stressed VaR. Basel III Advanced Operational RWAs as of March 2016 were essentially unchanged compared with December 2015.

The table below presents changes in RWAs calculated in accordance with the Standardized and Basel III Advanced Rules for the year ended December 2015. The increased deductions due to transitional provisions represent the increased phase-in of deductions from 20% to 40%, effective January 1, 2015.

	Year Ended December 2015	
$ in millions	Standardized	Basel III Advanced
Risk-Weighted Assets		
Beginning balance	$619,216	$570,313
Credit RWAs		
Increased deductions due to transitional provisions	(1,073)	(1,073)
Increase/(decrease) in derivatives	(43,930)	(8,830)
Increase/(decrease) in commitments, guarantees and loans	21,608	19,314
Increase/(decrease) in securities financing transactions	(20,724)	(717)
Increase/(decrease) in equity investments	131	934
Change in other	(8,589)	6,510
Change in Credit RWAs	(52,577)	16,138
Market RWAs		
Increase/(decrease) in regulatory VaR	1,762	1,762
Increase/(decrease) in stressed VaR	(7,887)	(7,887)
Increase/(decrease) in incremental risk	(7,437)	(7,437)
Increase/(decrease) in comprehensive risk	(4,130)	(3,433)
Increase/(decrease) in specific risk	(24,840)	(24,905)
Change in Market RWAs	(42,532)	(41,900)
Operational RWAs		

Increase/(decrease) in operational risk		33,100
Change in Operational RWAs		33,100
Ending balance	$524,107	$577,651

Standardized Credit RWAs as of December 2015 decreased by $52.58 billion compared with December 2014, reflecting decreases in derivatives and securities financing transactions, primarily due to lower exposures. These decreases were partially offset by an increase in lending activity. Standardized Market RWAs as of December 2015 decreased by $42.53 billion compared with December 2014, primarily due to decreased specific risk, as a result of reduced risk exposures.

Basel III Advanced Credit RWAs as of December 2015 increased by $16.14 billion compared with December 2014, primarily reflecting an increase in lending activity. This increase was partially offset by a decrease in RWAs related to derivatives, due to lower counterparty credit risk. Basel III Advanced Market RWAs as of December 2015 decreased by $41.90 billion compared with December 2014, primarily due to decreased specific risk, as a result of reduced risk exposures. Basel III Advanced Operational RWAs as of December 2015 increased by $33.10 billion compared with December 2014, substantially all of which is associated with mortgage-related legal matters and regulatory proceedings.

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See Definition of Risk-Weighted Assets above for a description of the calculations of Credit RWAs, Market RWAs and Operational RWAs, including the differences in the calculation of Credit RWAs under each of the Standardized Capital Rules and the Basel III Advanced Rules.

Bank Subsidiaries

Regulatory Capital Ratios. GS Bank USA, an FDIC-insured, New York State-chartered bank and a member of the Federal Reserve System, is supervised and regulated by the Federal Reserve Board, the FDIC, the New York State Department of Financial Services and the Consumer Financial Protection Bureau, and is subject to regulatory capital requirements that are calculated in substantially the same manner as those applicable to bank holding companies. For purposes of assessing the adequacy of its capital, GS Bank USA calculates its capital ratios in accordance with the risk-based capital and leverage requirements applicable to state member banks. Those requirements are based on the Revised Capital Framework described above. GS Bank USA is an Advanced approach banking organization under the Revised Capital Framework.

Under the regulatory framework for prompt corrective action applicable to GS Bank USA, in order to meet the quantitative requirements for being a well-capitalized depository institution, GS Bank USA must meet higher minimum requirements than the minimum ratios in the table below. The table below presents the minimum ratios and the well-capitalized minimum ratios required for GS Bank USA.

	Minimum Ratio as of		Well-capitalized
	March 2016	December 2015	Minimum Ratio
CET1 ratio	**5.125%**	4.5%	6.5%
Tier 1 capital ratio	**6.625%**	6.0%	8.0%
Total capital ratio	**8.625%**	8.0%	10.0%
Tier 1 leverage ratio	**4.000%**	4.0%	5.0%

GS Bank USA was in compliance with its minimum capital requirements and the well-capitalized minimum ratios as of March 2016 and December 2015. In the table above, the minimum ratios as of March 2016 reflect the 25% phase-in of the capital conservation buffer (0.625%) and the counter-cyclical capital buffer described above (0%). GS Bank USA s capital levels and prompt corrective action classification are also subject to qualitative judgments by the regulators about components of capital, risk weightings and other factors. Failure to comply with these capital requirements, including a breach of the buffers discussed above, could result in restrictions being imposed by GS Bank USA s regulators.

Similar to the firm, GS Bank USA is required to calculate each of the CET1, Tier 1 capital and Total capital ratios in accordance with both the Standardized Capital Rules and Basel III Advanced Rules. The lower of each ratio calculated in accordance with the Standardized Capital Rules and Basel III Advanced Rules is the ratio against which GS Bank USA s compliance with its minimum ratio requirements is assessed. Each of the ratios calculated in accordance with the Standardized Capital Rules was lower than that calculated in accordance with the Basel III Advanced Rules and therefore the Standardized Capital ratios were the ratios that applied to GS Bank USA as of March 2016 and December 2015. The capital ratios that apply to GS Bank USA can change in future reporting periods as a result of these regulatory requirements.

The table below presents the ratios for GS Bank USA calculated in accordance with both the Standardized and Basel III Advanced Rules.

	As of	
$ in millions	**March 2016**	December 2015
Standardized		
Common Equity Tier 1	**$ 23,333**	$ 23,017
Tier 1 capital	**23,333**	23,017
Tier 2 capital	**2,424**	2,311
Total capital	**$ 25,757**	$ 25,328
Basel III Advanced		
Common Equity Tier 1	**$ 23,333**	$ 23,017
Tier 1 capital	**23,333**	23,017
Standardized Tier 2 capital	**2,424**	2,311
Allowance for losses on loans and lending commitments	**(410)**	(311)
Tier 2 capital	**2,014**	2,000
Total capital	**$ 25,347**	$ 25,017
RWAs		
Standardized	**$206,858**	$202,197
Basel III Advanced	**141,435**	131,059
CET1 ratio		
Standardized	**11.3%**	11.4%
Basel III Advanced	**16.5%**	17.6%

Tier 1 capital ratio		
Standardized	**11.3%**	11.4%
Basel III Advanced	**16.5%**	17.6%
Total capital ratio		
Standardized	**12.5%**	12.5%
Basel III Advanced	**17.9%**	19.1%
Tier 1 leverage ratio	**15.9%**	16.4%

The firm s principal non-U.S. bank subsidiary, GSIB, is a wholly-owned credit institution, regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) and is subject to minimum capital requirements. As of March 2016 and December 2015, GSIB was in compliance with all regulatory capital requirements.

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Broker-Dealer Subsidiaries

U.S. Regulated Broker-Dealer Subsidiaries. The firm s U.S. regulated broker-dealer subsidiaries include GS&Co. and GSEC. GS&Co. and GSEC are registered U.S. broker-dealers and futures commission merchants, and are subject to regulatory capital requirements, including those imposed by the SEC, the U.S. Commodity Futures Trading Commission (CFTC), the Chicago Mercantile Exchange, the Financial Industry Regulatory Authority, Inc. (FINRA) and the National Futures Association. Rule 15c3-1 of the SEC and Rule 1.17 of the CFTC specify uniform minimum net capital requirements, as defined, for their registrants, and also effectively require that a significant part of the registrants assets be kept in relatively liquid form. GS&Co. and GSEC have elected to calculate their minimum capital requirements in accordance with the Alternative Net Capital Requirement as permitted by Rule 15c3-1.

As of March 2016 and December 2015, GS&Co. had regulatory net capital, as defined by Rule 15c3-1, of $16.47 billion and $14.75 billion, respectively, which exceeded the amount required by $13.95 billion and $12.37 billion, respectively. As of March 2016 and December 2015, GSEC had regulatory net capital, as defined by Rule 15c3-1, of $2.06 billion and $1.71 billion, respectively, which exceeded the amount required by $1.98 billion and $1.59 billion, respectively.

In addition to its alternative minimum net capital requirements, GS&Co. is also required to hold tentative net capital in excess of $1 billion and net capital in excess of $500 million in accordance with the market and credit risk standards of Appendix E of Rule 15c3-1. GS&Co. is also required to notify the SEC in the event that its tentative net capital is less than $5 billion. As of March 2016 and December 2015, GS&Co. had tentative net capital and net capital in excess of both the minimum and the notification requirements.

Non-U.S. Regulated Broker-Dealer Subsidiaries. The firm s principal non-U.S. regulated broker-dealer subsidiaries include Goldman Sachs International (GSI) and Goldman Sachs Japan Co., Ltd. (GSJCL). GSI, the firm s U.K. broker-dealer, is regulated by the PRA and the FCA. GSJCL, the firm s Japanese broker-dealer, is regulated by Japan s Financial Services Agency. These and certain other non-U.S. subsidiaries of the firm are also subject to capital adequacy requirements promulgated by authorities of the countries in which they operate. As of March 2016 and December 2015, these subsidiaries were in compliance with their local capital adequacy requirements.

Restrictions on Payments

Group Inc. s ability to withdraw capital from its regulated subsidiaries is limited by minimum equity capital requirements applicable to those subsidiaries, provisions of applicable law and regulations and other regulatory restrictions that limit the ability of those subsidiaries to declare and pay dividends without prior regulatory approval even if the relevant subsidiary would satisfy the equity capital requirements applicable to it after giving effect to the dividend. For example, the Federal Reserve Board, the FDIC and the New York State Department of Financial Services have authority to prohibit or to limit the payment of dividends by the banking organizations they supervise (including GS Bank USA) if, in the relevant regulator s opinion, payment of a dividend would constitute an unsafe or unsound practice in the light of the financial condition of the banking organization.

As of March 2016 and December 2015, Group Inc. was required to maintain $49.66 billion and $48.09 billion, respectively, of minimum equity capital in its regulated subsidiaries in order to satisfy the regulatory requirements of such subsidiaries.

Other

The deposits of GS Bank USA are insured by the FDIC to the extent provided by law. The Federal Reserve Board requires that GS Bank USA maintain cash reserves with the Federal Reserve Bank of New York. The amount deposited by GS Bank USA held at the Federal Reserve Bank of New York was $50.13 billion and $49.36 billion as of March 2016 and December 2015, respectively, which exceeded required reserve amounts by $50.06 billion and $49.25 billion as of March 2016 and December 2015, respectively.

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Note 21.

Earnings Per Common Share

Basic earnings per common share (EPS) is calculated by dividing net earnings applicable to common shareholders by the weighted average number of common shares outstanding. Common shares outstanding includes common stock and RSUs for which no future service is required as a condition to the delivery of the underlying common stock. Diluted EPS includes the determinants of basic EPS and, in addition, reflects the dilutive effect of the common stock deliverable for stock options and for RSUs for which future service is required as a condition to the delivery of the underlying common stock.

The table below presents the computations of basic and diluted EPS.

	Three Months Ended March	
in millions, except per share amounts	**2016**	2015
Numerator for basic and diluted EPS - net earnings applicable to common shareholders	**$1,200**	$2,748
Denominator for basic EPS - weighted average number of common shares	**440.8**	453.3
Effect of dilutive securities:		
RSUs	**3.5**	4.3
Stock options	**3.1**	5.3
Dilutive potential common shares	**6.6**	9.6
Denominator for diluted EPS - weighted average number of common shares and dilutive potential common shares	**447.4**	462.9
Basic EPS	**$ 2.71**	$ 6.05
Diluted EPS	**2.68**	5.94

In the table above, unvested share-based awards that have non-forfeitable rights to dividends or dividend equivalents are treated as a separate class of securities in calculating EPS. The impact of applying this methodology was a reduction in basic EPS of $0.01 for both the three months ended March 2016 and March 2015.

The diluted EPS computations in the table above do not include antidilutive RSUs and common shares underlying antidilutive stock options of 6.1 million and 6.0 million for the three months ended March 2016 and March 2015, respectively.

Note 22.

Transactions with Affiliated Funds

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

The firm may periodically determine to waive certain management fees on selected money market funds. Management fees of $27 million were waived for the three months ended March 2016.

The tables below present fees earned from affiliated funds, fees receivable from affiliated funds and the aggregate carrying value of the firm s interests in affiliated funds.

	Three Months Ended March	
$ in millions	**2016**	2015
Fees earned from funds	**$ 632**	$ 884

	As of	
$ in millions	**March 2016**	December 2015
Fees receivable from funds	**$ 576**	$ 599
Aggregate carrying value of interests in funds	**7,363**	7,768

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As of both March 2016 and December 2015, the firm had an outstanding guarantee on behalf of its funds of $300 million, which the firm has voluntarily provided in connection with a financing agreement with a third-party lender executed by one of the firm s real estate funds that is not covered by the Volcker Rule. As of March 2016 and December 2015, the firm had no outstanding loans or commitments to extend credit to affiliated funds.

The Volcker Rule restricts the firm from providing financial support to covered funds (as defined in the rule) after the expiration of any applicable conformance period. As a general matter, in the ordinary course of business, the firm does not expect to provide additional voluntary financial support to any covered funds but may choose to do so with respect to funds that are not subject to the Volcker Rule; however, in the event that such support is provided, the amount is not expected to be material.

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

Note 23.

Interest Income and Interest Expense

Interest is recorded over the life of the instrument on an accrual basis based on contractual interest rates. The table below presents the firm s sources of interest income and interest expense.

	Three Months Ended March	
$ in millions	**2016**	2015
Interest income		
Deposits with banks	**$ 76**	$ 38
Securities borrowed, securities purchased under agreements to resell and federal funds sold	**94**	(30)
Financial instruments owned, at fair value	**1,396**	1,474
Loans receivable	**412**	253
Other interest	**370**	300
Total interest income	**2,348**	2,035
Interest expense		

Deposits	**169**	85
Securities loaned and securities sold under agreements to repurchase	**118**	73
Financial instruments sold, but not yet purchased, at fair value	**314**	329
Short-term secured and unsecured borrowings	**127**	125
Long-term secured and unsecured borrowings	**865**	811
Other interest	**(128)**	(247)
Total interest expense	**1,465**	1,176
Net interest income	**$ 883**	$ 859

In the table above:

Securities borrowed, securities purchased under agreements to resell and federal funds sold includes rebates paid and interest income on securities borrowed.

Other interest income includes interest income on customer debit balances and other interest-earning assets.

Other interest expense includes rebates received on other interest-bearing liabilities and interest expense on customer credit balances.

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Note 24.

Income Taxes

Provision for Income Taxes

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

Deferred Income Taxes

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

Unrecognized Tax Benefits

The firm recognizes tax positions in the condensed 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 condensed 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.

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

Jurisdiction	As of March 2016
U.S. Federal	**2008**
New York State and City	**2007**
United Kingdom	**2014**
Japan	**2014**
Hong Kong	**2006**

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

The firm has been accepted into the Compliance Assurance Process program by the IRS for each of the tax years from 2013 through 2016. This program allows the firm to work with the IRS to identify and resolve potential U.S. federal tax issues before the filing of tax returns. The 2013 tax year is the first year that was examined under the program, and 2013 and 2014 remain subject to post-filing review.

New York State and City examinations of fiscal 2007 through calendar 2010 began in 2013. New York State and City examinations of 2011 through 2014 began in 2015.

During the first quarter of 2016, the firm concluded examinations with the Japan tax authorities related to 2010 through 2013. The completion of the examinations did not have a material impact on the firm s financial condition, results of operations, or cash flows.

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.

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Note 25.

Business Segments

The firm reports its activities in the following four business segments: Investment Banking, Institutional Client Services, Investing & Lending and Investment Management.

Basis of Presentation

In reporting segments, certain of the firm s business lines have been aggregated where they have similar economic characteristics and are similar in each of the following areas: (i) the nature of the services they provide, (ii) their methods of distribution, (iii) the types of clients they serve and (iv) the regulatory environments in which they operate.

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

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

The table below presents the firm s pre-tax earnings and total assets by segment. Management believes that this information provides a reasonable representation of each segment s contribution to consolidated pre-tax earnings and total assets.

	Three Months Ended or as of March	
$ in millions	**2016**	2015
Investment Banking		
Financial Advisory	**$ 771**	$ 961
	183	533

Equity underwriting		
Debt underwriting	**509**	411
Total Underwriting	**692**	944
Total net revenues	**1,463**	1,905
Operating expenses	**762**	1,104
Pre-tax earnings	**$ 701**	$ 801
Segment assets	**$ 2,579**	$ 3,215
Institutional Client Services		
Fixed Income, Currency and Commodities Client Execution	**$ 1,663**	$ 3,134
Equities client execution	**470**	1,124
Commissions and fees	**878**	808
Securities services	**432**	393
Total Equities	**1,780**	2,325
Total net revenues	**3,443**	5,459
Operating expenses	**2,421**	3,571
Pre-tax earnings	**$ 1,022**	$ 1,888
Segment assets	**$671,462**	$703,690
Investing & Lending		
Equity securities	**$**	$ 1,160
Debt securities and loans	**87**	509
Total net revenues	**87**	1,669