Goldman Sachs

The Goldman Sachs Group, Inc.

Annual Report

2020

(from left to right) **Stephen M. Scherr,** Chief Financial Officer; **David M. Solomon,** Chairman and Chief Executive Officer; **John E. Waldron,** President and Chief Operating Officer

Fellow Shareholders:

Last year was extraordinary in so many ways. Throughout my more-than-35-year career, there have always been disruptions, but this year saw a healthcare crisis that had a personal impact on millions. The contrast between the hardship imposed on all those affected by COVID-19 and the very high level of market activity created a stark and complex environment for all of us at Goldman Sachs to navigate.

The pandemic put enormous strain on everyone, from families caring for relatives they couldn't visit in person to small-business owners forced to cut back their livelihoods. And though I was pleased to see central banks and governments take swift action to support their economies, no amount of monetary or fiscal stimulus could make up for the millions of lives lost or upended by the virus.

As I write this letter, we're still working to get past the pandemic, but we feel encouraged by what we see. Several vaccines have been approved for use, and though the rollout was slow at first, we continue to make headway. Public-health officials are closely monitoring the spread of more contagious variants. But the global economy has recovered considerably since its decline last spring, and now life after the pandemic is coming into view.

Many times in our 152-year history, we've adapted, with remarkable speed, to the new and unexpected, but I was truly amazed by our people in 2020. Time and again, they showed the creativity and resilience that make Goldman Sachs unique. As a result, I'm proud to report that, even during a tumultuous and at times deeply trying year, our firm delivered strong financial performance, while also supporting the larger COVID-19 relief effort for the communities in which we live and work around the world.

For all of this year's upheaval, we distinguished ourselves by staying the course. We never lost sight of our purpose: to advance sustainable economic growth and financial opportunity. And when our clients turned to us in need, we demonstrated the core values that have always guided us: partnership, client service, integrity, and excellence.

I was also determined to resolve the matter surrounding 1Malaysia Development Berhad (1MDB). Although I am glad to have put it behind us, I see many lessons for the future. Notably, the behavior of a few can do harm to our franchise, and we are responsible for each other's actions. And so our organization will continue to make sure all of us operate at the highest level of integrity.

For our people, overcoming the immense challenges of 2020 was all-consuming, and so I owe them a great deal of gratitude. My thanks go out to our leadership, including our president and chief operating officer, John Waldron; our chief financial officer, Stephen Scherr; our entire Management Committee; and, most of all, to the people at every level who make Goldman Sachs such an extraordinary firm.

Putting People First

Speaking of our people, they truly went above and beyond in 2020. The numbers alone don't tell the full story of what they accomplished, because they mask the deep uncertainty our people faced.

Investor Day

On January 29, 2020, we held our first-ever Investor Day, where we laid out to the public our strategy as well as our medium- and long-term performance goals. It was well received, but alongside the positive reviews, we began seeing reports of a mysterious new virus that was spreading rapidly around the globe. I remember looking at our financial results one Friday night at the end of February 2020 and thinking that we were on track to have a very strong quarter. As you well know, the first quarter of 2020 was, in fact, historic. It just didn't look anything like what I had expected halfway through.

Our preparation for Investor Day served us well. In January, we stressed repeatedly that we had assumed a normal operating environment in setting our targets. And yet we made good progress on nearly all of our goals during 2020. As I look back, it's clear that because we had a strategy in place well before the pandemic hit, it gave our efforts a focus during the turmoil that ensued. Our performance this year proved the old adage that plans are worthless, but planning is everything.

Our People, Our Clients, and Our Communities

That was just one of the lessons I learned in 2020, or perhaps I should say "relearned." The distinction is important because, to me, a lot of what I saw in 2020 wasn't some bold departure from all that had come before, so much as an acceleration of trends already underway. For instance, where in previous years more and more employers had given their employees the option to work remotely, in 2020 far more of them did.

Likewise, when people ask me how we did it, how we showed such adaptability in the early months, setting the stage for the performance that followed, I find myself citing an old principle that, though it may seem trite, I know to be

true: We put people first. From the moment we activated our business-continuity plan, we made sure to give our people the tools and resources they needed to take care of themselves, their families, our clients during the market volatility, and our communities as they responded to COVID-19.

First, we took care of our people. Within a few weeks, 98 percent of our nearly 40,000 employees were working remotely. To help them cope with the demands of working from home while also homeschooling their children and taking care of sick loved ones, we gave 10 days of family leave and began offering telemedicine free of charge. And to give them a much-needed mental break every now and then, our Wellness teams organized dozens of Zoom classes throughout the year that our people joined by the hundreds: fitness classes, yoga classes, even virtual story time for their families.

And while our leadership responded immediately, what was inspiring was how our people looked out for each other. I heard so many stories of our people pitching in, working together, and staying in touch through virtual tea sessions, cooking classes, and even singalongs. And while we adapted and formed new traditions, we also made sure to pass on our culture to the next generation when in July, we welcomed more than 2,700 summer analysts and 120 associates from more than 480 universities to Goldman Sachs, this time for a five-week remote experience.

Second, we were there for our clients, no matter what happened. That was perhaps most dramatically evident in March when an earthquake hit Salt Lake City and our colleagues in Bengaluru worked around the clock to process any incomplete transactions. Just because we couldn't meet face to face didn't mean we'd stop working with our clients one-on-one — even in an era of Zoom fatigue. And I know how much our clients appreciated it. I remember in the summer exchanging messages with a client just before a meeting to discuss potential capital-raising options; they told me they were looking forward to it because they knew they would get candid and thoughtful advice.

Being there for our clients also meant giving them the help they needed, whether it was the liquidity our Global Markets teams provided or the customer-assistance program we created for our Marcus and Apple Card consumers. We allowed consumers to skip several months' payments with no interest. And we partnered with clients in New York to offer interest-free loans of up to $75,000 to small businesses in the area to help them get through the tough early months of the pandemic.

Third, we helped take care of our communities, starting with our first responders and healthcare workers. We donated over 2.5 million surgical masks and 700,000 N95 masks from our own supplies, and we developed a dashboard for the United Kingdom and its National Health Service to monitor the spread of COVID-19. We also partnered with the Northwell Hospital System and local restaurants to set up hydration stations and provide food for frontline healthcare workers in the U.S. I had to see it for myself, so in May I went to Plainview, Long Island, and spent time making sandwiches at Coliseum Caterers before delivering them to Plainview Hospital, where I was deeply moved to see our healthcare workers' steadfast devotion to their patients.

Perhaps our most vital project was helping our hardest-hit communities. We committed $775 million to providing loans through the Paycheck Protection Program (PPP), as we sought to push money through Community Development Financial Institutions and into the hands of small businesses — particularly in communities of color. Nearly half of the PPP loans funded with Goldman Sachs capital in round 1 went to communities of color.

Among our leadership team, we felt putting people first meant that, especially in those early months when information was scarce, we needed to place an even greater emphasis on communication. Every month, we held a virtual town hall, where we updated our people on what we were doing to address the crisis, and I sent to our team around the globe voice notes that I recorded from my desk phone on numerous Sunday nights, so our people could hear from me in my own words. I also realized that sometimes the strongest message you can send is just by showing up, so I continued to go in to the office at 200 West Street in New York, even during the grim months of March and April. I felt it was good for our people to know our leadership was in control and ensuring that we would navigate the challenges of the pandemic.

Now, our focus is on making sure all of our people can safely return to the office. In giving our people the flexibility to work remotely, we did what we had to do.

But I am keenly aware of the impact that a prolonged absence from the office is having on our people, our culture, and our ability to move forward as a firm.

The culture of our organization is deeply rooted in apprenticeship, collaboration, and innovation, all of which occur far more naturally when we work together, in person, on a regular basis. We owe it to the people who have just joined the firm to ensure that, as we continue on this journey together, we will find ways for them to develop and grow, whether it's through the opportunity to network, find a mentor, or simply benefit from being around so many other smart, creative people. It's the best way to learn our culture and the business, especially if you're an intern or a recent hire. Now, making sure all of our people can return to the office safely will be a priority of mine in the months ahead.

So when you widen the lens a bit, it becomes even more clear just how much we accomplished in 2020, and also how much further we have to go. This is a marathon, not a sprint, and though progress is never a straight line, this year more than any other taught us that, when your strategy is clear — even in a crisis — you've got to stay the course.

2020 Financial Performance

In 2020, economic activity dropped suddenly in the first half of the year before largely recovering in the second, causing turmoil in financial markets, especially in the spring.

Through it all, we stood by our clients. We provided liquidity, credit, and relief to corporates, institutions, and consumers as much as possible during this most challenging time. Net revenues grew by 22 percent to $44.6 billion, our highest in 11 years. Diluted earnings per share (EPS) was $24.74, the second highest ever. Return on average common shareholders' equity (ROE) was 11.1 percent, and return on average tangible common shareholders' equity was 11.8 percent. During 2020, the firm recorded net provisions for litigation and regulatory proceedings, driven by the 1MDB matter, of $3.42 billion, which reduced diluted EPS by $9.51 and ROE by 3.9 percentage points.

Amid significant market volatility, not only did the industry wallet grow, but we gained market share across our capital markets businesses. In Investment Banking, we generated net revenues of $9.4 billion, 24 percent higher than in 2019, as we held the #1 ranking in both announced and completed M&A and in equity and equity-related offerings.[1] We also ranked in the top 4 for wallet share in debt underwriting.[2] In Global Markets, we earned net revenues of $21.2 billion, our strongest in a decade, and ranked #2 both in Fixed Income, Currency and Commodities (FICC) and in Equities.[3] Asset Management generated net revenues of $8.0 billion as we saw record management and other fees. And Consumer & Wealth Management generated record net revenues of $6.0 billion, as Wealth management produced record net revenues and Consumer banking net revenues were significantly higher than in 2019. The firm ended the year with record assets under supervision and, in Consumer & Wealth Management, total client assets[4] exceeded $1 trillion.

Staying the Course

We learned a lot about humility in 2020 because so much of what happened was out of our control, but the progress we made on our performance goals is a testament to the strength of our people and our strategy. As described on

MEDIUM-TERM FINANCIAL TARGETS

ROE/ROTE	Efficiency Ratio	CET1 Ratio
>13% / >14%	**~60%**	**13-13.5%**

Investor Day, we continue to build a firm capable of generating mid-teen or higher returns over the long term. And in the medium term — that is, by 2022 — we are confident that we will reach our targets: In 2020, our ROE was 11.1 percent, notwithstanding a nearly four percentage-point impact of litigation expense, compared with our 13 percent medium-term target. Our efficiency ratio was 65 percent, above our target of around 60 percent, but that included a nearly 800 basis-point impact from litigation expense. And our standardized Common Equity Tier 1 ratio stands at 14.7 percent, versus our targeted range of 13 percent to 13.5 percent.

So while Investor Day seems like a long time ago, the pillars of our long-term strategy remain the same, and I'm proud to report we are seeing early success in each category:

- First, to grow and strengthen our existing franchise and capture higher wallet share across a wider range of clients;
- Second, to diversify our products and services in order to build a more durable source of earnings;
- Third, to operate more efficiently so that we can drive higher margins and returns across the organization.

Grow and Strengthen Our Existing Businesses

We've helped steer clients through stormy market conditions for decades, and though the economic waters were especially choppy in 2020, by putting our clients first, all four of our core businesses not only weathered the downturn, but saw real growth.

Investment Banking

We remained the advisor of choice and continued to grow our businesses, as our announced M&A deal count was up, along with our equity underwriting wallet share. We also continued to seek out opportunities for growth, especially among companies we haven't covered as much in the past. Thanks to our footprint-expansion efforts, we added approximately 300 clients and generated more than $800 million in revenue in 2020. With our year-end investment-banking-transaction backlog near record levels — and significantly higher than it was at the end of 2019 — we feel our franchise has momentum going into 2021, as M&A, among other strategic activity, continue to pick up steam from the slump they hit in the middle of 2020.

"...when people ask me how we did it, how we showed such adaptability in the early months, setting the stage for the performance that followed, I find myself citing an old principle that, though it may seem trite, I know to be true: We put people first."

David Solomon

Global Markets

When our new management team took their seats, there were calls to downsize our Global Markets business, but we believe its performance in 2020 shows it was wise to stay the course. Our teams worked diligently to serve our clients, providing liquidity across asset classes, intermediating risk, and engaging in structured solutions while also supporting significant volumes across expanding digital platforms. We improved returns by pursuing expense and resource optimization and made progress toward the growth targets we set last year. We are now in the top 3 across 64 of the top 100 institutional clients, up from 51 a year ago.[5] We earned record financing revenues in FICC and also ended the year with record balances in our prime services business.

Asset Management

Our reputation as a leading global asset manager served us well during this tumultuous year. Clients turned to us for advice, and we grew firmwide assets under supervision by $286 billion during the year to an all-time high of $2.15 trillion, earning record management and other fees. Our business continues to provide offerings across the spectrum from liquidity to alternatives, and we continue

to distinguish ourselves by offering holistic advice, investment solutions, and portfolio implementation.

Consumer & Wealth Management

We also saw growth in our Consumer & Wealth Management business, as total client assets rose by approximately $180 billion to a record of more than $1 trillion. Even in the midst of a volatile market, our clients stayed largely invested, and net revenues in Wealth Management grew by 10 percent year-over-year to a record $4.8 billion. We've once again seen just how much clients trust our franchise, which became even more important as COVID-19 limited face-to-face interaction.

Diversify Our Products and Services

Despite the turmoil in financial markets, we continued to serve our clients well, and we made progress in our effort to build more durable revenues, increase capital efficiency, and enhance our funding mix by forging ahead on our four new business initiatives.

Transaction Banking

After we formally launched our transaction banking platform in June, we saw tremendous growth. We ended 2020 with roughly 225 corporate clients and nearly $30 billion in deposits — more than half of our five-year target of $50 billion. Now, we will continue to expand services to transform these deposits to be operational. The most promising are the partnerships we've formed with other companies, such as Stripe, which embed our transaction banking, payment, and deposit solutions directly into their own platforms, making them available to their millions of customers.

Third-Party Alternatives

In alternatives, we have raised approximately $40 billion in gross commitments across asset classes, including private equity, private credit, and real estate. This is good progress toward our goal of $150 billion in gross fundraising over five years. In addition, we are seeing our list of clients grow constantly. Many pension funds and international institutions participating in recent fund offerings are new investing clients of the firm. And to optimize capital consumption within Asset Management, we sold or announced the sale of over $4 billion of equity investments in 2020 with a related $2 billion in expected reduction of required capital.

High-Net-Worth Wealth Management

Even while we slowed down our hiring efforts because of the pandemic, we added more than 100 client-facing professionals and continued to expand our high-net-worth platform through our Personal Financial Management business, formerly known as United Capital, and Ayco. Ayco continues to earn praise for its corporate-employee financial-planning services and gained 33 new corporate clients this year. In a demonstration of the power of our One Goldman Sachs approach, synergies across and connectivity with these channels resulted in over 4,000 internal referrals, representing an opportunity to gather over $7 billion in assets under supervision.[6] Today, we have integrated offerings for corporates from the executive suite on down.

Digital Consumer Banking

We saw strong growth in our digital consumer bank, as consumer deposits rose by $37 billion to $97 billion in total, and in April we reached our one-millionth deposit customer in Marcus. Not long after, I picked up the phone and called this customer — and was delighted to hear how satisfied he was with our service. We saw early success with our online savings, lending, and credit card offerings, and in 2020, we launched four partnerships with Amazon, Walmart, JetBlue, and AARP. We also recently announced our second co-branded credit card with General Motors, another sign of our ability to be the banking partner of choice for leading corporations across a variety of industries. In 2021, with the benefit of a strong team, we plan to launch in the U.S. new digital checking accounts and have already launched our new Marcus Invest platform, which brings the investing expertise of Goldman Sachs directly to mass affluent customers. We plan to expand the platform to the U.K. later in the year.

Operate More Efficiently

On Investor Day, we set a target of $1.3 billion of annual run-rate expense efficiencies over the medium term, and we achieved approximately half of that goal in 2020. With the money saved, we partially offset the investments made in our business and our people in 2020.

Our experience over the past year has given us even greater confidence in several of the key elements of our plan. In particular, we are already seeing important benefits from our investments in automation and consolidation of platforms, including increased straight-through processing rates and reduced cost per trade. In addition, we continue to generate efficiencies from structural adjustments to our employee base through our front-to-back realignment, location strategy, and the reshaping of our pyramid structure.

The transition to remote work has also increased our focus on our location strategy. Last January, we expected that 40 percent of our employees would ultimately work from one of our strategic locations, and we will continue to evaluate the potential for that number to grow over time. We will also look to expand into new strategic locations around the globe, as well as consolidate our footprint, where appropriate.

Sustainable Finance

The uncertainty and dislocation of the healthcare crisis amplified how important it is that we invest in the fabric of our society, make it more sustainable, and advance inclusive growth. While some feared the crisis would soften sustainability ambitions or slow investment, in fact investors and companies set bold new ambitions and redoubled their efforts.

Climate Transition and Inclusive Growth

In December 2019, we announced our commitment of $750 billion over 10 years to financing, investing, and advisory activity across two core pillars of sustainable finance: climate transition and inclusive growth.

A little more than a year later, we have made good progress. We have fully integrated our approach throughout our businesses. For example, we have launched partner-led sustainability councils within each of our divisions. We contributed over $150 billion in sustainable-finance activity over the course of 2020, including over $90 billion toward climate transition. And to show our clients we believe in these solutions just as much as they do, we issued our first-ever sustainability bond in February 2021.

Still, the challenge of climate change is massive; it cannot be addressed by one company alone. That is why we have long advocated for the United States to rejoin the Paris Agreement and are committed to delivering on its ambitious goals, including by aligning our financing activities with a net-zero-by-2050 pathway.

And while long-term aspirations are important, business leaders must not lose sight of what we can do in the here and now to accelerate climate transition. For our part, in addition to driving capital to climate solutions and accelerating the climate transition of our clients, we're advancing on three separate fronts.

First, we're working to develop more comprehensive climate data and to promote more thorough disclosure. We have joined the OS-Climate initiative as its founding U.S. bank member to develop an open-source data commons and net-zero alignment tools that can be used across industries.

Second, on top of the long-term goals we've set, we're developing near-term goals to further speed up progress. We've joined the U.N. Principles for Responsible Banking to make sure our strategy is in line with the Paris Agreement goals.

And third, we continue to weave climate-risk considerations into how we do our business. Later this year, we will issue our second annual Taskforce on Climate-related Financial Disclosure (TCFD) report, in

which we will lay out in detail how we're taking climate-risk considerations into account both in our business practices and our business selection.

I'm proud of the firm's leadership in this area, and we will continue to deliver integrated sustainable solutions to help our clients navigate the transition.

Diversity and Inclusion

Just as vital to our business is advancing diversity and inclusion, not only at our firm, but also among our clients and in the world at large. In a demonstration of how essential we believe this effort to be both to our strategy and to our financial performance, we continued to make progress on our aspirational goals in 2020.

First, we attracted more diverse talent to Goldman Sachs than ever before. In our 2020 campus analyst class in the Americas, we achieved a historic first: 55 percent were women. Black talent made up 11 percent of the class, Hispanic/Latinx talent made up 17 percent, and Asian talent made up 31 percent.

But it's not enough to recruit talent; we also need to make sure they can realize their potential, so we've set additional goals to hold ourselves accountable. By 2025, we aim for 7 percent of our vice presidents in both the Americas and the U.K. to be Black, 9 percent of our vice presidents in the Americas to be Hispanic/Latinx, and 40 percent of our vice presidents across the world to be women. In addition, we were pleased to announce that our most recent partner and managing director classes were the most diverse in our firm's history.

Second, we embraced our responsibility as a leader in our industry to promote change. In July 2020, we began a new policy to only underwrite initial public offerings for companies domiciled in Western Europe and the U.S. that have at least one diverse board member. The feedback we've received from clients and investors has been overwhelmingly positive, and in July 2021, we will raise that figure to two.

Third, we added our voices to calls for racial equity. In the wake of senseless acts of racism against Black people, I issued a statement reiterating that discrimination has no place at Goldman Sachs. We also developed training to cultivate allies for racial equity. I, along with every member of our Management Committee, have experienced the ongoing benefit of one-on-one reverse mentoring from our Black leaders. And to do our part in the wider community, we created the $10 million Fund for Racial Equity to support the work of leading organizations fighting racial injustice and structural inequity.

Advancing diversity and inclusion is a priority of mine, and all of our people are committed to making even further progress in the year ahead.

OUR PROGRESS WITH CAMPUS ANALYST RECRUITING

2020 Americas Campus Analyst Class

White	**37%**
Asian	**31%**
Hispanic/Latinx	**17%**
Black	**11%**
Other	**4%**

Global Campus Analyst Class — Women

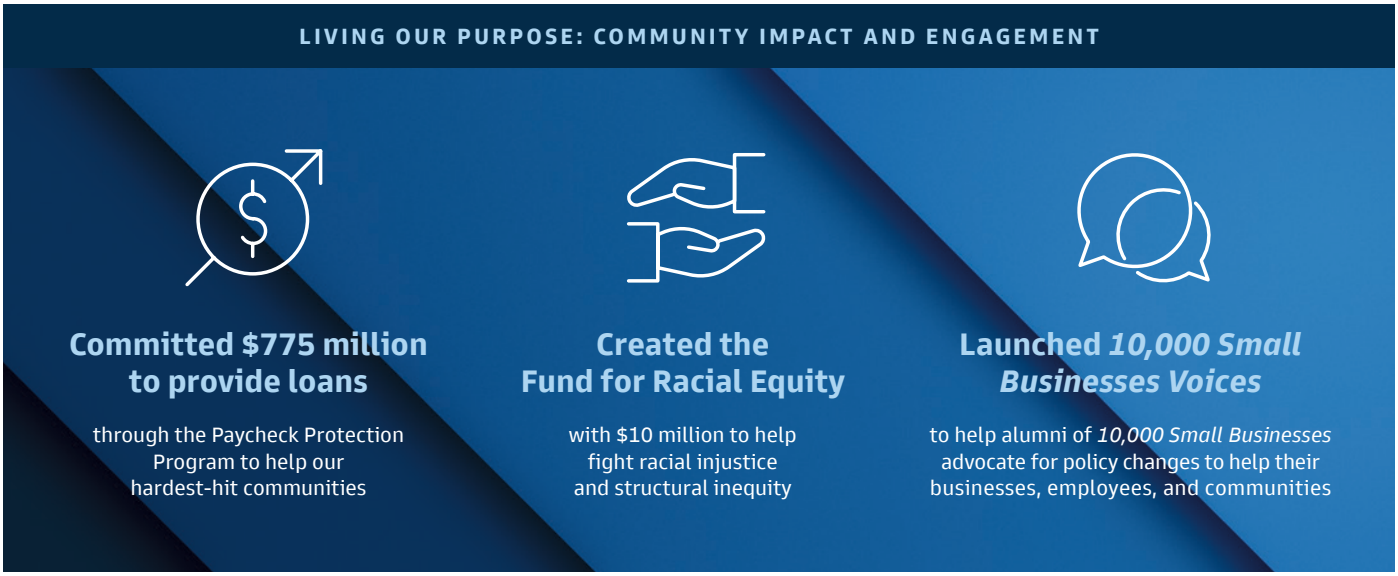
2019	**49%**
2020	**52%**

Figures as of December 31, 2020

One Million Black Women

Building on our commitment to advance sustainable and inclusive economic growth, as well as our 20-year history of investing significant capital in Black communities, we were excited to launch in March 2021 our newest initiative, *One Million Black Women*. We will make a unique contribution to advancing racial equity by investing $10 billion through the lens of Black women and narrowing opportunity gaps for 1 million Black women. Our investments will focus on increasing opportunity at key moments in Black women's lives, whether it's by expanding access to quality healthcare, modernizing daycare and primary school facilities in Black communities, or providing access to capital to grow a business, among other things.

This effort can't succeed without advice and counsel from the broadest range of Black voices possible, so we've



created a new advisory council of prominent Black leaders from a wide range of fields. There has never been an investment of this size focused on Black women, and we are proud to bring people together in this historic effort.

Goldman Sachs *10,000 Small Businesses*

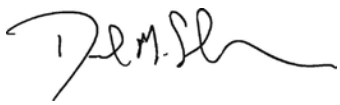
As part of our investment in communities, we are also helping the entrepreneurs who create the long-term economic growth we need. Our signature entrepreneurship initiative, Goldman Sachs *10,000 Small Businesses,* reached a milestone in 2020, surpassing our goal of serving 10,000 business owners through our education program. Over the past 10 years, our graduates have taken the knowledge they've acquired from our program and applied it to their businesses, creating jobs and opportunity in the communities where they live and work. To redouble our support for small businesses, we announced an additional $250 million commitment in 2020 to serve an additional 10,000 entrepreneurs.

We have also been helping small-business owners drive change through advocacy. In 2020, we launched *10,000 Small Businesses Voices*, a new initiative that helps alumni of *10,000 Small Businesses* advocate for policy changes that will help their businesses, their employees, and their communities. We provide the *10,000 Small Businesses Voices* community with the tools, resources, and training needed to make their voices heard and have a direct impact on critical issues.

The Path Ahead

After a difficult year, we are cautiously optimistic about 2021. Much depends on the effort to slow the spread of the virus, how quickly vaccines are distributed, whether monetary and fiscal stimulus is maintained, and whether geopolitical risks intensify. But Goldman Sachs will continue to help an ever-widening range of clients and develop more durable revenue sources.

I am incredibly proud of the progress we made in 2020, and we never would have done it without the extraordinary efforts of our people. I am humbled by the commitment I see across our firm every day. This year had its fair share of challenges, but I am optimistic about the potential for Goldman Sachs in the coming years. I believe in our strategic plan, our leadership team, our culture, and in the raw talent of our people. Together, they will all help us achieve higher and more sustainable returns for our shareholders.



David M. Solomon
Chairman and Chief Executive Officer

Our Core Values and Business Principles

Our Core Values

We distilled our Business Principles into 4 core values that inform everything we do:

Partnership | Client Service | Integrity | Excellence

Goldman Sachs Business Principles

Our clients' interests always come first.
Our experience shows that if we serve our clients well, our own success will follow.

Our assets are our people, capital and reputation.
If any of these is ever diminished, the last is the most difficult to restore. We are dedicated to complying fully with the letter and spirit of the laws, rules and ethical principles that govern us. Our continued success depends upon unswerving adherence to this standard.

Our goal is to provide superior returns to our shareholders.
Profitability is critical to achieving superior returns, building our capital, and attracting and keeping our best people. Significant employee stock ownership aligns the interests of our employees and our shareholders.

We take great pride in the professional quality of our work.
We have an uncompromising determination to achieve excellence in everything we undertake. Though we may be involved in a wide variety and heavy volume of activity, we would, if it came to a choice, rather be best than biggest.

We stress creativity and imagination in everything we do.
While recognizing that the old way may still be the best way, we constantly strive to find a better solution to a client's problems. We pride ourselves on having pioneered many of the practices and techniques that have become standard in the industry.

We make an unusual effort to identify and recruit the very best person for every job.
Although our activities are measured in billions of dollars, we select our people one by one. In a service business, we know that without the best people, we cannot be the best firm.

We offer our people the opportunity to move ahead more rapidly than is possible at most other places.
Advancement depends on merit and we have yet to find the limits to the responsibility our best people are able to assume. For us to be successful, our people must reflect the diversity of the communities and cultures in which we operate. That means we must attract, retain and motivate people from many backgrounds and perspectives. Being diverse is not optional; it is what we must be.

We stress teamwork in everything we do.
While individual creativity is always encouraged, we have found that team effort often produces the best results. We have no room for those who put their personal interests ahead of the interests of the firm and its clients.

The dedication of our people to the firm and the intense effort they give their jobs are greater than one finds in most other organizations.
We think that this is an important part of our success.

We consider our size an asset that we try hard to preserve.
We want to be big enough to undertake the largest project that any of our clients could contemplate, yet small enough to maintain the loyalty, the intimacy and the esprit de corps that we all treasure and that contribute greatly to our success.

We constantly strive to anticipate the rapidly changing needs of our clients and to develop new services to meet those needs.
We know that the world of finance will not stand still and that complacency can lead to extinction.

We regularly receive confidential information as part of our normal client relationships.
To breach a confidence or to use confidential information improperly or carelessly would be unthinkable.

Our business is highly competitive, and we aggressively seek to expand our client relationships.
However, we must always be fair competitors and must never denigrate other firms.

Integrity and honesty are at the heart of our business.
We expect our people to maintain high ethical standards in everything they do, both in their work for the firm and in their personal lives.

Notes about the Letter to Shareholders

Forward-Looking Statements
This letter contains forward-looking statements, including statements about our financial targets, business initiatives, and operating expense savings. You should read the cautionary notes on forward-looking statements in our Form 10-K for the period ended December 31, 2020.

Endnotes
1 Source: Dealogic – January 1, 2020, through December 31, 2020.
2 Measured by reported revenues, per peer filings as of December 31, 2020. Peers include JPM, BAC, C, MS, CS, DB, and BARC.
3 Source: McKinsey institutional client analytics for 3Q20 YTD. Analysis excluded captive wallets.
4 Total client assets includes assets under supervision, brokerage assets, and consumer deposits.
5 Sources: Client Ranking/Scorecard/Feedback and/or McKinsey revenue ranking (data as of 1H20 or 3Q20, as applicable).
6 Represents bilateral referrals between Private Wealth Management and Personal Financial Management and eligible Corporate employees referred to Personal Financial Management.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended December 31, 2020 **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)

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

Title of each class	Trading Symbol	Exchange on which registered
Common stock, par value $.01 per share	GS	NYSE
Depositary Shares, Each Representing 1/1,000th Interest in a Share of Floating Rate Non-Cumulative Preferred Stock, Series A	GS PrA	NYSE
Depositary Shares, Each Representing 1/1,000th Interest in a Share of Floating Rate Non-Cumulative Preferred Stock, Series C	GS PrC	NYSE
Depositary Shares, Each Representing 1/1,000th Interest in a Share of Floating Rate Non-Cumulative Preferred Stock, Series D	GS PrD	NYSE
Depositary Shares, Each Representing 1/1,000th Interest in a Share of 5.50% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series J	GS PrJ	NYSE
Depositary Shares, Each Representing 1/1,000th Interest in a Share of 6.375% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series K	GS PrK	NYSE
Depositary Shares, Each Representing 1/1,000th Interest in a Share of 6.30% Non-Cumulative Preferred Stock, Series N	GS PrN	NYSE
5.793% Fixed-to-Floating Rate Normal Automatic Preferred Enhanced Capital Securities of Goldman Sachs Capital II	GS/43PE	NYSE
Floating Rate Normal Automatic Preferred Enhanced Capital Securities of Goldman Sachs Capital III	GS/43PF	NYSE
Medium-Term Notes, Series E, Callable Fixed Rate Notes due 2021 of GS Finance Corp.	GS/21F	NYSE
Medium-Term Notes, Series E, Index-Linked Notes due 2028 of GS Finance Corp.	FRLG	NYSE Arca

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. ☐ Yes ☒ No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

As of June 30, 2020, the aggregate market value of the common stock of the registrant held by non-affiliates of the registrant was approximately $67.6 billion.

As of February 5, 2021, there were 345,794,361 shares of the registrant's common stock outstanding.

Documents incorporated by reference: Portions of The Goldman Sachs Group, Inc.'s Proxy Statement for its 2021 Annual Meeting of Shareholders are incorporated by reference in the Annual Report on Form 10-K in response to Part III, Items 10, 11, 12, 13 and 14.

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PART I

Item 1. Business

Introduction

Goldman Sachs is a leading global financial institution that delivers a broad range of financial services across investment banking, securities, investment management and consumer banking to a large and diversified client base that includes corporations, financial institutions, governments and individuals. Our purpose is to advance sustainable economic growth and financial opportunity. Our goal, reflected in our One Goldman Sachs initiative, is to deliver the full range of our services and expertise to support our clients in a more accessible, comprehensive and efficient manner, across businesses and product areas.

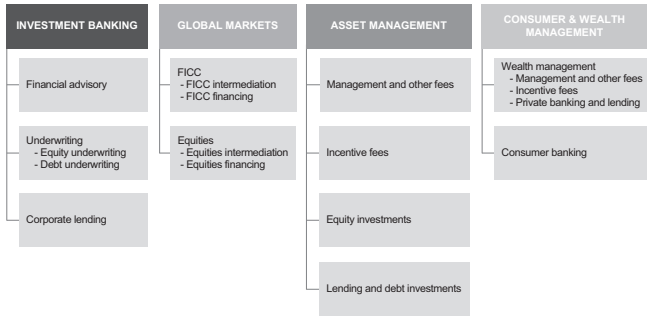
When we use the terms "Goldman Sachs," "we," "us" and "our," we mean The Goldman Sachs Group, Inc. (Group Inc. or parent company), a Delaware corporation, and its consolidated subsidiaries. When we use the term "our subsidiaries," we mean the consolidated subsidiaries of Group Inc. References to "this Form 10-K" are to our Annual Report on Form 10-K for the year ended December 31, 2020. All references to 2020, 2019 and 2018 refer to our years ended, or the dates, as the context requires, December 31, 2020, December 31, 2019 and December 31, 2018, respectively.

Group Inc. is a bank holding company (BHC) and a financial holding company (FHC) regulated by the Board of Governors of the Federal Reserve System (FRB). Our U.S. depository institution subsidiary, Goldman Sachs Bank USA (GS Bank USA), is a New York State-chartered bank.

Our Business Segments

We report our activities in four business segments: Investment Banking, Global Markets, Asset Management, and Consumer & Wealth Management. Investment Banking generates revenues from financial advisory, underwriting and corporate lending activities. Global Markets consists of Fixed Income, Currency and Commodities (FICC) and Equities, and generates revenues from intermediation and financing activities. Asset Management generates revenues from management and other fees, incentive fees, equity investments, and lending and debt investments. Consumer & Wealth Management consists of Wealth management and Consumer banking, and generates revenues from management and other fees, incentive fees, private banking and lending, and consumer-oriented activities.

The chart below presents our four business segments and their revenue sources.



Investment Banking

Investment Banking serves public and private sector clients around the world. We provide financial advisory services, help companies raise capital to strengthen and grow their businesses and provide financing to corporate clients. We seek to develop and maintain long-term relationships with a diverse global group of institutional clients, including corporations, governments, states and municipalities. Our goal is to deliver to our institutional clients all of our resources in a seamless fashion, with investment banking serving as the main initial point of contact.

Investment Banking generates revenues from the following:

- **Financial advisory.** We are a leader in providing financial advisory services, including strategic advisory assignments with respect to mergers and acquisitions, divestitures, corporate defense activities, restructurings and spin-offs. In particular, we help clients execute large, complex transactions for which we provide multiple services, including cross-border structuring expertise. We also assist our clients in managing their asset and liability exposures and their capital.
- **Underwriting.** We help companies raise capital to fund their businesses. As a financial intermediary, our job is to match the capital of our investing clients, who aim to grow the savings of millions of people, with the needs of our public and private sector clients, who need financing to generate growth, create jobs and deliver products and services. Our underwriting activities include public offerings and private placements, including local and cross-border transactions and acquisition financing, of a wide range of securities and other financial instruments, including loans. Underwriting consists of the following:

Equity underwriting. We underwrite common and preferred stock and convertible and exchangeable securities. We regularly receive mandates for large, complex transactions and have held a leading position in worldwide public common stock offerings and worldwide initial public offerings for many years.

Debt underwriting. We underwrite and originate various types of debt instruments, including investment-grade and high-yield debt, bank and bridge loans, including in connection with acquisition financing, and emerging- and growth-market debt, which may be issued by, among others, corporate, sovereign, municipal and agency issuers. In addition, we underwrite and originate structured securities, which include mortgage-related securities and other asset-backed securities.

- **Corporate lending.** We lend to corporate clients, including through relationship lending, middle-market lending and acquisition financing. The hedges related to this lending and financing activity are reported as part of our corporate lending activity. We also provide transaction banking services to certain of our corporate clients.

Global Markets

Global Markets serves our clients who buy and sell financial products, raise funding and manage risk. We do this by acting as a market maker and offering market expertise on a global basis. Global Markets makes markets and facilitates client transactions in fixed income, equity, currency and commodity products. In addition, we make markets in, and clear client transactions on, major stock, options and futures exchanges worldwide.

As a market maker, we provide prices to clients globally across thousands of products in all major asset classes and markets. At times, we take the other side of transactions ourselves if a buyer or seller is not readily available, and at other times we connect our clients to other parties who want to transact. Our willingness to make markets, commit capital and take risk in a broad range of products is crucial to our client relationships. Market makers provide liquidity and play a critical role in price discovery, which contributes to the overall efficiency of the capital markets. In connection with our market-making activities, we maintain (i) market-making positions, typically for a short period of time, in response to, or in anticipation of, client demand, and (ii) positions to actively manage our risk exposures that arise from these market-making activities (collectively, inventory).

Our clients are institutions that are primarily professional market participants, including investment entities whose ultimate clients include individual investors investing for their retirement, buying insurance or saving surplus cash.

We execute a high volume of transactions for our clients in large, highly liquid markets (such as markets for U.S. Treasury securities, stocks and certain agency mortgage pass-through securities). We also execute transactions for our clients in less liquid markets (such as mid-cap corporate bonds, emerging market currencies and certain non-agency mortgage-backed securities) for spreads and fees that are generally somewhat larger than those charged in more liquid markets. Additionally, we structure and execute transactions involving customized or tailor-made products that address our clients' risk exposures, investment objectives or other complex needs (such as a jet fuel hedge for an airline), as well as derivative transactions related to client advisory and underwriting activities.

Through our global sales force, we maintain relationships with our clients, receiving orders and distributing investment research, trading ideas, market information and analysis. Much of this connectivity between us and our clients is maintained on technology platforms, including *Marquee*, and operates globally where markets are open for trading. *Marquee* provides institutional investors with market intelligence, risk analytics, proprietary datasets and trade execution across multiple asset classes.

Global Markets and our other businesses are supported by our Global Investment Research division, which, as of December 2020, provided fundamental research on approximately 3,000 companies worldwide and approximately 50 national economies, as well as on industries, currencies and commodities.

Global Markets activities are organized by asset class and include both "cash" and "derivative" instruments. "Cash" refers to trading the underlying instrument (such as a stock, bond or barrel of oil). "Derivative" refers to instruments that derive their value from underlying asset prices, indices, reference rates and other inputs, or a combination of these factors (such as an option, which is the right or obligation to buy or sell a certain bond, stock or other asset on a specified date in the future at a certain price, or an interest rate swap, which is the agreement to convert a fixed rate of interest into a floating rate or vice versa).

Global Markets consists of FICC and Equities.

FICC. FICC generates revenues from intermediation and financing activities.

- **FICC intermediation.** Includes client execution activities related to making markets in both cash and derivative instruments, as detailed below.

  Interest Rate Products. Government bonds (including inflation-linked securities) across maturities, other government-backed securities, and interest rate swaps, options and other derivatives.

  Credit Products. Investment-grade and high-yield corporate securities, credit derivatives, exchange-traded funds (ETFs), bank and bridge loans, municipal securities, emerging market and distressed debt, and trade claims.

  Mortgages. Commercial mortgage-related securities, loans and derivatives, residential mortgage-related securities, loans and derivatives (including U.S. government agency-issued collateralized mortgage obligations and other securities and loans), and other asset-backed securities, loans and derivatives.

  Currencies. Currency options, spot/forwards and other derivatives on G-10 currencies and emerging-market products.

  Commodities. Commodity derivatives and, to a lesser extent, physical commodities, involving crude oil and petroleum products, natural gas, base, precious and other metals, electricity, coal, agricultural and other commodity products.

- **FICC financing.** Includes providing financing to our clients through securities purchased under agreements to resell (resale agreements), as well as through structured credit, warehouse lending (including residential and commercial mortgage lending) and asset-backed lending, which are typically longer term in nature.

Equities. Equities generates revenues from intermediation and financing activities.

- **Equities intermediation.** We make markets in equity securities and equity-related products, including ETFs, convertible securities, options, futures and over-the-counter (OTC) derivative instruments. As a principal, we facilitate client transactions by providing liquidity to our clients, including by transacting in large blocks of stocks or derivatives, requiring the commitment of our capital.

  We also structure and make markets in derivatives on indices, industry sectors, financial measures and individual company stocks. We develop strategies and provide information about portfolio hedging and restructuring and asset allocation transactions for our clients. We also work with our clients to create specially tailored instruments to enable sophisticated investors to establish or liquidate investment positions or undertake hedging strategies. We are one of the leading participants in the trading and development of equity derivative instruments.

  Our exchange-based market-making activities include making markets in stocks and ETFs, futures and options on major exchanges worldwide.

  We generate commissions and fees from executing and clearing institutional client transactions on major stock, options and futures exchanges worldwide, as well as OTC transactions. We provide our clients with access to a broad spectrum of equity execution services, including electronic "low-touch" access and more complex "high-touch" execution through both traditional and electronic platforms, including *Marquee*.

- **Equities financing.** Includes prime brokerage and other equities financing activities, including securities lending, margin lending and swaps.

  We earn fees by providing clearing, settlement and custody services globally. In addition, we provide our hedge fund and other clients with a technology platform and reporting that enables them to monitor their security portfolios and manage risk exposures.

  We provide services that principally involve borrowing and lending securities to cover institutional clients' short sales and borrowing securities to cover our short sales and to make deliveries into the market. In addition, we are an active participant in broker-to-broker securities lending and third-party agency lending activities.

  We provide financing to our clients for their securities trading activities through margin loans that are collateralized by securities, cash or other acceptable collateral. We earn a spread equal to the difference between the amount we pay for funds and the amount we receive from our client.

  We execute swap transactions to provide our clients with exposure to securities and indices.

Asset Management

Asset Management provides investment services to help clients preserve and grow their financial assets. We provide these services to our institutional clients, as well as investors who primarily access our products through a network of third-party distributors around the world.

We manage client assets across a broad range of investment strategies and asset classes, including equity, fixed income and alternative investments. Alternative investments primarily includes hedge funds, credit funds, private equity, real estate, currencies, commodities and asset allocation strategies. Our investment offerings include those managed on a fiduciary basis by our portfolio managers, as well as strategies managed by third-party managers. We offer our investments in a variety of structures, including separately managed accounts, mutual funds, private partnerships and other commingled vehicles.

We also provide customized investment advisory solutions designed to address our clients' investment needs. These solutions begin with identifying clients' objectives and continue through portfolio construction, ongoing asset allocation and risk management and investment realization. We draw from a variety of third-party managers, as well as our proprietary offerings, to implement solutions for clients.

Asset Management generates revenues from the following:

- **Management and other fees.** The majority of revenues in management and other fees consists of asset-based fees on client assets that we manage. The fees that we charge vary by asset class, distribution channel and the type of services provided, and are affected by investment performance, as well as asset inflows and redemptions.
- **Incentive fees.** In certain circumstances, we also receive incentive fees based on a percentage of a fund's or a separately managed account's return, or when the return exceeds a specified benchmark or other performance targets. Such fees include overrides, which consist of the increased share of the income and gains derived primarily from our private equity and credit funds when the return on a fund's investments over the life of the fund exceeds certain threshold returns.
- **Equity investments.** Our alternative investing activities relate to public and private equity investments in corporate, real estate and infrastructure entities. We also make investments through consolidated investment entities, substantially all of which are engaged in real estate investment activities.
- **Lending and debt investments.** We invest in corporate debt and provide financing for real estate and other assets. These activities include investments in mezzanine debt, senior debt and distressed debt securities.

Consumer & Wealth Management

Consumer & Wealth Management helps clients achieve their individual financial goals by providing a broad range of wealth advisory and banking services, including financial planning, investment management, deposit taking, and lending. Services are offered through our global network of advisors and via our digital platforms.

Wealth Management. Wealth Management provides tailored wealth advisory services to clients across the wealth spectrum. We operate globally serving individuals, families, family offices, and foundations and endowments. Our relationships are established directly or introduced through corporations that sponsor financial wellness programs for their employees.

We offer personalized financial planning inclusive of income and liability management, compensation and benefits analysis, trust and estate structuring, tax optimization, philanthropic giving, and asset protection. We also provide customized investment advisory solutions, and offer structuring and execution capabilities in security and derivative products across all major global markets. We leverage a broad, open-architecture investment platform and our global execution capabilities to help clients achieve their investment goals. In addition, we offer clients a full range of private banking services, including a variety of deposit alternatives and loans that our clients use to finance investments in both financial and nonfinancial assets, bridge cash flow timing gaps or provide liquidity and flexibility for other needs.

Wealth management generates revenues from the following:

- **Management and other fees.** Includes fees related to managing assets, providing investing and wealth advisory solutions, providing financial planning and counseling services via Ayco Personal Finance Management, and executing brokerage transactions for wealth management clients.
- **Incentive fees.** In certain circumstances, we also receive incentive fees from wealth management clients based on a percentage of a fund's return, or when the return exceeds a specified benchmark or other performance targets. Such fees include overrides, which consist of the increased share of the income and gains derived primarily from our private equity and credit funds when the return on a fund's investments over the life of the fund exceeds certain threshold returns.
- **Private banking and lending.** Includes net interest income allocated to deposit-taking and net interest income earned on lending activities for wealth management clients.

Consumer Banking. We engage in consumer-oriented businesses. We issue unsecured loans, through our digital platform, *Marcus by Goldman Sachs* (Marcus), and credit cards, to finance the purchases of goods or services. We also accept deposits through Marcus, in GS Bank USA and Goldman Sachs International Bank (GSIB). These deposits include savings and time deposits which provide us with a diversified source of funding.

Consumer banking revenues consist of net interest income earned on unsecured loans issued to consumers through Marcus and credit card lending activities, and net interest income allocated to consumer deposits.

Business Continuity and Information Security

Business continuity and information security, including cyber security, are high priorities for us. Their importance has been highlighted by (i) the coronavirus (COVID-19) pandemic and the work-from-home arrangements implemented by companies worldwide in response, including us, (ii) numerous highly publicized events in recent years, including cyber attacks against financial institutions, governmental agencies, large consumer-based companies and other organizations that resulted in the unauthorized disclosure of personal information and other sensitive or confidential information, the theft and destruction of corporate information and requests for ransom payments, and (iii) extreme weather events.

Our Business Continuity & Technology Resilience Program has been developed to provide reasonable assurance of business continuity in the event of disruptions at our critical facilities or of our systems, and to comply with regulatory requirements, including those of FINRA. Because we are a BHC, our Business Continuity & Technology Resilience Program is also subject to review by the FRB. The key elements of the program are crisis management, business continuity, technology resilience, business recovery, assurance and verification, and process improvement. In the area of information security, we have developed and implemented a framework of principles, policies and technology designed to protect the information provided to us by our clients and our own information from cyber attacks and other misappropriation, corruption or loss. Safeguards are designed to maintain the confidentiality, integrity and availability of information. For further information about the Business Continuity Planning strategy we have implemented in response to the COVID-19 pandemic, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Regulatory and Other Matters — Impact of COVID-19 Pandemic" in Part II, Item 7 of this Form 10-K.

Human Capital Management

Our people are our greatest asset. We believe that a major strength and principal reason for our success is the quality, dedication, determination and collaboration of our people, which enables us to serve our clients, generate long-term value for our shareholders and contribute to the broader community. We invest heavily in developing and supporting our people throughout their careers, and we strive to maintain a work environment that fosters professionalism, excellence, high standards of business ethics, diversity, teamwork and cooperation among our employees worldwide.

Diversity and Inclusion

The strength of our culture, our ability to execute our strategy, and our relationships with clients all depend on a diverse workforce and an inclusive work environment that encourages a wide range of perspectives. We believe that employee diversity at all levels of our businesses, from entry-level analysts to senior management, is essential to our sustainability. Our management team works closely with our Global Inclusion and Diversity Committee to continue to increase diversity of our global workforce at all levels. In addition, we also have regional Inclusion and Diversity Committees which promote an environment that values different perspectives, challenges conventional thinking and maximizes the potential of all our people.

We believe that increased diversity, including diversity of experience, gender identity, race, ethnicity, sexual orientation, disability and veteran status, in addition to being a social imperative, is vital to our commercial success through the creativity that it fosters. For this reason, we have established a comprehensive action plan with aspirational diversity hiring goals which are set forth below and are focused on cultivating an inclusive environment for all our colleagues.

Diverse leadership is crucial to our long-term success and to driving innovation, and we have implemented and expanded outreach and career advancement programs for rising diverse executive talent. A prime example is our Managing Director Retention Initiative, which includes sponsorship and the creation of career development plans for newly promoted diverse managing directors. We are also focused on providing diverse vice presidents the necessary coaching, sponsorship and advocacy to support their career trajectories and strengthen their leadership platforms, including through programs such as our Asian Talent Initiative. Many other career development initiatives are aimed at fostering diverse talent at the analyst and associate level, including the Black Analyst and Associate Initiative, the Hispanic/Latinx Analysts Initiative and the Women's Career Strategies Initiative. We have also established Inclusion Networks and Interest Forums that are open to all professionals at Goldman Sachs to promote and advance connectivity, understanding, inclusion and diversity.

Reflecting our efforts to increase diversity, the composition of our most recent partnership class was 27% women, 17% Asian, 7% Black and 5% Hispanic/Latinx, and our most recent managing director class was 29% women, 26% Asian, 4% Black and 2% Hispanic/Latinx. In addition, our 2020 campus analyst class in the Americas was 55% women, 31% Asian, 17% Hispanic/Latinx and 11% Black. These metrics are based on self-identification.

Aspirational Goals. We have set the following aspirational goals:

- We aim for analyst and associate hiring (which accounts for over 70% of our annual hiring) to achieve representation of 50% women, 11% Black professionals and 14% Hispanic/Latinx professionals in the Americas, and 9% Black professionals in the U.K.
- We aim for women to represent 40% of our vice presidents globally by 2025 and 50% of all our employees globally over time, while also endeavoring for women to comprise 30% of senior talent (vice presidents and above) in the U.K. by 2023.
- We aim for Black professionals to represent 7% of our vice president population in the Americas and in the U.K., and for Hispanic/Latinx professionals to represent 9% of our vice president population in the Americas, both by 2025.
- We aim to double the number of campus hires in the U.S. recruited from historically Black colleges and universities by 2025.

Talent Development and Retention

We seek to help our people achieve their full potential by investing in them and supporting a culture of continuous development. Our goals are to maximize individual capabilities, increase commercial effectiveness and innovation, reinforce our culture, expand professional opportunities, and help our people contribute positively to their communities.

Instilling our culture in all employees is a continuous process, in which training plays an important part. We offer our employees the opportunity to participate in ongoing educational offerings and periodic seminars through Goldman Sachs University (GSU). To accelerate their integration into the firm and our culture, new hires have the opportunity to receive training before they start working and orientation programs with an emphasis on culture and networking, and nearly all employees participate in at least one training event each year. For our more senior employees, we provide guidance and training on how to manage people and projects effectively, exhibit strong leadership and exemplify the firm's culture. We are also focused on developing a high performing, diverse leadership pipeline and career planning for our next generation of leaders.

Another important part of instilling our culture is our employee performance review process. Employees are reviewed by supervisors, co-workers and employees whom they supervise in a 360-degree review process that is integral to our team approach and includes an evaluation of an employee's performance with respect to risk management, protecting our reputation, adherence to our code of conduct, compliance, and diversity and inclusion principles. Our approach to evaluating employee performance centers on providing robust, timely and actionable feedback that facilitates professional development. We have directed our managers, as leaders at the firm, to take an active coaching role with their teams. In 2021, we implemented "The Three Conversations at GS" through which managers establish goals with their team members at the start of the year, check in mid-year on progress and then close out the year with a conversation on performance against goals.

We believe that our people value opportunities to contribute to their communities and that these opportunities enhance their job satisfaction. We also believe that being able to volunteer together with colleagues and participate in community organizations working on local service projects strengthens our people's bond with us. Community TeamWorks, our signature volunteering initiative, enables our people to participate in high-impact, team-based volunteer opportunities, including projects coordinated with hundreds of nonprofit partner organizations worldwide. During 2019, our people volunteered over 150,000 hours of service globally through Community TeamWorks, with more than 26,000 employees partnering with approximately 900 nonprofit organizations on over 1,800 community projects. To respond to the interest of our people in helping with the response to the COVID-19 pandemic, we developed a series of opportunities during 2020 to support vulnerable populations remotely, including small business owners, students and the elderly.

Wellness

We recognize that for our people to be successful in the workplace they need support in their personal, as well as their professional lives. We have created a strong support framework for wellness, which is intended to enable employees to better balance their roles at work and their responsibilities at home. We have recently made significant additions to this framework, including increasing parental leave to 20 weeks for all employees. We also continue to advance our resilience programs, offering our people a range of counseling, coaching, medical advisory and personal wellness services. We have increased the availability of these resources during the COVID-19 pandemic, and we have continued to evolve and strengthen virtual offerings with the aim of maintaining the physical and mental well-being of our employees, enhancing their effectiveness and cohesiveness and providing them with greater opportunities to access support.

We also introduced a COVID-19 10-day family leave policy, available to our people globally to care for family members due to COVID-19 related illness or meet childcare needs, including homeschooling.

Global Reach and Strategic Locations

As a firm with a global client base, we take a strategic approach to attracting, developing and managing a global workforce. Our clients are located worldwide and we are an active participant in financial markets around the world. As of December 2020, we had headcount of 40,500, offices in over 35 countries and 53% of our headcount was based in the Americas, 19% in EMEA and 28% in Asia. Our employees come from over 160 countries and speak more than 110 languages as of December 2020.

In addition to maintaining offices in major financial centers around the world, we have established key strategic locations, including in Bengaluru, Salt Lake City, Dallas, Singapore and Warsaw. We continue to evaluate the expanded use of strategic locations, including cities in which we do not currently have a presence.

As of December 2020, 36% of our employees were working in one of these key strategic locations, and our goal is to increase this percentage to approximately 40% by the end of 2022. We believe our investment in these strategic locations enables us to build centers of excellence around specific capabilities that support our business initiatives.

Competition

The financial services industry and all of our businesses are intensely competitive, and we expect them to remain so. Our competitors are other entities that provide investment banking (including transaction banking), market-making, investment management services, commercial and/or consumer lending, deposit-taking and other banking products and services, as well as those entities that make investments in securities, commodities, derivatives, real estate, loans and other financial assets. These entities include brokers and dealers, investment banking firms, commercial banks, credit card issuers, insurance companies, investment advisers, mutual funds, hedge funds, private equity funds, merchant banks, consumer finance companies and financial technology and other internet-based companies. We compete with some entities globally and with others on a regional, product or niche basis. We compete based on a number of factors, including transaction execution, client experience, products and services, innovation, reputation and price.

We have faced, and expect to continue to face, pressure to retain market share by committing capital to businesses or transactions on terms that offer returns that may not be commensurate with their risks. In particular, corporate clients seek such commitments (such as agreements to participate in their loan facilities) from financial services firms in connection with investment banking and other assignments.

Consolidation and convergence have significantly increased the capital base and geographic reach of some of our competitors, and have also hastened the globalization of the securities and other financial services markets. As a result, we have had to commit capital to support our international operations and to execute large global transactions. To capitalize on some of our most significant opportunities, we will have to compete successfully with financial institutions that are larger and have more capital and that may have a stronger local presence and longer operating history outside the U.S.

We also compete with smaller institutions that offer more targeted services, such as independent advisory firms. Some clients may perceive these firms to be less susceptible to potential conflicts of interest than we are, and, as described below, our ability to effectively compete with them could be affected by regulations and limitations on activities that apply to us but may not apply to them.

A number of our businesses are subject to intense price competition. Efforts by our competitors to gain market share have resulted in pricing pressure in our investment banking, market-making, lending and asset management businesses. For example, the increasing volume of trades executed electronically, through the internet and through alternative trading systems, has increased the pressure on trading commissions, in that commissions for electronic trading are generally lower than those for non-electronic trading. It appears that this trend toward low-commission trading will continue. Price competition has also led to compression in the difference between the price at which a market participant is willing to sell an instrument and the price at which another market participant is willing to buy it (i.e., bid/offer spread), which has affected our market-making businesses. The increasing prevalence of passive investment strategies that typically have lower fees than other strategies we offer has affected the competitive and pricing dynamics for our asset management products and services. In addition, we believe that we will continue to experience competitive pressures in these and other areas in the future as some of our competitors seek to obtain market share by further reducing prices, and as we enter into or expand our presence in markets that may rely more heavily on electronic trading and execution.

We also compete on the basis of the types of financial products and client experiences that we and our competitors offer. In some circumstances, our competitors may offer financial products that we do not offer and that our clients may prefer, or our competitors may develop technology platforms that provide a better client experience.

The provisions of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), the requirements promulgated by the Basel Committee on Banking Supervision (Basel Committee) and other financial regulations could affect our competitive position to the extent that limitations on activities, increased fees and compliance costs or other regulatory requirements do not apply, or do not apply equally, to all of our competitors or are not implemented uniformly across different jurisdictions. For example, the provisions of the Dodd-Frank Act that prohibit proprietary trading and restrict investments in certain hedge and private equity funds differentiate between U.S.-based and non-U.S.-based banking organizations and give non-U.S.-based banking organizations greater flexibility to trade outside of the U.S. and to form and invest in funds outside the U.S. Likewise, the obligations with respect to derivative transactions under Title VII of the Dodd-Frank Act depend, in part, on the location of the counterparties to the transaction.

The impact of regulatory developments on our competitive position has depended and will continue to depend to a large extent on the manner in which the required rulemaking and regulatory guidance evolve, the extent of international convergence, and the development of market practice and structures under the evolving regulatory regimes, as described further in "Regulation" below.

We also face intense competition in attracting and retaining qualified employees. Our ability to continue to compete effectively has depended and will continue to depend upon our ability to attract new employees, retain and motivate our existing employees and to continue to compensate employees competitively amid intense public and regulatory scrutiny on the compensation practices of large financial institutions. Our pay practices and those of certain of our competitors are subject to review by, and the standards of, the FRB and other regulators inside and outside the U.S., including the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) in the U.K. We also compete for employees with institutions whose pay practices are not subject to regulatory oversight. See "Regulation — Compensation Practices" and "Risk Factors — Competition — Our businesses may be adversely affected if we are unable to hire and retain qualified employees" in Part I, Item 1A of this Form 10-K for further information about such regulation.

Regulation

As a participant in the global financial services industry, we are subject to extensive regulation and supervision worldwide. The regulatory regimes applicable to our operations worldwide have recently been, and continue to be, subject to significant changes. The Basel Committee is the primary global standard setter for prudential bank regulation; however, its standards do not become effective in a jurisdiction until the relevant regulators have adopted rules to implement its standards. The implications of these regulations for our businesses depend to a large extent on their implementation by the relevant regulators globally, and the market practices and structures that develop.

New regulations have been adopted or are being considered by regulators and policy makers worldwide, as described below. The effects of any changes to the regulations affecting our businesses, including as a result of the proposals described below, are uncertain and will not be known until such changes are finalized and market practices and structures develop under the revised regulations.

Our principal subsidiaries operating in Europe include Goldman Sachs International (GSI), GSIB and Goldman Sachs Asset Management International (GSAMI), which are incorporated and headquartered in the U.K., and Goldman Sachs Bank Europe SE (GSBE), which is incorporated and headquartered in Germany. As a result of the U.K.'s withdrawal from the E.U. (Brexit), the regulatory framework that governs transactions and business undertaken by our U.K. subsidiaries has changed, especially in connection with transactions and business relating to the E.U.

The E.U. and the U.K. agreed to a withdrawal agreement (the Withdrawal Agreement), which became effective on January 31, 2020 when the U.K. ceased to be an E.U. member state. The transition period under the Withdrawal Agreement ended on December 31, 2020. During the transition period, the U.K. was treated as if it were a member state of the E.U. and therefore our U.K. subsidiaries benefitted from non-discriminatory access to E.U. clients and infrastructure. Effective on December 31, 2020, and notwithstanding the Trade and Cooperation Agreement between the E.U. and the U.K. reached at the end of 2020, firms established in the U.K., including our U.K. subsidiaries, have lost their pan-E.U. "passports" and are generally treated as any other entities in countries outside the E.U., whose access to the E.U. is governed by E.U. and national law and depends on the making of E.U. equivalence decisions or on their obtaining licenses or exemptions under national regimes. The U.K. has adopted E.U. financial services legislation that was in effect at December 31, 2020. This means that the U.K. financial services regime will remain substantially the same as under E.U. financial services legislation, but in the future the U.K. may diverge from E.U. legislation and may decide not to adopt rules that correspond to E.U. legislation not already operative in the U.K. We have strengthened the capabilities of our operating subsidiaries in E.U. countries, particularly GSBE, and have moved certain activities there, including moving a number of relationships with clients of our Investment Banking, Global Markets and Wealth Management businesses from GSI and GSIB to GSBE, and clients of our Asset Management business from GSAMI to GSBE; establishing access for GSBE to exchanges, clearing houses and depositories and other market infrastructure in the E.U.; establishing branches of GSBE in nine E.U. member states and in the U.K.; and strengthening the capital, personnel and other resources at GSBE.

Banking Supervision and Regulation

Group Inc. is a BHC under the U.S. Bank Holding Company Act of 1956 (BHC Act) and an FHC under amendments to the BHC Act effected by the U.S. Gramm-Leach-Bliley Act of 1999 (GLB Act), and is subject to supervision and examination by the FRB, which is our primary regulator.

The FRB has a rating system for large financial institutions that is intended to align with its supervisory program. It consists of component ratings for capital planning and positions, liquidity risk management and positions, and governance and controls. The FRB has proposed guidance for the governance and controls component.

Under the system of "functional regulation" established under the BHC Act, the primary regulators of our U.S. non-bank subsidiaries directly regulate the activities of those subsidiaries, with the FRB exercising a supervisory role. Such "functionally regulated" subsidiaries include broker-dealers registered with the SEC, such as our principal U.S. broker-dealer, Goldman Sachs & Co. LLC (GS&Co.), entities registered with or regulated by the CFTC with respect to futures-related and swaps-related activities and investment advisers registered with the SEC with respect to their investment advisory activities.

Our principal U.S. bank subsidiary, GS Bank USA, is supervised and regulated by the FRB, the FDIC, the New York State Department of Financial Services (NYDFS) and the Consumer Financial Protection Bureau (CFPB). GS Bank USA also has a branch in London, which is regulated by the FCA and PRA. A number of our activities are conducted partially or entirely through GS Bank USA and its subsidiaries, including: corporate loans (including leveraged lending); consumer loans (including installment and credit card loans) and wealth management loans (including mortgages); interest rate, credit, currency and other derivatives; deposit-taking; and agency lending.

Certain of our subsidiaries are regulated by the banking and securities regulatory authorities of the countries in which they operate. GSI, our U.K. broker-dealer subsidiary and a designated investment firm, and GSIB, our U.K. bank subsidiary, are regulated by the PRA and the FCA. GSI provides broker-dealer services in and from the U.K., and GSIB acts as a primary dealer for U.K. government bonds and is involved in lending (including securities lending) and deposit-taking activities. As described below, our E.U. subsidiaries are subject to various E.U. regulations, as well as national laws, including those implementing European directives. GSI maintains branches as a non-E.U. investment firm in Madrid, Paris and Stockholm and GSIB maintains a branch in Frankfurt. GSIB also maintains a branch in Johannesburg, South Africa, which is regulated by the Prudential Authority, the Financial Surveillance Department of the South African Reserve Bank and the Financial Sector Conduct Authority. GSBE is directly supervised by the European Central Bank (ECB) and additionally by BaFin and Deutsche Bundesbank in the context of the E.U. Single Supervisory Mechanism (SSM). Goldman Sachs Paris Inc. et Cie (GSPIC), an investment firm regulated by the French Prudential Supervision and Resolution Authority and Financial Markets Regulator, may, among other activities, conduct activities that GSBE is prevented from undertaking. Certain of our non-E.U. subsidiaries also maintain cross-border licenses or exemptions as non-E.U. institutions in E.U. jurisdictions where permitted by domestic legislation.

Capital and Liquidity Requirements. We and GS Bank USA are subject to regulatory risk-based capital and leverage requirements that are calculated in accordance with the regulations of the FRB (Capital Framework). The Capital Framework is largely based on the Basel Committee's framework for strengthening the regulation, supervision and risk management of banks (Basel III) and also implements certain provisions of the Dodd-Frank Act. Under the tailoring rules adopted by the U.S. federal bank regulatory agencies in October 2019, we and GS Bank USA are subject to "Category I" standards because we have been designated as a global systemically important bank (G-SIB). Accordingly, under the Capital Framework, we and GS Bank USA are "Advanced approach" banking organizations. Under the FRB's capital adequacy requirements, we and GS Bank USA must meet specific regulatory capital requirements that involve quantitative measures of assets, liabilities and certain off-balance sheet items. The sufficiency of our capital levels is also subject to qualitative judgments by regulators. We and GS Bank USA are also subject to liquidity requirements established by the U.S. federal bank regulatory agencies.

GSBE is subject to capital requirements prescribed in the E.U. Capital Requirements Regulation (CRR) and the E.U. Fourth Capital Requirements Directive (CRD IV), which are largely based on Basel III. GSBE is subject to liquidity requirements established by E.U. authorities, which are similar to those applicable to GS Bank USA and us. Following the end of the Brexit transition period, from December 31, 2020, GSI and GSIB have become subject to the U.K. capital framework, which is predominantly aligned with the E.U. capital framework.

Amendments to the CRR and CRD IV (respectively, CRR II and CRD V) were finalized in June 2019. CRR II, which includes changes to the market risk, large exposures and leverage ratio frameworks will be applicable from June 2021 in the E.U., and from January 2022 in the U.K. GSI and GSAMI will be subject to a new prudential regime for U.K. investment firms which is expected to be introduced on January 1, 2022.

Risk-Based Capital Ratios. The Capital Framework provides for additional capital ratio requirements for Group Inc., consisting of the capital conservation buffer requirements, comprised of a 2.5% buffer (under the Advanced Capital Rules), a stress capital buffer (under the Standardized Capital Rules), and a countercyclical buffer and the G-SIB surcharge (under both Capital Rules). For GS Bank USA, the capital conservation buffer requirements include a 2.5% buffer and the countercyclical capital buffer. These additional requirements must be satisfied entirely with capital that qualifies as Common Equity Tier 1 (CET1) capital.

The SCB is based on the results of the Federal Reserve's supervisory stress tests, and our planned common stock dividends. The countercyclical capital buffer is designed to counteract systemic vulnerabilities and currently applies only to banking organizations subject to Category I, II or III standards, including us. Several other national supervisors also require countercyclical capital buffers. The G-SIB surcharge and countercyclical capital buffer applicable to us could change in the future. As a result, the minimum capital ratios to which we are subject are likely to change over time.

During 2020, the U.S. federal bank regulatory agencies adopted a rule that allows banking organizations, including us and GS Bank USA, to elect to temporarily delay the estimated effects of adopting the Current Expected Credit Losses (CECL) accounting standard on regulatory capital until January 2022 and to subsequently phase-in the effects through January 2025. The FRB has also stated that it will not incorporate CECL into the calculation of the allowance for credit losses in supervisory stress tests through the 2021 stress test cycle. See Note 3 to the consolidated financial statements in Part II, Item 8 of this Form 10-K for further information about CECL.

The U.S. federal bank regulatory agencies adopted a rule in November 2019 that will implement the Basel Committee's standardized approach for measuring counterparty credit risk exposures in connection with derivative contracts (SA-CCR). Under the rule, beginning January 1, 2022, but with the option to adopt starting April 1, 2020, "Advanced approach" banking organizations will be required to use SA-CCR for purposes of calculating their standardized risk-weighted assets (RWAs) and, with some adjustments, for purposes of determining their supplementary leverage ratios (SLRs) discussed below.

The Basel Committee standards include guidelines for calculating incremental capital ratio requirements for banking institutions that are systemically significant from a domestic but not global perspective (D-SIBs). When these guidelines are implemented by national regulators, they may apply, among others, to certain subsidiaries of G-SIBs. These guidelines are in addition to the framework for G-SIBs, but are more principles-based. CRD V and CRR II provide that institutions that are systemically important at the E.U. or member state level, known as other systemically important institutions (O-SIIs), may be subject to additional capital ratio requirements of up to 3% of CET1, according to their degree of systemic importance (O-SII buffers). The designated authority may impose an O-SII buffer that is greater than 3% in certain cases. CRD IV and the CRR currently provide for an additional requirement of up to 2%. O-SIIs are identified annually, along with their applicable buffers. The PRA has identified Goldman Sachs Group UK Limited (GSG UK), the parent company of GSI and GSIB, as an O-SII. GSG UK's O-SII buffer is currently set at zero percent.

In January 2019, the Basel Committee finalized revisions to the framework for calculating capital requirements for market risk, which is expected to increase market risk capital requirements for most banking organizations and large broker-dealers subject to bank capital requirements. The revised framework, among other things, revises the standardized and internal models approaches used to calculate market risk requirements and clarifies the scope of positions subject to market risk capital requirements. The Basel Committee framework contemplates that national regulators implement the revised framework by January 1, 2023. CRR II, which became effective in June 2019 and establishes a reporting standard, will become applicable in the third quarter of 2021. The U.K. has adopted the reporting standard set out in CRR II but has not stated when it will become applicable. E.U. financial institutions are to report their market risk calculations under the revised framework as early as January 1, 2021. The U.S. federal bank regulatory agencies have not yet proposed rules implementing the 2019 version of the revised market risk framework.

The Basel Committee published standards in December 2017 that it described as the finalization of the Basel III post-crisis regulatory reforms. These standards set a floor on internally modeled capital requirements at a percentage of the capital requirements under the standardized approach. They also revise the Basel Committee's standardized and internal model-based approaches for credit risk, provide a new standardized approach for operational risk capital and revise the frameworks for credit valuation adjustment (CVA) risk. The Basel Committee framework contemplates that national regulators implement these standards by January 1, 2023, and that the new floor be phased in through January 1, 2028. In July 2020, the Basel Committee finalized further revisions to the framework for CVA risk, which are intended to align that framework with the market risk framework.

The Basel Committee has also published updated frameworks relating to Pillar 3 disclosure requirements and the regulatory capital treatment of securitization exposures and a revised G-SIB assessment methodology. The U.S. federal bank regulatory agencies have not yet proposed rules implementing these Basel Committee frameworks or the December 2017 standards for purposes of risk-based capital ratios.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Equity Capital Management and Regulatory Capital" in Part II, Item 7 of this Form 10-K and Note 20 to the consolidated financial statements in Part II, Item 8 of this Form 10-K for information about our capital ratios and those of GS Bank USA and GSI.

As described in "Other Restrictions" below, in September 2016, the FRB issued a proposed rule that would, among other things, require FHCs to hold additional capital in connection with covered physical commodity activities.

Leverage Ratios. Under the Capital Framework, we and GS Bank USA are subject to Tier 1 leverage ratios and SLRs established by the FRB. In April 2018, the FRB and the OCC issued a proposed rule which would replace the current 2% SLR buffer for G-SIBs, including us, with a buffer equal to 50% of their G-SIB surcharge. This proposal, together with the adopted rule requiring use of SA-CCR for purposes of calculating the SLR, would implement certain of the revisions to the leverage ratio framework published by the Basel Committee in December 2017.

The Basel Committee standards provide for the public disclosure of average daily balances for certain components of leverage ratio calculations.

The U.S. federal bank regulatory agencies' rule implementing SA-CCR allows for greater recognition of collateral in the calculation of total leverage exposure relating to client-cleared derivative contracts.

CRR II establishes a 3% minimum leverage ratio requirement for certain E.U. financial institutions, including GSBE. This requirement will be applicable beginning in June 2021. Following Brexit, GSI and GSIB will become subject to a similar PRA-required leverage ratio that is expected to become effective in January 2022.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Equity Capital Management and Regulatory Capital" in Part II, Item 7 of this Form 10-K and Note 20 to the consolidated financial statements in Part II, Item 8 of this Form 10-K for information about our and GS Bank USA's Tier 1 leverage ratios and SLRs, and GSI's leverage ratio.

Liquidity Ratios. The Basel Committee's framework for liquidity risk measurement, standards and monitoring requires banking organizations to measure their liquidity against two specific liquidity tests: the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR).

The LCR rule issued by the U.S. federal bank regulatory agencies and applicable to both us and GS Bank USA is generally consistent with the Basel Committee's framework and is designed to ensure that a banking organization maintains an adequate level of unencumbered, high-quality liquid assets equal to or greater than the expected net cash outflows under an acute short-term liquidity stress scenario. We are required to maintain a minimum LCR of 100%. We disclose, on a quarterly basis, our average daily LCR. See "Available Information" below and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Equity Capital Management and Regulatory Capital" in Part II, Item 7 of this Form 10-K for information about our average daily LCR.

The LCR rule issued by the European Commission, which was incorporated into the U.K. prudential framework and is applicable to GSI, GSIB and GSBE, is also generally consistent with the Basel Committee's framework.

The NSFR is designed to promote medium- and long-term stable funding of the assets and off-balance sheet activities of banking organizations over a one-year time horizon. The Basel Committee's NSFR framework requires banking organizations to maintain a minimum NSFR of 100%.

In October 2020, the U.S. federal bank regulatory agencies issued a final rule implementing the NSFR for large U.S. banking organizations, including us and GS Bank USA. The final rule will become effective on July 1, 2021, and we will be required to publicly disclose our NSFR levels semiannually beginning in 2023. CRR II implements the NSFR for certain E.U. financial institutions, including GSBE. This requirement will be applicable beginning in June 2021. Following the U.K.'s withdrawal from the E.U. on December 31, 2020, GSI and GSIB have become subject to the NSFR requirement implemented in the U.K., which is expected to become effective in January 2022.

The FRB's enhanced prudential standards require BHCs with $100 billion or more in total consolidated assets to comply with enhanced liquidity and overall risk management standards, which include maintaining a level of highly liquid assets based on projected funding needs for 30 days, and increased involvement by boards of directors in liquidity and overall risk management. Although the liquidity requirement under these rules has some similarities to the LCR, it is a separate requirement. GSI and GSIB have their own liquidity planning process, which incorporates internally designed stress tests developed in accordance with the guidelines of the PRA's Internal Liquidity Adequacy Assessment Process (ILAAP). GSBE also has its own liquidity planning process, which incorporates internally designed stress tests and those required under German regulatory requirements and the ECB Guide to ILAAP.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management — Overview and Structure of Risk Management" and "— Liquidity Risk Management" in Part II, Item 7 of this Form 10-K for information about the LCR and NSFR, as well as our risk management practices and liquidity.

Stress Tests. As required by the FRB's Comprehensive Capital Analysis and Review (CCAR) rules, we submit an annual capital plan for review by the FRB. In June 2020, all BHCs participating in CCAR 2020, including us, were required by the FRB to resubmit their capital plans in November 2020 in light of the ongoing economic effects of the COVID-19 pandemic. In addition, we are required to perform company-run stress tests on an annual basis. As described in "Available Information" below, we publish summaries of our stress tests results on our website.

Our annual stress test submission is incorporated into the annual capital plans that we submit to the FRB as part of the CCAR process for large BHCs, which is designed to ensure that capital planning processes will permit continued operations by such institutions during times of economic and financial stress. As part of CCAR, the FRB evaluates an institution's plan to make capital distributions, such as by repurchasing or redeeming stock or making dividend payments, across a range of macroeconomic and company-specific assumptions based on the institution's and the FRB's stress tests.

In March 2020, the FRB approved a final rule replacing the static 2.5% component of the capital conservation buffer, under the Standardized approach capital rules, with the SCB for BHCs with $100 billion or more in total consolidated assets. The SCB reflects stressed losses in the supervisory severely adverse scenario of the FRB's CCAR stress tests and includes four quarters of planned common stock dividends. The SCB is subject to a 2.5% floor and is generally effective on October 1 of each year and remains in effect until October 1 of the following year, unless the SCB is reset in connection with a resubmission of a capital plan. Our first SCB requirement of 6.6% took effect on October 1, 2020.

Depository institutions with total consolidated assets of $250 billion or more that are subsidiaries of U.S. G-SIBs are required to submit annual company-run stress test results to the FRB. Based on growth in its balance sheet, GS Bank USA will be required to submit its annual stress test results in 2022. Depository institutions not subject to company-run stress testing requirements are still required to have their own capital planning process. GSI and GSIB have their own capital planning and stress testing process, which incorporates internally designed stress tests developed in accordance with the guidelines of the PRA's Internal Capital Adequacy Assessment Process (ICAAP). GSBE also has its own capital and stress testing process, which incorporates internally designed stress tests and those required under German regulatory requirements and the ECB Guide to ICAAP.

Dividends and Stock Repurchases. Dividend payments to our shareholders and our stock repurchases are subject to the oversight of the FRB.

The final rule implementing the SCB provides that a BHC must receive prior approval for any dividend, stock repurchase or other capital distribution, other than a capital distribution on a newly issued capital instrument, if the BHC is required to resubmit its capital plan. In connection with the November 2020 resubmission described above under "Stress Tests," the FRB required those BHCs to suspend stock repurchases during the third and fourth quarters of 2020 and not to increase common stock dividends or pay common stock dividends in excess of their average net income over the prior four quarters. In December 2020, the FRB announced that it would require BHCs not to increase common stock dividends and would permit common stock dividends and stock repurchases that, in the aggregate, do not exceed a BHC's average net income over the prior four quarters, as well as stock repurchases equal to the amount of share issuances related to expensed employee compensation. We suspended stock repurchases during the first quarter of 2020 and, consistent with the FRB's requirement for all large BHCs, extended the suspension of stock repurchases through the fourth quarter of 2020. We resumed stock repurchases in the first quarter of 2021.

U.S. federal and state laws impose limitations on the payment of dividends by U.S. depository institutions, such as GS Bank USA. In general, the amount of dividends that may be paid by GS Bank USA is limited to the lesser of the amounts calculated under a recent earnings test and an undivided profits test. Under the recent earnings test, a dividend may not be paid if the total of all dividends declared by the entity in any calendar year is in excess of the current year's net income combined with the retained net income of the two preceding years, unless the entity obtains prior regulatory approval. Under the undivided profits test, a dividend may not be paid in excess of the entity's undivided profits (generally, accumulated net profits that have not been paid out as dividends or transferred to surplus). In addition, as a result of GS Bank USA's election to exclude holdings of U.S. Treasury securities and deposits at the Federal Reserve from its total leverage exposure, in calculating the supplementary leverage ratio, any dividend by GS Bank USA through March 31, 2021 is subject to the prior approval of the FRB.

The applicable U.S. banking regulators have authority to prohibit or limit the payment of dividends if, in the banking regulator's opinion, payment of a dividend would constitute an unsafe or unsound practice in light of the financial condition of the banking organization.

Given the COVID-19 pandemic, significant banks established in the E.U., such as GSBE, are currently subject to an ECB recommendation not to distribute any cash dividends or to limit such distributions through September 2021, and in any event to limit dividends to 15% of their total profits for 2019-2020 and 20 basis points of their CET1 capital ratio, whichever is lower. According to this recommendation, banks that intend to pay dividends or buy back shares need to be profitable and have robust capital.

Source of Strength. The Dodd-Frank Act requires BHCs to act as a source of strength to their bank subsidiaries and to commit capital and financial resources to support those subsidiaries. This support may be required by the FRB at times when BHCs might otherwise determine not to provide it. Capital loans by a BHC to a subsidiary bank are subordinate in right of payment to deposits and to certain other indebtedness of the subsidiary bank. In addition, if a BHC commits to a U.S. federal banking agency that it will maintain the capital of its bank subsidiary, whether in response to the FRB's invoking its source-of-strength authority or in response to other regulatory measures, that commitment will be assumed by the bankruptcy trustee for the BHC and the bank will be entitled to priority payment in respect of that commitment, ahead of other creditors of the BHC.

Transactions between Affiliates. Transactions between GS Bank USA or its subsidiaries and Group Inc. or its other subsidiaries and affiliates are subject to restrictions under the Federal Reserve Act and regulations issued by the FRB. These laws and regulations generally limit the types and amounts of transactions (such as loans and other credit extensions, including credit exposure arising from resale agreements, securities borrowing and derivative transactions, from GS Bank USA or its subsidiaries to Group Inc. or its other subsidiaries and affiliates and purchases of assets by GS Bank USA or its subsidiaries from Group Inc. or its other subsidiaries and affiliates) that may take place and generally require those transactions to be on market terms or better to GS Bank USA or its subsidiaries. These laws and regulations generally do not apply to transactions between GS Bank USA and its subsidiaries. Similarly, PRA rules and German regulatory requirements provide that transactions between GSI, GSIB, GSBE and their respective affiliates, including Group Inc. and GS Bank USA, must be on market terms and are subject to special internal approval requirements.

The BHC Act prohibits the FRB from requiring a payment by a BHC subsidiary to a depository institution if the functional regulator of that subsidiary objects to the payment. In that case, the FRB could instead require the divestiture of the depository institution and impose operating restrictions pending the divestiture.

Resolution and Recovery. We are required by the FRB and the FDIC to submit a periodic plan for our rapid and orderly resolution in the event of material financial distress or failure (resolution plan). If the regulators jointly determine that an institution has failed to remediate identified shortcomings in its resolution plan and that its resolution plan, after any permitted resubmission, is not credible or would not facilitate an orderly resolution under the U.S. Bankruptcy Code, the regulators may jointly impose more stringent capital, leverage or liquidity requirements or restrictions on growth, activities or operations, or may jointly order the institution to divest assets or operations, in order to facilitate orderly resolution in the event of failure. We submitted our 2019 resolution plan in June 2019 and the FRB and FDIC did not identify deficiencies or shortcomings. In October 2019, the FRB and FDIC adopted a rule requiring U.S. G-SIBs to submit resolution plans on a two-year cycle (alternating between full and targeted submissions). Our next required submission is a targeted submission by July 1, 2021. See "Risk Factors — The application of Group Inc.'s proposed resolution strategy could result in greater losses for Group Inc.'s security holders" in Part I, Item 1A of this Form 10-K and "Available Information" in Part I, Item 1 of this Form 10-K for further information about our resolution plan.

We are also required by the FRB to submit, on a periodic basis, a global recovery plan that outlines the steps that we could take to reduce risk, maintain sufficient liquidity, and conserve capital in times of prolonged stress.

The FDIC has issued a rule requiring each insured depository institution (IDI) with $50 billion or more in assets, such as GS Bank USA, to provide a resolution plan. Our resolution plan for GS Bank USA must, among other things, demonstrate that it is adequately protected from risks arising from our other entities. GS Bank USA's most recent resolution plan was submitted in June 2018. In April 2019, the FDIC released an advanced notice of proposed rulemaking about potential changes to its resolution planning requirements for IDIs, including GS Bank USA, and delayed the next round of IDI resolution plan submissions until the rulemaking process is complete. Although the rulemaking process is still pending, in January 2021, the FDIC announced its intention to resume requiring resolution plan submissions for IDIs with $100 billion or more in assets, including GS Bank USA.

The U.S. federal bank regulatory agencies have adopted rules imposing restrictions on qualified financial contracts (QFCs) entered into by G-SIBs, which became fully effective in January 2020. The rules are intended to facilitate the orderly resolution of a failed G-SIB by limiting the ability of the G-SIB to enter into a QFC unless (i) the counterparty waives certain default rights in such contract arising upon the entry of the G-SIB or one of its affiliates into resolution, (ii) the contract does not contain enumerated prohibitions on the transfer of such contract and/or any related credit enhancement, and (iii) the counterparty agrees that the contract will be subject to the special resolution regimes set forth in the Dodd-Frank Act orderly liquidation authority (OLA) and the Federal Deposit Insurance Act of 1950 (FDIA), described below. Compliance can be achieved by adhering to the International Swaps and Derivatives Association Universal Resolution Stay Protocol (ISDA Universal Protocol) or International Swaps and Derivatives Association 2018 U.S. Resolution Stay Protocol (U.S. ISDA Protocol) described below.

Certain of our subsidiaries, along with those of a number of other major global banking organizations, adhere to the ISDA Universal Protocol, which was developed and updated in coordination with the Financial Stability Board (FSB), an international body that sets standards and coordinates the work of national financial authorities and international standard-setting bodies. The ISDA Universal Protocol imposes a stay on certain cross-default and early termination rights within standard ISDA derivative contracts and securities financing transactions between adhering parties in the event that one of them is subject to resolution in its home jurisdiction, including a resolution under the OLA or the FDIA in the U.S. In addition, certain Group Inc. subsidiaries adhere to the U.S. ISDA Protocol, which was based on the ISDA Universal Protocol and was created to allow market participants to comply with the final QFC rules adopted by the federal bank regulatory agencies.

The amended E.U. Bank Recovery and Resolution Directive (BRRD II) establishes a framework for the recovery and resolution of financial institutions in the E.U., such as GSBE. The BRRD II provides national supervisory authorities with tools and powers to pre-emptively address potential financial crises in order to promote financial stability and minimize taxpayers' exposure to losses. The BRRD II requires E.U. member states to grant certain resolution powers to national and, where relevant, E.U. resolution authorities, including the power to impose a temporary stay and to recapitalize a failing entity by writing down its unsecured debt or converting its unsecured debt into equity. Financial institutions in the E.U. must provide that contracts governed by non-E.U. law recognize those temporary stay and bail-in powers unless doing so would be impracticable. Regulatory authorities in the E.U. may require financial institutions in the E.U., including subsidiaries of non-E.U. groups, to submit recovery plans and to assist the relevant resolution authority in constructing resolution plans for the E.U. entities. The U.K. Special Resolution Regime confers substantially the same powers on the Bank of England, as the U.K. resolution authority, and substantially the same requirements on U.K. financial institutions. Further, certain U.K. financial institutions, including GSI and GSIB, have been required by the PRA to submit solvent wind-down plans on how they could be wound down in a stressed environment.

Total Loss-Absorbing Capacity (TLAC). The FRB has issued a rule addressing U.S. implementation of the FSB's TLAC principles and term sheet on minimum TLAC requirements for G-SIBs. The rule (i) establishes minimum TLAC requirements, (ii) establishes minimum "eligible long-term debt" (i.e., debt that is unsecured, has a maturity of at least one year from issuance and satisfies certain additional criteria) requirements, (iii) prohibits certain parent company transactions and (iv) caps the amount of parent company liabilities that are not eligible long-term debt.

The rule also prohibits a BHC that has been designated as a U.S. G-SIB from (i) guaranteeing liabilities of subsidiaries that are subject to early termination provisions if the BHC enters into an insolvency or receivership proceeding, subject to an exception for guarantees permitted by rules of the U.S. federal banking agencies imposing restrictions on QFCs; (ii) incurring liabilities guaranteed by subsidiaries; (iii) issuing short-term debt; or (iv) entering into derivatives and certain other financial contracts with external counterparties.

Additionally, the rule caps, at 5% of the value of the parent company's eligible TLAC, the amount of unsecured non-contingent third-party liabilities that are not eligible long-term debt that could rank equally with or junior to eligible long-term debt.

In October 2020, the FRB, the OCC and the FDIC issued a final rule requiring "Advanced approach" banking organizations, such as us, to deduct from their own regulatory capital certain investments above thresholds in unsecured debt instruments issued by G-SIBs, including those issued for purposes of satisfying TLAC requirements. The rule will become effective April 1, 2021.

The BRRD II and the U.K. resolution regime subject institutions to a minimum requirement for own funds and eligible liabilities (MREL), which is generally consistent with the FSB's TLAC standard. In June 2018, the Bank of England published a statement of policy on internal MREL, which requires a material U.K. subsidiary of an overseas banking group, such as GSI, to meet a minimum internal MREL requirement to facilitate the transfer of losses to its resolution entity, which for GSI is Group Inc. The transitional minimum internal MREL requirement began to phase in from January 1, 2019 and will become fully effective on January 1, 2022. In order to comply with the MREL statement of policy, bail-in triggers have been provided to the Bank of England over certain intercompany regulatory capital and senior debt instruments issued by GSI. These triggers enable the Bank of England to write down such instruments or convert such instruments to equity. The triggers can be exercised by the Bank of England if it determines that GSI has reached the point of non-viability and the FRB and the FDIC have not objected to the bail-in or if Group Inc. enters bankruptcy or similar proceedings.

CRR II and the BRRD II are designed to, among other things, implement the FSB's minimum TLAC requirement for G-SIBs. For example, CRR II requires E.U. subsidiaries of a non-E.U. G-SIB that account for more than 5% of its RWAs, operating income or leverage exposure, such as GSG UK, to meet 90% of the TLAC requirement applicable to E.U. G-SIBs.

CRD V requires a non-E.U. group with more than €40 billion of assets in the E.U., such as us, to establish an E.U. intermediate holding company (E.U. IHC) by December 30, 2023 if it has, as in our case, two or more of certain types of E.U. financial institution subsidiaries, including broker-dealers and banks, and an E.U. group can request to have a second E.U. IHC. CRR II requires E.U. IHCs to satisfy capital, liquidity, MREL and certain other prudential requirements at a consolidated level. The U.K. has not implemented the requirement for an E.U. IHC.

Insolvency of an IDI or a BHC. Under the FDIA, if the FDIC is appointed as conservator or receiver for an IDI such as GS Bank USA, upon its insolvency or in certain other events, the FDIC has broad powers, including the power:

- To transfer any of the IDI's assets and liabilities to a new obligor, including a newly formed "bridge" bank, without the approval of the depository institution's creditors;
- To enforce the IDI's contracts pursuant to their terms without regard to any provisions triggered by the appointment of the FDIC in that capacity; or
- To repudiate or disaffirm any contract or lease to which the IDI is a party, the performance of which is determined by the FDIC to be burdensome and the repudiation or disaffirmance of which is determined by the FDIC to promote the orderly administration of the IDI.

In addition, the claims of holders of domestic deposit liabilities and certain claims for administrative expenses against an IDI would be afforded a priority over other general unsecured claims, including deposits at non-U.S. branches and claims of debtholders of the IDI, in the "liquidation or other resolution" of such an institution by any receiver. As a result, whether or not the FDIC ever sought to repudiate any debt obligations of GS Bank USA, the debtholders (other than depositors at U.S. branches) would be treated differently from, and could receive, if anything, substantially less than, the depositors at U.S. branches of GS Bank USA.

The Dodd-Frank Act created a resolution regime (known as OLA) for BHCs and their affiliates that are systemically important. Under OLA, the FDIC may be appointed as receiver for the systemically important institution and its failed non-bank subsidiaries if, upon the recommendation of applicable regulators, the U.S. Secretary of the Treasury determines, among other things, that the institution is in default or in danger of default, that the institution's failure would have serious adverse effects on the U.S. financial system and that resolution under OLA would avoid or mitigate those effects.

If the FDIC is appointed as receiver under OLA, then the powers of the receiver, and the rights and obligations of creditors and other parties who have dealt with the institution, would be determined under OLA, and not under the bankruptcy or insolvency law that would otherwise apply. The powers of the receiver under OLA were generally based on the powers of the FDIC as receiver for depository institutions under the FDIA.

Substantial differences in the rights of creditors exist between OLA and the U.S. Bankruptcy Code, including the right of the FDIC under OLA to disregard the strict priority of creditor claims in some circumstances, the use of an administrative claims procedure to determine creditors' claims (as opposed to the judicial procedure utilized in bankruptcy proceedings), and the right of the FDIC to transfer claims to a "bridge" entity. In addition, OLA limits the ability of creditors to enforce certain contractual cross-defaults against affiliates of the institution in receivership. The FDIC has issued a notice that it would likely resolve a failed FHC by transferring its assets to a "bridge" holding company under its "single point of entry" or "SPOE" strategy pursuant to OLA.

Deposit Insurance. Deposits at GS Bank USA have the benefit of FDIC insurance up to the applicable limits. The FDIC's Deposit Insurance Fund is funded by assessments on IDIs. GS Bank USA's assessment (subject to adjustment by the FDIC) is currently based on its average total consolidated assets less its average tangible equity during the assessment period, its supervisory ratings and specified forward-looking financial measures used to calculate the assessment rate. In addition, deposits at GSIB are covered by the U.K. Financial Services Compensation Scheme and deposits at GSBE are covered by the German statutory deposit protection scheme and a voluntary top-up scheme, in each case up to the applicable limits.

Prompt Corrective Action. The U.S. Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) requires the U.S. federal bank regulatory agencies to take "prompt corrective action" in respect of depository institutions that do not meet specified capital requirements. FDICIA establishes five capital categories for FDIC-insured banks, such as GS Bank USA: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized.

An institution may be downgraded to, or deemed to be in, a capital category that is lower than is indicated by its capital ratios if it is determined to be in an unsafe or unsound condition or if it receives an unsatisfactory examination rating with respect to certain matters. FDICIA imposes progressively more restrictive constraints on operations, management and capital distributions, as the capital category of an institution declines. Failure to meet the capital requirements could also require a depository institution to raise capital. Ultimately, critically undercapitalized institutions are subject to the appointment of a receiver or conservator, as described in "Insolvency of an IDI or a BHC" above.

The prompt corrective action regulations do not apply to BHCs. However, the FRB is authorized to take appropriate action at the BHC level, based upon the undercapitalized status of the BHC's depository institution subsidiaries. In certain instances, relating to an undercapitalized depository institution subsidiary, the BHC would be required to guarantee the performance of the undercapitalized subsidiary's capital restoration plan and might be liable for civil money damages for failure to fulfill its commitments on that guarantee. Furthermore, in the event of the bankruptcy of the BHC, the guarantee would take priority over the BHC's general unsecured creditors, as described in "Source of Strength" above.

Volcker Rule and Other Restrictions on Activities. As a BHC, we are subject to limitations on the types of business activities we may engage in.

Volcker Rule. The Volcker Rule prohibits "proprietary trading," but permits activities such as underwriting, market making and risk-mitigation hedging, requires an extensive compliance program and includes additional reporting and record-keeping requirements.

In addition, the Volcker Rule limits the sponsorship of, and investment in, "covered funds" (as defined in the rule) by banking entities, including us. It also limits certain types of transactions between us and our sponsored and advised funds, similar to the limitations on transactions between depository institutions and their affiliates. Covered funds include our private equity funds, certain of our credit and real estate funds, our hedge funds and certain other investment structures. The limitation on investments in covered funds requires us to limit our investment in each such fund to 3% or less of the fund's net asset value, and to limit our aggregate investment in all such funds to 3% or less of our Tier 1 capital.

The FRB has extended the conformance period to July 2022 for our investments in, and relationships with, certain legacy "illiquid funds" (as defined in the Volcker Rule) that were in place prior to December 2013. See Note 8 to the consolidated financial statements in Part II, Item 8 of this Form 10-K for further information about our investments in such funds.

The FRB, OCC, FDIC, CFTC and SEC (Volcker Rule regulators) finalized amendments in October 2019 to their regulations implementing the Volcker Rule, tailoring compliance requirements based on the size and scope of a banking entity's trading activities and clarifying and amending certain definitions, requirements and exemptions. Compliance with these amendments became effective in January 2021. In addition, in June 2020 the Volcker Rule regulators finalized their previously proposed amendments to the Volcker Rule's regulations relating to covered funds. These amendments established new exclusions from the covered fund definition for certain types of investment vehicles, modified the eligibility criteria for certain existing exclusions, and clarified and modified other provisions governing banking entities' investments in and other transactions and relationships involving covered funds, including clarifying that investments alongside covered funds are not treated as investments in covered funds subject to the 3% limitation noted above if certain conditions are met. These amendments became effective in October 2020.

Other Restrictions. FHCs generally can engage in a broader range of financial and related activities than are otherwise permissible for BHCs as long as they continue to meet the eligibility requirements for FHCs. The broader range of permissible activities for FHCs includes underwriting, dealing and making markets in securities and making investments in non-FHCs (merchant banking activities). In addition, certain FHCs, including us, are permitted to engage in certain commodities activities in the U.S. that may otherwise be impermissible for BHCs, so long as the assets held pursuant to these activities do not equal 5% or more of their consolidated assets.

The FRB, however, has the authority to limit an FHC's ability to conduct activities that would otherwise be permissible, and will likely do so if the FHC does not satisfactorily meet certain requirements of the FRB. For example, if an FHC or any of its U.S. depository institution subsidiaries ceases to maintain its status as well-capitalized or well-managed, the FRB may impose corrective capital and/or managerial requirements, as well as additional limitations or conditions. If the deficiencies persist, the FHC may be required to divest its U.S. depository institution subsidiaries or to cease engaging in activities other than the business of banking and certain closely related activities.

If any IDI subsidiary of an FHC fails to maintain at least a "satisfactory" rating under the Community Reinvestment Act, the FHC would be subject to restrictions on certain new activities and acquisitions.

In addition, we are required to obtain prior FRB approval before engaging in certain banking and other financial activities both within and outside the U.S.

The FRB issued a proposed rule in September 2016 which, if adopted, would impose new requirements on the physical commodity activities and certain merchant banking activities of FHCs, including, among other things, additional capital requirements, stringent quantitative limits on permissible physical trading activity, and new public reporting requirements. In addition, in a September 2016 report, the FRB recommended that Congress repeal authorities for FHCs to engage in merchant banking activities and for certain FHCs to engage in certain otherwise impermissible commodities activities.

Since January 2020, U.S. G-SIBs, like us, have been required to comply with a rule regarding single counterparty credit limits, which imposes more stringent requirements for credit exposures among major financial institutions. In addition, in 2011, the FRB proposed early remediation requirements, which are modeled on the prompt corrective action regime, described in "Prompt Corrective Action" above, but are designed to require action to begin in earlier stages of a company's financial distress, based on a range of triggers, including capital and leverage, stress test results, liquidity and risk management.

The New York State banking law imposes lending limits (which take into account credit exposure from derivative transactions) and other requirements that could impact the manner and scope of GS Bank USA's activities.

The U.S. federal bank regulatory agencies have issued guidance that focuses on transaction structures and risk management frameworks and that outlines high-level principles for safe-and-sound leveraged lending, including underwriting standards, valuation and stress testing. This guidance has, among other things, limited the percentage amount of debt that can be included in certain transactions.

As a German credit institution, GSBE will become subject to Volcker Rule-type prohibitions in Germany on "proprietary trading" as well as lending and guarantee businesses with hedge funds and other highly-leveraged funds once its assets exceed certain thresholds.

U.K. banks that have over £25 billion of core retail deposits are required to separate their retail banking services from their investment and international banking activities, commonly known as "ring-fencing." GSIB is not currently subject to the ring-fencing requirement and if it were to become subject to it, GSIB would need to make significant operational and structural changes.

Broker-Dealer and Securities Regulation

Our broker-dealer subsidiaries are subject to regulations that cover all aspects of the securities business, including sales methods, trade practices, use and safekeeping of clients' funds and securities, capital structure, record-keeping, the financing of clients' purchases, and the conduct of directors, officers and employees. In the U.S., the SEC is the federal agency responsible for the administration of the federal securities laws. GS&Co. is registered as a broker-dealer, a municipal advisor and an investment adviser with the SEC and as a broker-dealer in all 50 states and the District of Columbia. U.S. self-regulatory organizations, such as FINRA and the NYSE, adopt rules that apply to, and examine, broker-dealers such as GS&Co.

U.S. state securities and other U.S. regulators also have regulatory or oversight authority over GS&Co. Similarly, our businesses are also subject to regulation by various non-U.S. governmental and regulatory bodies and self-regulatory authorities in virtually all countries where we have offices, as described further below. For a description of net capital requirements applicable to GS&Co., see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Equity Capital Management and Regulatory Capital — U.S. Regulated Broker-Dealer Subsidiaries" in Part II, Item 7 of this Form 10-K.

In Europe, we provide broker-dealer services, including through GSI, GSBE and GSPIC, that are subject to oversight by national regulators. These services are regulated in accordance with U.K., E.U. and national laws and regulations. These laws require, among other things, compliance with certain capital adequacy and liquidity standards, customer protection requirements and market conduct and trade reporting rules. Certain of our European subsidiaries are also regulated by the securities, derivatives and commodities exchanges of which they are members.

Goldman Sachs Japan Co., Ltd. (GSJCL), our regulated Japanese broker-dealer, is subject to capital requirements imposed by Japan's Financial Services Agency. GSJCL is also regulated by the Tokyo Stock Exchange, the Osaka Exchange, the Tokyo Financial Exchange, the Japan Securities Dealers Association, the Tokyo Commodity Exchange, the Securities and Exchange Surveillance Commission, the Bank of Japan and the Ministry of Finance, among others.

The Securities and Futures Commission in Hong Kong, the Monetary Authority of Singapore, the China Securities Regulatory Commission, the Korean Financial Supervisory Service, the Reserve Bank of India, the Securities and Exchange Board of India, the Australian Securities and Investments Commission and the Australian Securities Exchange, among others, regulate various of our subsidiaries and also have capital standards and other requirements comparable to the rules of the SEC.

Our exchange-based market-making activities are subject to extensive regulation by a number of securities exchanges. As a market maker on exchanges, we are required to maintain orderly markets in the securities to which we are assigned.

In the E.U. and the U.K., MiFID II includes extensive market structure reforms, such as the establishment of new trading venue categories for the purposes of discharging the obligation to trade OTC derivatives on a trading platform and enhanced pre- and post-trade transparency covering a wider range of financial instruments. In equities, MiFID II introduced volume caps on non-transparent liquidity trading for trading venues, limited the use of broker-dealer crossing networks and created a new regime for systematic internalizers, which are investment firms that execute client transactions outside a trading venue. Additional control requirements were introduced for algorithmic trading, high frequency trading and direct electronic access. Commodities trading firms are required to calculate their positions and adhere to specific position limits. Other reforms introduced enhanced transaction reporting, the publication of best execution data by investment firms and trading venues, transparency on costs and charges of service to investors, changes to the way investment managers can pay for the receipt of investment research, rules limiting the payment and receipt of soft commissions and other forms of inducements, and mandatory unbundling for broker-dealers between execution and other major services.

The SEC requires broker-dealers to act in the best interest of their customers, and also issued an interpretation clarifying the SEC's views of the existing fiduciary duty owed by investment advisers to their clients. Additionally, the SEC adopted a rule that requires broker-dealers and investment advisers to provide a standardized, short-form disclosure highlighting services offered, applicable standards of conduct, fees and costs, the differences between brokerage and advisory services, and any conflicts of interest. Requirements under these rules became effective in June 2020. Several states have adopted or proposed adopting uniform fiduciary duty standards applicable to broker-dealers and advisers.

The SEC, FINRA and regulators in various non-U.S. jurisdictions have imposed both conduct-based and disclosure-based requirements with respect to research reports and research analysts and may impose additional regulations.

GS&Co., GS Bank USA and other U.S. subsidiaries are also subject to rules adopted by U.S. federal agencies pursuant to the Dodd-Frank Act that require any person who organizes or initiates certain asset-backed securities transactions to retain a portion (generally, at least five percent) of any credit risk that the person conveys to a third party. For certain securitization transactions, retention by third-party purchasers may satisfy this requirement. Certain of our non-U.S. subsidiaries, including GSI, are subject to risk retention requirements in connection with securitization activities.

Swaps, Derivatives and Commodities Regulation

The commodity futures, commodity options and swaps industry in the U.S. is subject to regulation under the U.S. Commodity Exchange Act (CEA). The CFTC is the U.S. federal agency charged with the administration of the CEA. In addition, the SEC is the U.S. federal agency charged with the regulation of security-based swaps. The rules and regulations of various self-regulatory organizations, such as the Chicago Mercantile Exchange, other futures exchanges and the National Futures Association, also govern commodity futures, commodity options and swaps activities.

The terms "swaps" and "security-based swaps" include a wide variety of derivative instruments in addition to those conventionally referred to as swaps (including certain forward contracts and options), and relate to a wide variety of underlying assets or obligations, including currencies, commodities, interest or other monetary rates, yields, indices, securities, credit events, loans and other financial obligations.

CFTC rules require registration of swap dealers, mandatory clearing and execution of interest rate and credit default swaps and real-time public reporting and adherence to business conduct standards for all in-scope swaps. GS&Co. and other subsidiaries, including GS Bank USA, GSI, GSBE and J. Aron & Company LLC (J. Aron), are registered with the CFTC as swap dealers. In July 2020, the CFTC adopted final rules establishing capital requirements for swap dealers that are not subject to the capital rules of a prudential regulator, such as the FRB. The CFTC also adopted financial reporting requirements for covered swap entities and amended existing capital rules for CFTC-registered futures commission merchants to provide explicit capital requirements for proprietary positions in swaps and security-based swaps that are not cleared by a clearing organization. Compliance with the final rules is required by October 6, 2021. Certain of our registered swap dealers, including J. Aron, will be subject to the CFTC's capital requirements.

Our affiliates registered as swap dealers are subject to the margin rules issued by the CFTC (in the case of our non-bank swap dealers) and the FRB (in the case of GS Bank USA and GSBE). The rules for variation margin have become effective, and those for initial margin will phase in through September 2022 depending on certain activity levels of the swap dealer and the relevant counterparty. Inter-affiliate transactions under the CFTC margin rules are generally exempt from initial margin requirements. In June 2020, the FRB adopted a final rule that exempts inter-affiliate swaps from its initial margin requirements subject to certain thresholds.

The CFTC has adopted rules relating to cross-border regulation of swaps, business conduct and registration requirements. The CFTC has entered into agreements with certain non-U.S. regulators, including in the E.U., regarding the cross-border regulation of derivatives and the mutual recognition of cross-border clearing houses, and has approved substituted compliance with certain non-U.S. regulations, including E.U. regulations, related to certain business conduct requirements and margin rules. The U.S. prudential regulators have not yet made a determination with respect to substituted compliance for transactions subject to non-U.S. margin rules.

Similar types of swap regulation have been proposed or adopted in jurisdictions outside the U.S., including in the E.U. and Japan. For example, the E.U. and the U.K. have established regulatory requirements relating to portfolio reconciliation and reporting, clearing certain OTC derivatives and margining for uncleared derivatives activities under the European Market Infrastructure Regulation (EMIR).

SEC rules govern the registration and regulation of security-based swap dealers. The SEC adopted a number of rules and rule amendments for security-based swap dealers in 2019, including (i) capital, margin and segregation requirements, (ii) record-keeping, reporting and notification requirements, and (iii) the application of risk mitigation techniques to uncleared portfolios of security-based swaps and the cross-border application of certain security-based swap requirements. The compliance date for these SEC rules, as well as SEC rules addressing registration requirements and business conduct standards, is generally October 2021. We anticipate that certain of our subsidiaries will register with the SEC as security-based swap dealers and become subject to the SEC's regulations regarding security-based swaps.

The CFTC has adopted position limit rules that will limit the size of positions in physical commodity derivatives that can be held by any entity, or any group of affiliates or other parties trading under common control, subject to certain exemptions, such as for bona fide hedging positions. However, effective in 2023, the new rules will eliminate the risk management exemption, which allowed swap dealers to claim an exemption for the hedging of swap-related risks. The new CFTC position limits will apply to certain positions in swaps, as well as futures and options on futures, on physical commodities, and limits will apply to both physically and cash settled positions. Currently, position limits on futures on physical commodities are administered by the relevant exchanges, with the exception of futures on certain agricultural commodities, which are administered by the CFTC. Under the CFTC's position limit rules, all futures and options on futures on an enumerated list of physical commodities, including certain agricultural, energy and metals commodities, as well as related swaps, will be subject to the CFTC's position limits. The new position limit rules impose limits in the spot month only (i.e., during the delivery period for the physical commodities, which is typically a period of several days), although the CFTC may in the future impose limits in non-spot months as well. CFTC spot and non-spot month limits will continue to apply to futures on certain legacy agricultural commodities.

J. Aron is authorized by the U.S. Federal Energy Regulatory Commission (FERC) to sell wholesale physical power at market-based rates. As a FERC-authorized power marketer, J. Aron is subject to regulation under the U.S. Federal Power Act and FERC regulations and to the oversight of FERC. As a result of our investing activities, Group Inc. is also an "exempt holding company" under the U.S. Public Utility Holding Company Act of 2005 and applicable FERC rules.

In addition, as a result of our power-related and commodities activities, we are subject to energy, environmental and other governmental laws and regulations, as described in "Risk Factors — Our commodities activities, particularly our physical commodities activities, subject us to extensive regulation and involve certain potential risks, including environmental, reputational and other risks that may expose us to significant liabilities and costs" in Part I, Item 1A of this Form 10-K.

GS&Co. is registered with the CFTC as a futures commission merchant, and several of our subsidiaries, including GS&Co., are registered with the CFTC and act as commodity pool operators and commodity trading advisors. Goldman Sachs Financial Markets, L.P. is registered with the SEC as an OTC derivatives dealer.

Asset Management and Wealth Management Regulation

Our asset management and wealth management businesses are subject to extensive oversight by regulators around the world relating to, among other things, the fair treatment of clients, safeguarding of client assets, offerings of funds, marketing activities, transactions among affiliates and our management of client funds.

Certain of our European subsidiaries, including GSAMI in the U.K. and GSBE in the E.U., are subject to MiFID II and/or related regulations (including the U.K. legislation making such regulations part of U.K. law), which govern the approval, organizational, marketing and reporting requirements of U.K. or E.U.-based investment managers and the ability of investment fund managers located outside the E.U. or the U.K. to access those markets. Our asset management business in the U.K. and the E.U. significantly depends on our ability to delegate parts of our activities to other affiliates.

Consumer Regulation

Our U.S. consumer-oriented activities are subject to extensive oversight by federal and state regulators. These businesses are subject to supervision and regulation by the CFPB with respect to federal consumer protection laws, including laws relating to fair lending and the prohibition of unfair, deceptive or abusive acts or practices in connection with the offer, sale or provision of consumer financial products and services. Our consumer-oriented businesses are also subject to various state and local consumer protection laws. These laws, rules and regulations, among other things, impose obligations relating to our marketing, origination, servicing and collections activity in our consumer businesses. Many of these laws, rules and regulations also apply to our small business lending activities which are subject to supervision and regulation by federal and state regulators as well. Our U.K. consumer deposit-taking activities are also subject to consumer protection regulations.

Compensation Practices

Our compensation practices are subject to oversight by the FRB and, with respect to some of our subsidiaries and employees, by other regulatory bodies worldwide.

The FSB has released standards for local regulators to implement certain compensation principles for banks and other financial companies designed to encourage sound compensation practices. The U.S. federal bank regulatory agencies have provided guidance designed to ensure that incentive compensation arrangements at banking organizations take into account risk and are consistent with safe and sound practices. The guidance sets forth the following three key principles with respect to incentive compensation arrangements: (i) the arrangements should provide employees with incentives that appropriately balance risk and financial results in a manner that does not encourage employees to expose their organizations to imprudent risk; (ii) the arrangements should be compatible with effective controls and risk management; and (iii) the arrangements should be supported by strong corporate governance. The guidance provides that supervisory findings with respect to incentive compensation will be incorporated, as appropriate, into the organization's supervisory ratings, which can affect its ability to make acquisitions or perform other actions. The guidance also notes that enforcement actions may be taken against a banking organization if its incentive compensation arrangements or related risk management, control or governance processes pose a risk to the organization's safety and soundness.

The Dodd-Frank Act requires the U.S. financial regulators, including the FRB and SEC, to adopt rules on incentive-based payment arrangements at specified regulated entities having at least $1 billion in total assets. The U.S. financial regulators proposed revised rules in 2016, which have not been finalized.

The NYDFS issued guidance in October 2016 emphasizing that its regulated banking institutions, including GS Bank USA, must ensure that any incentive compensation arrangements tied to employee performance indicators are subject to effective risk management, oversight and control.

In the E.U., the CRR and CRD IV include compensation provisions designed to implement the FSB's compensation standards. These rules have been implemented by E.U. member states and in the U.K. and, among other things, limit the ratio of variable to fixed compensation of all employees at GSBE and certain employees at our other operating subsidiaries in the E.U. and in the U.K., including those employees identified as having a material impact on the risk profile of regulated entities. CRR II and CRD V amend certain aspects of these rules, including, among other things, by increasing minimum variable compensation deferral periods. Substantially similar requirements apply in the U.K. in relation to GSI and GSIB.

The E.U. has also introduced rules regulating compensation for certain persons providing services to certain investment funds. These requirements are in addition to the guidance issued by U.S. financial regulators and the Dodd-Frank Act provision, each as described above.

Anti-Money Laundering and Anti-Bribery Rules and Regulations

The U.S. Bank Secrecy Act (BSA), as amended by the USA PATRIOT Act of 2001 (PATRIOT Act), contains anti-money laundering and financial transparency laws and mandates the implementation of various regulations applicable to all financial institutions, including standards for verifying client identification at account opening, and obligations to monitor client transactions and report suspicious activities. Through these and other provisions, the BSA and the PATRIOT Act seek to promote the identification of parties that may be involved in terrorism, money laundering or other suspicious activities. Anti-money laundering laws outside the U.S. contain some similar provisions.

In January 2021, the Anti-Money Laundering Act of 2020 (AMLA), which amends the BSA, was enacted. The AMLA is intended to comprehensively reform and modernize U.S. anti-money laundering laws. Among other things, the AMLA codifies a risk-based approach to anti-money laundering compliance for financial institutions; requires the development of standards by the U.S. Department of the Treasury for evaluating technology and internal processes for BSA compliance; and expands enforcement- and investigation-related authority, including a significant expansion in the available sanctions for certain BSA violations and instituting BSA whistleblower incentives and protections. Many of the statutory provisions in the AMLA will require additional rulemakings, reports and other measures, and the impact of the AMLA will depend on, among other things, rulemaking and implementation guidance.

In addition, we are subject to laws and regulations worldwide, including the U.S. Foreign Corrupt Practices Act (FCPA) and the U.K. Bribery Act, relating to corrupt and illegal payments to, and hiring practices with regard to, government officials and others. The scope of the types of payments or other benefits covered by these laws is very broad and regulators are frequently using enforcement proceedings to define the scope of these laws. The obligation of financial institutions to identify their clients, to monitor for and report suspicious transactions, to monitor direct and indirect payments to politically exposed persons, to respond to requests for information by regulatory authorities and law enforcement agencies, and to share information with other financial institutions, has required the implementation and maintenance of internal practices, procedures and controls.

Privacy and Cyber Security Regulation

Our businesses are subject to laws and regulations enacted by U.S. federal and state governments, the E.U., the U.K. or other non-U.S. jurisdictions and/or enacted by various regulatory organizations or exchanges relating to the privacy of the information of clients, employees or others, including the GLB Act, the E.U.'s General Data Protection Regulation (GDPR), the U.K.'s Data Protection Act 2018, the Japanese Personal Information Protection Act, the Hong Kong Personal Data (Privacy) Ordinance, the Australian Privacy Act, the Brazilian Bank Secrecy Law, and the California Consumer Privacy Act of 2018 (CCPA). The GDPR has heightened our privacy compliance obligations, impacted certain of our businesses' collection, processing and retention of personal data and imposed strict standards for reporting data breaches. The GDPR also provides for significant penalties for non-compliance. In addition, the CCPA imposes compliance obligations with regard to the collection, use and disclosure of personal information. The substantive obligations under the 2020 amendments to the CCPA become effective on January 1, 2023. In addition, several other states and non-U.S. jurisdictions have enacted, or are proposing, privacy and data protection laws similar to the GDPR and the CCPA.

The NYDFS also requires financial institutions regulated by the NYDFS, including GS Bank USA, to, among other things, (i) establish and maintain a cyber security program designed to ensure the confidentiality, integrity and availability of their information systems; (ii) implement and maintain a written cyber security policy setting forth policies and procedures for the protection of their information systems and nonpublic information; and (iii) designate a Chief Information Security Officer.

In December 2020, the U.S. federal bank regulatory agencies released a proposed rule regarding notification requirements for banking organizations related to significant computer security incidents. Under the proposal, a BHC or state member bank, such as Group Inc. or GS Bank USA, would be required to notify the FRB within 36 hours of incidents that could result in the banking organization's inability to deliver services to a material portion of its customer base, jeopardize the viability of key operations of the banking organization, or impact the stability of the financial sector.

Information about our Executive Officers

Set forth below are the name, age, present title, principal occupation and certain biographical information for the executive officers who have been appointed by, and serve at the pleasure of, Group Inc.'s Board of Directors (Board).

Sheara Fredman, 45

Ms. Fredman has been Controller and Chief Accounting Officer since November 2019. She had previously served as Head of Regulatory Controllers from September 2017 and, prior to that, she had served as Global Product Controller.

Elizabeth M. Hammack, 49

Ms. Hammack has been Global Treasurer since January 2018. She had previously served as Global Head of Short Term Macro Trading and Global Repo Trading from August 2015 to January 2018. Prior to that, she was Co-Head of U.S. Interest Rate Products Cash Trading from January 2011 to August 2015.

Brian J. Lee, 54

Mr. Lee has been Chief Risk Officer since November 2019. He had previously served as Controller and Chief Accounting Officer from March 2017 and, prior to that, he had served as Deputy Controller from 2014.

John F.W. Rogers, 64

Mr. Rogers has been an Executive Vice President since April 2011 and Chief of Staff and Secretary to the Board since December 2001.

Stephen M. Scherr, 56

Mr. Scherr has been Chief Financial Officer since November 2018. He had previously served as Chief Executive Officer of Goldman Sachs Bank USA from May 2016, and Head of the Consumer & Commercial Banking Division from 2016 to 2018. From June 2014 to November 2017, he was Chief Strategy Officer, and from 2011 to 2016 he was Head of the Latin America business. He was also Global Head of the Financing Group from 2008 to 2014.

Karen P. Seymour, 59

Ms. Seymour has been an Executive Vice President, General Counsel and Secretary since January 2018. Since January 2019, she has been Head of the Legal Division and was previously Co-Head of the Legal Division from January 2018 to January 2019. From 2000 through January 2002 and 2005 through 2017, she was a partner at Sullivan & Cromwell LLP, a global law firm, including serving as a member of its management committee from April 2015 to December 2017, and as the co-managing partner of its litigation group from December 2012 to April 2015.

David M. Solomon, 59
Mr. Solomon has been Chairman of the Board since January 2019 and Chief Executive Officer and a director since October 2018. He had previously served as President and Chief or Co-Chief Operating Officer from January 2017 and Co-Head of the Investment Banking Division from July 2006 to December 2016.

Laurence Stein, 53
Mr. Stein has been Chief Administrative Officer since January 2018. He had previously served as Global Head of the Operations Division from October 2015 to December 2017. From August 2009 to October 2015, he was Chief Operating Officer of the Securities Division.

John E. Waldron, 51
Mr. Waldron has been President and Chief Operating Officer since October 2018. He had previously served as Co-Head of the Investment Banking Division from December 2014. Prior to that he was Global Head of Investment Banking Services/Client Coverage for the Investment Banking Division and had oversight of the Investment Banking Services Leadership Group, and from 2007 to 2009 was Global Co-Head of the Financial Sponsors Group.

Available Information

Our internet address is www.goldmansachs.com and the investor relations section of our website is located at www.goldmansachs.com/investor-relations, where we make available, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as well as proxy statements, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Also posted on our website, and available in print upon request of any shareholder to our Investor Relations Department (Investor Relations), are our certificate of incorporation and by-laws, charters for our Audit, Risk, Compensation, Corporate Governance and Nominating, and Public Responsibilities Committees, our Policy Regarding Director Independence Determinations, our Policy on Reporting of Concerns Regarding Accounting and Other Matters, our Corporate Governance Guidelines, our Code of Business Conduct and Ethics governing our directors, officers and employees and our Sustainability Report. Within the time period required by the SEC, we will post on our website any amendment to the Code of Business Conduct and Ethics and any waiver applicable to any executive officer, director or senior financial officer.

Our website also includes information about (i) purchases and sales of our equity securities by our executive officers and directors; (ii) disclosure relating to certain non-GAAP financial measures (as defined in the SEC's Regulation G) that we may make public orally, telephonically, by webcast, by broadcast or by other means; (iii) DFAST results; (iv) the public portion of our resolution plan submission; (v) our Pillar 3 disclosure; and (vi) our average daily LCR.

Investor Relations can be contacted at The Goldman Sachs Group, Inc., 200 West Street, 29th Floor, New York, New York 10282, Attention: Investor Relations, telephone: 212-902-0300, e-mail: gs-investor-relations@gs.com. We use our website, our Twitter account (twitter.com/GoldmanSachs), our Instagram account (instagram.com/GoldmanSachs) and other social media channels as additional means of disclosing public information to investors, the media and others. Our officers may use similar social media channels to disclose public information. It is possible that certain information we or our officers post on our website and on social media could be deemed material, and we encourage investors, the media and others interested in Goldman Sachs to review the business and financial information we or our officers post on our website and on the social media channels identified above. The information on our website and those social media channels is not incorporated by reference into this Form 10-K.

Cautionary Statement Pursuant to the U.S. Private Securities Litigation Reform Act of 1995

We have included in this Form 10-K, and our management may make, statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are not historical facts or statements of current conditions, but instead represent only our beliefs regarding future events, many of which, by their nature, are inherently uncertain and outside our control.

By identifying these statements for you in this manner, we are alerting you to the possibility that our actual results, financial condition, liquidity and capital actions may differ, possibly materially, from the anticipated results, financial condition and liquidity in these forward-looking statements. Important factors that could cause our results, financial condition, liquidity and capital actions to differ from those in these statements include, among others, those described below and in "Risk Factors" in Part I, Item 1A of this Form 10-K.

These statements may relate to, among other things, (i) our future plans and results, including our target ROE, ROTE, efficiency ratio and CET1 capital ratio, and how they can be achieved, (ii) trends in or growth opportunities for our businesses, including the timing, costs, profitability, benefits and other aspects of business and strategic initiatives and their impact on our efficiency ratio, (iii) our level of future compensation expense, including as a percentage of both operating expenses and revenues net of provision for credit losses, (iv) our investment banking transaction backlog, (v) our expected interest income and interest expense, (vi) our expense savings and strategic locations initiatives, (vii) expenses we may incur, including future litigation expense and expenses from investing in our consumer and transaction banking businesses, (viii) the projected growth of our deposits and other funding, asset liability management and funding strategies and related interest expense savings, (ix) our business initiatives, including transaction banking and new consumer financial products, (x) our planned 2021 parent vanilla debt issuances, (xi) the amount, composition and location of GCLA we expect to hold, (xii) our credit exposures, (xiii) our expected provisions for credit losses (including those related to our co-branded credit card relationship with General Motors), (xiv) the adequacy of our allowance for credit losses, (xv) the projected growth of our installment loan and credit card businesses, (xvi) the objectives and effectiveness of our business continuity plan (BCP), information security program, risk management and liquidity policies, (xvii) our resolution plan and strategy and their implications for stakeholders, (xviii) the design and effectiveness of our resolution capital and liquidity models and triggers and alerts framework, (xix) the results of stress tests, (xx) the effect of changes to regulations, and our future status, activities or reporting under banking and financial regulation, (xxi) our NSFR, (xxii) our expected tax rate, (xxiii) the future state of our liquidity and regulatory capital ratios, and our prospective capital distributions (including dividends and repurchases), (xxiv) our expected SCB and G-SIB surcharge, (xxv) legal proceedings, governmental investigations or other contingencies, (xxvi) the 1MDB settlements, including the asset recovery guarantee and our remediation activities, (xxvii) the effectiveness of our strategy with respect to Brexit, (xxviii) the replacement of IBORs and our transition to alternative risk-free reference rates, (xxix) the impact of the COVID-19 pandemic on our business, results, financial position and liquidity, (xxx) the effectiveness of our management of our human capital, including our diversity goals and (xxxi) our plans for our people to return to our offices.

Statements about our target ROE, ROTE, efficiency ratio and expense savings, and how they can be achieved, are based on our current expectations regarding our business prospects and are subject to the risk that we may be unable to achieve our targets due to, among other things, changes in our business mix, lower profitability of new business initiatives, increases in technology and other costs to launch and bring new business initiatives to scale, and increases in liquidity requirements.

Statements about our target ROE, ROTE and CET1 capital ratio, and how they can be achieved, are based on our current expectations regarding the capital requirements applicable to us and are subject to the risk that our actual capital requirements may be higher than currently anticipated because of, among other factors, changes in the regulatory capital requirements applicable to us resulting from changes in regulations or the interpretation or application of existing regulations or changes in the nature and composition of our activities.

Statements about the timing, costs, profitability, benefits and other aspects of business and expense savings initiatives, the level and composition of more durable revenues and increases in market share are based on our current expectations regarding our ability to implement these initiatives and actual results may differ, possibly materially, from current expectations due to, among other things, a delay in the timing of these initiatives, increased competition and an inability to reduce expenses and grow businesses with durable revenues.

Statements about the level of future compensation expense, including as a percentage of both operating expenses and revenues net of provision for credit losses, and our efficiency ratio as our platform business initiatives reach scale are subject to the risks that the compensation and other costs to operate our businesses, including platform initiatives, may be greater than currently expected.

Statements about our investment banking transaction backlog are subject to the risk that such transactions may be modified or may not be completed at all and related net revenues may not be realized or may be materially less than expected. Important factors that could have such a result include, for underwriting transactions, a decline or weakness in general economic conditions, an outbreak of hostilities, volatility in the securities markets or an adverse development with respect to the issuer of the securities and, for financial advisory transactions, a decline in the securities markets, an inability to obtain adequate financing, an adverse development with respect to a party to the transaction or a failure to obtain a required regulatory approval. For information about other important factors that could adversely affect our investment banking transactions, see “Risk Factors” in Part I, Item 1A of this Form 10-K.

Statements about the projected growth of our deposits and other funding, asset liability management and funding strategies and related interest expense savings, and our installment loan and credit card businesses, are subject to the risk that actual growth and savings may differ, possibly materially, from that currently anticipated due to, among other things, changes in interest rates and competition from other similar products.

Statements about planned 2021 parent vanilla debt issuances and the amount, composition and location of GCLA we expect to hold are subject to the risk that actual issuances and GCLA levels may differ, possibly materially, from that currently expected due to changes in market conditions, business opportunities or our funding and projected liquidity needs.

Statements about our expected provisions for credit losses (including those related to our co-branded credit card relationship with General Motors) are subject to the risk that actual credit losses may differ and our expectations may change, possibly materially, from that currently anticipated due to, among other things, changes to the composition of our loan portfolio and changes in the economic environment in future periods and our forecasts of future economic conditions, as well as changes in our models, policies and other management judgments.

Statements about our NSFR and SCB are based on our current interpretation and expectations of the relevant rules, and reflect significant assumptions about how our NSFR and SCB are calculated. Our actual SCB will depend on the results of the applicable supervisory stress tests, and the methods used to calculate our NSFR and SCB may differ, possibly materially, from those used to calculate our NSFR and SCB for future disclosures.

Statements about our future effective income tax rate are subject to the risk that it may differ from the anticipated rate indicated in such statements, possibly materially, due to, among other things, changes in the tax rates applicable to us, changes in our earnings mix, our profitability and entities in which we generate profits, the assumptions we have made in forecasting our expected tax rate, as well as any corporate tax legislation that may be enacted or any guidance that may be issued by the U.S. Internal Revenue Service.

Statements about the future state of our liquidity and regulatory capital ratios (including our SCB and G-SIB surcharge), and our prospective capital distributions (including dividends and repurchases), are subject to the risk that our actual liquidity, regulatory capital ratios and capital distributions may differ, possibly materially, from what is currently expected due to, among other things, the need to use capital to support clients, increased regulatory requirements and changes to the composition of our balance sheet.

Statements about the risk exposure related to the asset recovery guarantee provided to the Government of Malaysia are subject to the risk that the actual value of assets and proceeds from assets seized and returned to the Government of Malaysia may be less than currently anticipated. Statements about the application for and pursuit of exemptions and authorizations from regulatory authorities, including the U.S. Department of Labor, in connection with the settlements relating to 1Malaysia Development Berhad (1MDB) and the progress or the status of remediation activities relating to 1MDB are based on our expectations regarding the prospects for receiving the exemptions and authorizations and the current remediation plans. Accordingly, our ability to receive the exemptions and authorizations and complete the remediation activities may change, possibly materially, from what is currently expected.

Statements about our objectives in management of our human capital, including our diversity goals, are based on our current expectations and are subject to the risk that we may not achieve these objectives and goals due to, among other things, competition in recruiting and attracting diverse candidates and unsuccessful efforts in retaining diverse employees.

Statements about our plans for our people to return to our offices are based on our current expectations and that return may be delayed due to, among other factors, future events that are unpredictable, including the course of the COVID-19 pandemic, responses of governmental authorities and the availability, use and effectiveness of vaccines.

Item 1A. Risk Factors

We face a variety of risks that are substantial and inherent in our businesses.

The following is a summary of some of the more important factors that could affect our businesses:

Market

- Our businesses have been and may in the future be adversely affected by conditions in the global financial markets and broader economic conditions.
- Our businesses have been and may in the future be adversely affected by declining asset values, particularly where we have net "long" positions, receive fees based on the value of assets managed, or receive or post collateral.
- Our market-making activities have been and may in the future be affected by changes in the levels of market volatility.

- Our investment banking, client intermediation, asset management and wealth management businesses have been adversely affected and may in the future be adversely affected by market uncertainty or lack of confidence among investors and CEOs due to declines in economic activity and other unfavorable economic, geopolitical or market conditions.
- Our asset management and wealth management businesses have been and may in the future be adversely affected by the poor investment performance of our investment products or a client preference for products other than those which we offer or for products that generate lower fees.

Liquidity

- Our liquidity, profitability and businesses may be adversely affected by an inability to access the debt capital markets or to sell assets.
- Our businesses have been and may in the future be adversely affected by disruptions or lack of liquidity in the credit markets, including reduced access to credit and higher costs of obtaining credit.
- Reductions in our credit ratings or an increase in our credit spreads may adversely affect our liquidity and cost of funding.
- Group Inc. is a holding company and its liquidity depends on payments from its subsidiaries, many of which are subject to legal, regulatory and other restrictions on providing funds or assets to Group Inc.

Credit

- Our businesses, profitability and liquidity may be adversely affected by deterioration in the credit quality of or defaults by third parties.
- Concentration of risk increases the potential for significant losses in our market-making, underwriting, investing and financing activities.
- Derivative transactions and delayed documentation or settlements may expose us to credit risk, unexpected risks and potential losses.

Market Developments and General Business Environment

- Our businesses, financial condition, liquidity and results of operations have been and may in the future be adversely affected by the COVID-19 pandemic.
- Our strategy with respect to Brexit may not be effective.
- Certain of our businesses, our funding instruments and financial products may be adversely affected by changes in or the discontinuance of Interbank Offered Rates (IBORs), in particular LIBOR.
- Certain of our businesses and our funding instruments may be adversely affected by changes in other reference rates, currencies, indexes, baskets or ETFs to which products we offer or funding that we raise are linked.
- We face enhanced risks as new business initiatives and acquisitions lead us to engage in new activities, operate in new locations, transact with a broader array of clients and counterparties and expose us to new asset classes and new markets.

Operational

- A failure in our operational systems or infrastructure, or those of third parties, as well as human error, malfeasance or other misconduct, could impair our liquidity, disrupt our businesses, result in the disclosure of confidential information, damage our reputation and cause losses.
- A failure to protect our computer systems, networks and information, and our clients' information, against cyber attacks and similar threats could impair our ability to conduct our businesses, result in the disclosure, theft or destruction of confidential information, damage our reputation and cause losses.
- We may incur losses as a result of ineffective risk management processes and strategies.
- We may incur losses as a result of unforeseen or catastrophic events, including pandemics, terrorist attacks, extreme weather events or other natural disasters.
- Climate change concerns could disrupt our businesses, adversely affect client activity levels, adversely affect the creditworthiness of our counterparties and damage our reputation.

Legal and Regulatory

- Our businesses and those of our clients are subject to extensive and pervasive regulation around the world.
- A failure to appropriately identify and address potential conflicts of interest could adversely affect our businesses.
- We may be adversely affected by increased governmental and regulatory scrutiny or negative publicity.
- Substantial civil or criminal liability or significant regulatory action against us could have material adverse financial effects or cause us significant reputational harm, which in turn could seriously harm our business prospects.
- In conducting our businesses around the world, we are subject to political, legal, regulatory and other risks that are inherent in operating in many countries.

- The application of regulatory strategies and requirements in the U.S. and non-U.S. jurisdictions to facilitate the orderly resolution of large financial institutions could create greater risk of loss for Group Inc.'s security holders.
- The application of Group Inc.'s proposed resolution strategy could result in greater losses for Group Inc.'s security holders.
- Our commodities activities, particularly our physical commodities activities, subject us to extensive regulation and involve certain potential risks, including environmental, reputational and other risks that may expose us to significant liabilities and costs.

Competition

- Our results have been and may in the future be adversely affected by the composition of our client base.
- The financial services industry is highly competitive.
- The growth of electronic trading and the introduction of new trading technology has increased competition.
- Our businesses would be adversely affected if we are unable to hire and retain qualified employees.

The following are detailed descriptions of our Risk Factors summarized above:

Market

Our businesses have been and may in the future be adversely affected by conditions in the global financial markets and broader economic conditions.

Our businesses, by their nature, do not produce predictable earnings, and all of our businesses are materially affected by conditions in the global financial markets and economic conditions generally, both directly and through their impact on client activity levels and creditworthiness. These conditions can change suddenly and negatively.

Our financial performance is highly dependent on the environment in which our businesses operate. A favorable business environment is generally characterized by, among other factors, high global gross domestic product growth, regulatory and market conditions that result in transparent, liquid and efficient capital markets, low inflation, business, consumer and investor confidence, stable geopolitical conditions and strong business earnings.

Unfavorable or uncertain economic and market conditions can be caused by: low levels of or declines in economic growth, business activity or investor, business or consumer confidence; pandemics; limitations on the availability or increases in the cost of credit and capital; illiquid markets; increases in inflation, interest rates, exchange rate or basic commodity price volatility or default rates; concerns about sovereign defaults; uncertainty concerning fiscal or monetary policy, government shutdowns, debt ceilings or funding; the extent of and uncertainty about potential increases in tax rates and other regulatory changes; the imposition of tariffs or other limitations on international trade and travel; outbreaks of domestic or international tensions or hostilities, terrorism, nuclear proliferation, cyber security threats or attacks and other forms of disruption to or curtailment of global communication, energy transmission or transportation networks or other geopolitical instability or uncertainty; corporate, political or other scandals that reduce investor confidence in capital markets; extreme weather events or other natural disasters; or a combination of these or other factors.

The financial services industry and the securities and other financial markets have been materially and adversely affected in the past by significant declines in the values of nearly all asset classes, by a serious lack of liquidity and by high levels of borrower defaults. In addition, concerns about the COVID-19 pandemic, European sovereign debt risk and its impact on the European banking system, the impact of Brexit, the imposition of tariffs and actions taken by other countries in response, and potential or actual changes in interest rates and other market conditions, have resulted, at times, in significant volatility while negatively impacting the levels of client activity.

General uncertainty about economic, political and market activities, and the scope, timing and impact of regulatory reform, as well as weak consumer, investor and CEO confidence resulting in large part from such uncertainty, has in the past negatively impacted client activity, which can adversely affect many of our businesses. Periods of low volatility and periods of high volatility combined with a lack of liquidity, have at times had an unfavorable impact on our market-making businesses.

Financial institution returns may be negatively impacted by increased funding costs due in part to the lack of perceived government support of such institutions in the event of future financial crises relative to financial institutions in countries in which governmental support is maintained. In addition, liquidity in the financial markets has also been negatively impacted as market participants and market practices and structures continue to adjust to evolving regulatory frameworks.

Our businesses have been and may in the future be adversely affected by declining asset values, particularly where we have net "long" positions, receive fees based on the value of assets managed, or receive or post collateral.

Many of our businesses have net "long" positions in debt securities, loans, derivatives, mortgages, equities (including private equity and real estate) and most other asset classes. These include positions we take when we act as a principal to facilitate our clients' activities, including our exchange-based market-making activities, or commit large amounts of capital to maintain positions in interest rate and credit products, as well as through our currencies, commodities, equities and mortgage-related activities. In addition, we invest in similar asset classes. Substantially all of our investing and market-making positions and a portion of our loans are marked-to-market on a daily basis and declines in asset values directly and immediately impact our earnings, unless we have effectively "hedged" our exposures to those declines.

In certain circumstances (particularly in the case of credit products, including leveraged loans, and private equities or other securities that are not freely tradable or lack established and liquid trading markets), it may not be possible or economic to hedge our exposures and to the extent that we do so the hedge may be ineffective or may greatly reduce our ability to profit from increases in the values of the assets. Sudden declines and significant volatility in the prices of assets have in the past and may in the future substantially curtail or eliminate the trading markets for certain assets, which may make it difficult to sell, hedge or value such assets. The inability to sell or effectively hedge assets reduces our ability to limit losses in such positions and the difficulty in valuing assets may negatively affect our capital, liquidity or leverage ratios, increase our funding costs and generally require us to maintain additional capital.

In our exchange-based market-making activities, we are obligated by stock exchange rules to maintain an orderly market, including by purchasing securities in a declining market. In markets where asset values are declining and in volatile markets, this results in losses and an increased need for liquidity.

We receive asset-based management fees based on the value of our clients' portfolios or investment in funds managed by us and, in some cases, we also receive incentive fees based on increases in the value of such investments. Declines in asset values would ordinarily reduce the value of our clients' portfolios or fund assets, which in turn would ordinarily reduce the fees we earn for managing such assets.

We post collateral to support our obligations and receive collateral that supports the obligations of our clients and counterparties. When the value of the assets posted as collateral or the credit ratings of the party posting collateral decline, the party posting the collateral may need to provide additional collateral or, if possible, reduce its trading position. An example of such a situation is a "margin call" in connection with a brokerage account. Therefore, declines in the value of asset classes used as collateral mean that either the cost of funding positions is increased or the size of positions is decreased. If we are the party providing collateral, this can increase our costs and reduce our profitability and if we are the party receiving collateral, this can also reduce our profitability by reducing the level of business done with our clients and counterparties.

In addition, volatile or less liquid markets increase the difficulty of valuing assets, which can lead to costly and time-consuming disputes over asset values and the level of required collateral, as well as increased credit risk to the recipient of the collateral due to delays in receiving adequate collateral. In cases where we foreclose on collateral, sudden declines in the value or liquidity of the collateral may, despite credit monitoring, over-collateralization, the ability to call for additional collateral or the ability to force repayment of the underlying obligation, result in significant losses to us, especially where there is a single type of collateral supporting the obligation. In addition, we have been and may in the future be subject to claims that the foreclosure was not permitted under the legal documents, was conducted in an improper manner or caused a client or counterparty to go out of business.

Our market-making activities have been and may in the future be affected by changes in the levels of market volatility.

Certain of our market-making activities depend on market volatility to provide trading and arbitrage opportunities to our clients, and decreases in volatility have reduced and may in the future reduce these opportunities and the level of client activity associated with them and adversely affect the results of these activities. Increased volatility, while it can increase trading volumes and spreads, also increases risk as measured by Value-at-Risk (VaR) and may expose us to increased risks in connection with our market-making activities or cause us to reduce our inventory in order to avoid increasing our VaR. Limiting the size of our market-making positions can adversely affect our profitability. In periods when volatility is increasing, but asset values are declining significantly, it may not be possible to sell assets at all or it may only be possible to do so at steep discounts. In those circumstances we may be forced to either take on additional risk or to realize losses in order to decrease our VaR. In addition, increases in volatility increase the level of our RWAs, which increases our capital requirements.

Our investment banking, client intermediation, asset management and wealth management businesses have been adversely affected and may in the future be adversely affected by market uncertainty or lack of confidence among investors and CEOs due to declines in economic activity and other unfavorable economic, geopolitical or market conditions.

Our investment banking business has been and may in the future be adversely affected by market conditions. Poor economic conditions and other uncertain geopolitical conditions may adversely affect and have in the past adversely affected investor and CEO confidence, resulting in significant industry-wide declines in the size and number of underwritings and of financial advisory transactions, which would likely have an adverse effect on our revenues and our profit margins. In particular, because a significant portion of our investment banking revenues is derived from our participation in large transactions, a decline in the number of large transactions has in the past and would in the future adversely affect our investment banking business.

In certain circumstances, market uncertainty or general declines in market or economic activity may adversely affect our client intermediation businesses by decreasing levels of overall activity or by decreasing volatility, but at other times market uncertainty and even declining economic activity may result in higher trading volumes or higher spreads or both.

Market uncertainty, volatility and adverse economic conditions, as well as declines in asset values, may cause our clients to transfer their assets out of our funds or other products or their brokerage accounts and result in reduced net revenues, principally in our asset management and wealth management businesses. Even if clients do not withdraw their funds, they may invest them in products that generate less fee income.

Our asset management and wealth management businesses have been and may in the future be adversely affected by the poor investment performance of our investment products or a client preference for products other than those which we offer or for products that generate lower fees.

Poor investment returns in our asset management and wealth management businesses, due to either general market conditions or underperformance (relative to our competitors or to benchmarks) by funds or accounts that we manage or investment products that we design or sell, affects our ability to retain existing assets and to attract new clients or additional assets from existing clients. This could affect the management and incentive fees that we earn on assets under supervision (AUS) or the commissions and net spreads that we earn for selling other investment products, such as structured notes or derivatives. To the extent that our clients choose to invest in products that we do not currently offer, we will suffer outflows and a loss of management fees. Further, if, due to changes in investor sentiment or the relative performance of certain asset classes or otherwise, clients continue to invest in products that generate lower fees (e.g., passively managed or fixed income products), our average effective management fee would continue to decline and our asset management and wealth management businesses could be adversely affected.

Liquidity

Our liquidity, profitability and businesses may be adversely affected by an inability to access the debt capital markets or to sell assets.

Liquidity is essential to our businesses. It is of critical importance to us, as most of the failures of financial institutions have occurred in large part due to insufficient liquidity. Our liquidity may be impaired by an inability to access secured and/or unsecured debt markets, an inability to raise deposits, an inability to access funds from our subsidiaries or otherwise allocate liquidity optimally, an inability to sell assets or redeem our investments, lack of timely settlement of transactions, unusual deposit outflows, or other unforeseen outflows of cash or collateral, such as in March 2020, when corporate clients drew on revolving credit facilities in response to the COVID-19 pandemic. This situation may arise due to circumstances that we may be unable to control, such as a general market or economic disruption or an operational problem that affects third parties or us, or even by the perception among market participants that we, or other market participants, are experiencing greater liquidity risk.

We employ structured products to benefit our clients and hedge our own risks. The financial instruments that we hold and the contracts to which we are a party are often complex, and these complex structured products often do not have readily available markets to access in times of liquidity stress. Our investing and financing activities may lead to situations where the holdings from these activities represent a significant portion of specific markets, which could restrict liquidity for our positions.

Further, our ability to sell assets may be impaired if there is not generally a liquid market for such assets, as well as in circumstances where other market participants are seeking to sell similar otherwise generally liquid assets at the same time, as is likely to occur in a liquidity or other market crisis or in response to changes to rules or regulations. In addition, financial institutions with which we interact may exercise set-off rights or the right to require additional collateral, including in difficult market conditions, which could further impair our liquidity.

Regulatory changes relating to liquidity may also negatively impact our results of operations and competitive position. Numerous regulations have been adopted to introduce more stringent liquidity requirements for large financial institutions. These regulations address, among other matters, liquidity stress testing, minimum liquidity requirements, wholesale funding, limitations on the issuance of short-term debt and structured notes, deductions for holdings of TLAC and prohibitions on parent guarantees that are subject to certain cross-defaults. New and prospective liquidity-related regulations may overlap with, and be impacted by, other regulatory changes, including rules relating to minimum long-term debt requirements and TLAC, guidance on the treatment of brokered deposits and the capital, leverage and resolution and recovery frameworks applicable to large financial institutions. Given the overlap and complex interactions among these new and prospective regulations, they may have unintended cumulative effects, and their full impact will remain uncertain, while regulatory reforms are being adopted and market practices develop.

Our businesses have been and may in the future be adversely affected by disruptions or lack of liquidity in the credit markets, including reduced access to credit and higher costs of obtaining credit.

Widening credit spreads, as well as significant declines in the availability of credit, have in the past adversely affected our ability to borrow on a secured and unsecured basis and may do so in the future. We fund ourselves on an unsecured basis by issuing long-term debt and commercial paper, by raising deposits at our bank subsidiaries, by issuing hybrid financial instruments and by obtaining loans or lines of credit from commercial or other banking entities. We seek to finance many of our assets on a secured basis. Any disruptions in the credit markets may make it harder and more expensive to obtain funding for our businesses. If our available funding is limited or we are forced to fund our operations at a higher cost, these conditions may require us to curtail our business activities and increase our cost of funding, both of which could reduce our profitability, particularly in our businesses that involve investing, lending and market making.

Our clients engaging in mergers, acquisitions and other types of strategic transactions often rely on access to the secured and unsecured credit markets to finance their transactions. A lack of available credit or an increased cost of credit can adversely affect the size, volume and timing of our clients' merger and acquisition transactions, particularly large transactions, and adversely affect our financial advisory and underwriting businesses.

Our credit businesses have been and may in the future be negatively affected by a lack of liquidity in credit markets. A lack of liquidity reduces price transparency, increases price volatility and decreases transaction volumes and size, all of which can increase transaction risk or decrease the profitability of these businesses.

Reductions in our credit ratings or an increase in our credit spreads may adversely affect our liquidity and cost of funding.

Our credit ratings are important to our liquidity. A reduction in our credit ratings could adversely affect our liquidity and competitive position, increase our borrowing costs, limit our access to the capital markets or trigger our obligations under certain provisions in some of our trading and collateralized financing contracts. Under these provisions, counterparties could be permitted to terminate contracts with us or require us to post additional collateral. Termination of our trading and collateralized financing contracts could cause us to sustain losses and impair our liquidity by requiring us to find other sources of financing or to make significant cash payments or securities movements.

As of December 2020, our counterparties could have called for additional collateral or termination payments related to our net derivative liabilities under bilateral agreements in an aggregate amount of $481 million in the event of a one-notch downgrade of our credit ratings and $1.39 billion in the event of a two-notch downgrade of our credit ratings. A downgrade by any one rating agency, depending on the agency's relative ratings of us at the time of the downgrade, may have an impact which is comparable to the impact of a downgrade by all rating agencies. For further information about our credit ratings, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management — Liquidity Risk Management — Credit Ratings" in Part II, Item 7 of this Form 10-K.

Our cost of obtaining long-term unsecured funding is directly related to our credit spreads (the amount in excess of the interest rate of benchmark securities that we need to pay). Increases in our credit spreads can significantly increase our cost of this funding. Changes in credit spreads are continuous, market-driven, and subject at times to unpredictable and highly volatile movements. Our credit spreads are also influenced by market perceptions of our creditworthiness and movements in the costs to purchasers of credit default swaps referenced to our long-term debt. The market for credit default swaps has proven to be extremely volatile and at times has lacked a high degree of transparency or liquidity.

Group Inc. is a holding company and its liquidity depends on payments from its subsidiaries, many of which are subject to legal, regulatory and other restrictions on providing funds or assets to Group Inc.

Group Inc. is a holding company and, therefore, depends on dividends, distributions and other payments from its subsidiaries to fund share repurchases and dividend payments and to fund payments on its obligations, including debt obligations. Many of our subsidiaries, including our broker-dealer and bank subsidiaries, are subject to laws that restrict dividend payments or authorize regulatory bodies to block or reduce the flow of funds from those subsidiaries to Group Inc.

In addition, our broker-dealer and bank subsidiaries are subject to restrictions on their ability to lend or transact with affiliates and to minimum regulatory capital and other requirements, as well as restrictions on their ability to use funds deposited with them in brokerage or bank accounts to fund their businesses. Additional restrictions on related-party transactions, increased capital and liquidity requirements and additional limitations on the use of funds on deposit in bank or brokerage accounts, as well as lower earnings, can reduce the amount of funds available to meet the obligations of Group Inc., including under the FRB's source of strength requirement, and even require Group Inc. to provide additional funding to such subsidiaries. Restrictions or regulatory action of that kind could impede access to funds that Group Inc. needs to make payments on its obligations, including debt obligations, or dividend payments. In addition, Group Inc.'s right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors.

There has been a trend towards increased regulation and supervision of our subsidiaries by the governments and regulators in the countries in which those subsidiaries are located or do business. Concerns about protecting clients and creditors of financial institutions that are controlled by persons or entities located outside of the country in which such entities are located or do business have caused or may cause a number of governments and regulators to take additional steps to "ring fence" or require internal total loss-absorbing capacity (which may also be subject to "bail-in" powers, as described below) at those entities in order to protect clients and creditors of those entities in the event of financial difficulties involving those entities. The result has been and may continue to be additional limitations on our ability to efficiently move capital and liquidity among our affiliated entities, or to Group Inc., including in times of liquidity stress, thereby increasing the overall level of capital and liquidity required by us on a consolidated basis.

Furthermore, Group Inc. has guaranteed the payment obligations of certain of its subsidiaries, including GS&Co. and GS Bank USA, subject to certain exceptions. In addition, Group Inc. guarantees many of the obligations of its other consolidated subsidiaries on a transaction-by-transaction basis, as negotiated with counterparties. These guarantees may require Group Inc. to provide substantial funds or assets to its subsidiaries or their creditors or counterparties at a time when Group Inc. is in need of liquidity to fund its own obligations.

The requirements for us and GS Bank USA to develop and submit recovery and resolution plans to regulators, and the incorporation of feedback received from regulators, may require us to increase capital or liquidity levels or issue additional long-term debt at Group Inc. or particular subsidiaries or otherwise incur additional or duplicative operational or other costs at multiple entities, and may reduce our ability to provide Group Inc. guarantees of the obligations of our subsidiaries or raise debt at Group Inc. Resolution planning may also impair our ability to structure our intercompany and external activities in a manner that we may otherwise deem most operationally efficient. Furthermore, arrangements to facilitate our resolution planning may cause us to be subject to additional taxes. Any such limitations or requirements would be in addition to the legal and regulatory restrictions described above on our ability to engage in capital actions or make intercompany dividends or payments.

See "Business — Regulation" in Part I, Item 1 of this Form 10-K for further information about regulatory restrictions.

Credit

Our businesses, profitability and liquidity may be adversely affected by deterioration in the credit quality of or defaults by third parties.

We are exposed to the risk that third parties that owe us money, securities or other assets will not perform their obligations. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons. A failure of a significant market participant, or even concerns about a default by such an institution, could lead to significant liquidity problems, losses or defaults by other institutions, which in turn could adversely affect us.

We are also subject to the risk that our rights against third parties may not be enforceable in all circumstances. In addition, deterioration in the credit quality of third parties whose securities or obligations we hold, including a deterioration in the value of collateral posted by third parties to secure their obligations to us under derivative contracts and loan agreements, could result in losses and/or adversely affect our ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes.

A significant downgrade in the credit ratings of our counterparties could also have a negative impact on our results. While in many cases we are permitted to require additional collateral from counterparties that experience financial difficulty, disputes may arise as to the amount of collateral we are entitled to receive and the value of pledged assets. The termination of contracts and the foreclosure on collateral may subject us to claims for the improper exercise of our rights. Default rates, downgrades and disputes with counterparties as to the valuation of collateral typically increase significantly in times of market stress, increased volatility and illiquidity.

As part of our clearing and prime brokerage activities, we finance our clients' positions, and we could be held responsible for the defaults or misconduct of our clients. Although we have limits and regularly review credit exposures to specific clients and counterparties and to specific industries, countries and regions that we believe may present credit concerns, default risk may arise from events or circumstances that are difficult to detect or foresee.

Concentration of risk increases the potential for significant losses in our market-making, underwriting, investing and financing activities.

Concentration of risk increases the potential for significant losses in our market-making, underwriting, investing and financing activities. The number and size of these transactions has affected and may in the future affect our results of operations in a given period. Moreover, because of concentrated risk, we may suffer losses even when economic and market conditions are generally favorable for our competitors. Disruptions in the credit markets can make it difficult to hedge these credit exposures effectively or economically. In addition, we extend large commitments as part of our credit origination activities.

Rules adopted under the Dodd-Frank Act, and similar rules adopted in other jurisdictions, require issuers of certain asset-backed securities and any person who organizes and initiates certain asset-backed securities transactions to retain economic exposure to the asset, which has affected the cost of and structures used in connection with these securitization activities. Our inability to reduce our credit risk by selling, syndicating or securitizing these positions, including during periods of market stress, could negatively affect our results of operations due to a decrease in the fair value of the positions, including due to the insolvency or bankruptcy of the borrower, as well as the loss of revenues associated with selling such securities or loans.

In the ordinary course of business, we may be subject to a concentration of credit risk to a particular counterparty, borrower, issuer (including sovereign issuers) or geographic area or group of related countries, such as the E.U., and a failure or downgrade of, or default by, such entity could negatively impact our businesses, perhaps materially, and the systems by which we set limits and monitor the level of our credit exposure to individual entities, industries, countries and regions may not function as we have anticipated. Regulatory reform, including the Dodd-Frank Act, has led to increased centralization of trading activity through particular clearing houses, central agents or exchanges, which has significantly increased our concentration of risk with respect to these entities. While our activities expose us to many different industries, counterparties and countries, we routinely execute a high volume of transactions with counterparties engaged in financial services activities, including brokers and dealers, commercial banks, clearing houses, exchanges and investment funds. This has resulted in significant credit concentration with respect to these counterparties.

Derivative transactions and delayed documentation or settlements may expose us to credit risk, unexpected risks and potential losses.

We are party to a large number of derivative transactions, including credit derivatives. Many of these derivative instruments are individually negotiated and non-standardized, which can make exiting, transferring or settling positions difficult. Many credit derivatives require that we deliver to the counterparty the underlying security, loan or other obligation in order to receive payment. In a number of cases, we do not hold the underlying security, loan or other obligation and may not be able to obtain the underlying security, loan or other obligation. This could cause us to forfeit the payments due to us under these contracts or result in settlement delays with the attendant credit and operational risk, as well as increased costs to us.

Derivative transactions may also involve the risk that documentation has not been properly executed, that executed agreements may not be enforceable against the counterparty, or that obligations under such agreements may not be able to be "netted" against other obligations with such counterparty. In addition, counterparties may claim that such transactions were not appropriate or authorized.

As a signatory to the ISDA Universal Protocol or U.S. ISDA Protocol (ISDA Protocols) and being subject to the FRB's and FDIC's rules on QFCs and similar rules in other jurisdictions, we may not be able to exercise remedies against counterparties and, as this new regime has not yet been tested, we may suffer risks or losses that we would not have expected to suffer if we could immediately close out transactions upon a termination event. Various non-U.S. regulators have adopted or proposed regulations contemplated by the ISDA Universal Protocol, and those implementing regulations may result in additional limitations on our ability to exercise remedies against counterparties. The ISDA Protocols and these rules and regulations extend to repurchase agreements and other instruments that are not derivative contracts, and their impact will depend on the development of market practices and structures.

Derivative contracts and other transactions, including secondary bank loan purchases and sales, entered into with third parties are not always confirmed by the counterparties or settled on a timely basis. While the transaction remains unconfirmed or during any delay in settlement, we are subject to heightened credit and operational risk and in the event of a default may find it more difficult to enforce our rights.

In addition, as new complex derivative products are created, covering a wider array of underlying credit and other instruments, disputes about the terms of the underlying contracts could arise, which could impair our ability to effectively manage our risk exposures from these products and subject us to increased costs. The provisions of the Dodd-Frank Act requiring central clearing of credit derivatives and other OTC derivatives, or a market shift toward standardized derivatives, could reduce the risk associated with these transactions, but under certain circumstances could also limit our ability to develop derivatives that best suit the needs of our clients and to hedge our own risks, and could adversely affect our profitability and has increased our credit exposure to central clearing platforms.

Market Developments and General Business Environment

Our businesses, financial condition, liquidity and results of operations have been and may in the future be adversely affected by the COVID-19 pandemic.

The COVID-19 pandemic has created economic and financial disruptions that have in the past adversely affected and may in the future adversely affect our business, financial condition, liquidity and results of operations. The extent to which the COVID-19 pandemic will negatively affect our businesses, financial condition, liquidity and results of operations will depend on future developments, including the widespread availability, use and effectiveness of vaccines, which are highly uncertain and cannot be predicted.

While financial markets have rebounded from the significant declines that occurred earlier in the pandemic and global economic conditions showed signs of improvement during the second half of 2020, many of the circumstances that arose or became more pronounced after the onset of the COVID-19 pandemic persisted at the end of the year, including (i) muted levels of business activity across many sectors of the economy, relatively weak consumer confidence and high unemployment; (ii) elevated levels of market volatility; (iii) the federal funds rate and yields on U.S. Treasury securities near zero; (iv) substantial uncertainty about whether previously announced merger and acquisition deals will be completed or restructured; (v) heightened credit risk with regard to industries that have been most severely impacted by the pandemic, including oil and gas, gaming and lodging, and airlines; (vi) greater emphasis by investors on liquidity products, which generate lower fees, relative to risk assets, resulting in these products comprising a higher share of AUS as compared to the pre-pandemic composition; and (vii) higher cyber security, information security and operational risks as a result of work-from-home arrangements.

Depending on the duration and severity of the pandemic going forward, as well as the effects of the pandemic on consumer and corporate confidence, the conditions noted above could continue for an extended period and other adverse developments may occur or reoccur, including (i) a repeat, or worse, of the decline in the valuation of equity, fixed-income and commodity markets that occurred at the outset of the pandemic; (ii) further declines in U.S. interest rates, to zero or below; (iii) market dislocations that may make hedging strategies less effective or ineffective; (iv) a reduction in fees on AUS due to declines in the valuation of assets or a protracted trend toward asset classes that generate lower fees; (v) disruption in the new issuance markets for debt and equity, leading to a decline in activity; (vi) a deterioration in the liquidity profile of corporate borrowers, resulting in additional draws on credit lines; (vii) defaults by consumers or corporate clients on loans; and (viii) greater challenges in valuing derivative positions and associated collateral, leading to significant increases in collateral calls and valuation disputes.

The effects of the COVID-19 pandemic on economic and market conditions have in the past and may in the future also increase demands on our liquidity as we meet client needs. Likewise, these adverse developments have in the past and may in the future affect our capital and leverage ratios. We suspended repurchases of our common stock during the first quarter of 2020 and, consistent with the FRB's requirement for all large BHCs, extended this suspension through the fourth quarter of 2020 enabling us to deploy more capital and liquidity to meet the needs of our clients. The effects of the COVID-19 pandemic and FRB requirements have limited and in the future may further limit capital distributions.

Governmental authorities worldwide have taken increased measures to stabilize the markets and support economic growth. The continued success of these measures is unknown and they may not be sufficient to address future market dislocations or avert severe and prolonged reductions in economic activity. We also face an increased risk of client disputes, litigation and governmental and regulatory scrutiny as a result of the effects of the COVID-19 pandemic on economic and market conditions.

The length of the pandemic and the efficacy of the extraordinary measures that have been put in place to address it are unknown. Until the pandemic subsides, we may experience draws on lines of credit, reduced activity levels in investment banking, reduced revenues in our asset management and wealth management businesses and increased client defaults, including defaults in unsecured loans. Even after the pandemic subsides, the U.S. economy, as well as most other major economies, may continue to experience a recession, and we anticipate our businesses would be materially and adversely affected by a prolonged recession in the U.S. and other major markets.

Our strategy with respect to Brexit may not be effective.

On January 31, 2020, the U.K. left the E.U., and, on December 31, 2020, the transition period under the withdrawal agreement between the U.K. and the E.U. ended. As discussed in "Business — Regulation" in Part I, Item 1 of this Form 10-K, we have experienced considerable change in the regulatory framework that governs transactions and business undertaken by our U.K. subsidiaries in the E.U. The U.K. has adopted E.U. financial services legislation that was in effect on December 31, 2020, which means that the U.K. financial services regime will remain substantially the same as under E.U. financial services legislation. However, in the future the U.K. may diverge from E.U. legislation and may decide not to adopt rules that correspond to E.U. legislation not already operative in the U.K. As a result, we face numerous risks that could adversely affect how we conduct our businesses or our profitability and liquidity.

Certain of our principal subsidiaries, including GSI, GSIB and GSAMI, are incorporated and headquartered in the U.K. During the transition period, they benefitted from non-discriminatory access to E.U. clients and infrastructure based on E.U. treaties and E.U. legislation, including arrangements for cross-border "passporting" and the establishment of E.U. branches. Effective December 31, 2020, and notwithstanding the Trade and Cooperation Agreement between the E.U. and U.K. reached at the end of 2020, firms established in the U.K., including our U.K. subsidiaries, have lost their pan-E.U. "passports" and are generally treated as any other entities in countries outside the E.U. whose access to the E.U. is governed by E.U. and national law.

As necessary, our German bank subsidiary, GSBE, will act as our main operating subsidiary in the E.U. and has assumed certain functions that can no longer be efficiently and effectively performed by our U.K. operating subsidiaries, including GSI, GSIB and GSAMI. Implementing this strategy could materially adversely affect the manner in which we operate certain businesses in Europe, require us to restructure certain of our operations and expose us to higher operational, regulatory and compliance costs, higher subsidiary-level capital and liquidity requirements, additional restrictions on intercompany transactions, and new restrictions on the ability of our subsidiaries to share personal data, including client data, all of which could adversely affect our liquidity and profitability. In addition, as we increase our operations in jurisdictions with higher tax rates, our tax rate will increase.

We have strengthened the capabilities of our operating subsidiaries in E.U. countries and other member states of the Agreement on the European Economic Area, particularly GSBE, and have moved certain activities there. Although we have invested significant resources to plan for and address Brexit, there can be no assurance that we will be able to successfully execute our strategy. In addition, even if we are able to successfully execute our strategy, we face the risk that Brexit could have a disproportionately adverse effect on our E.U operations compared to some of our competitors who have more extensive pre-existing operations in the E.U. outside of the U.K.

Certain of our businesses, our funding instruments and financial products may be adversely affected by changes in or the discontinuance of Interbank Offered Rates (IBORs), in particular LIBOR.

The administrator of LIBOR has proposed to extend publication of the most commonly used U.S. Dollar LIBOR settings to June 30, 2023 and to cease publishing other LIBOR settings on December 31, 2021. The U.S. federal banking agencies have issued guidance strongly encouraging banking organizations to cease using the U.S. Dollar LIBOR as a reference rate in new contracts as soon as practicable and in any event by December 31, 2021. It is not possible to know whether LIBOR will continue to be viewed as an acceptable market benchmark, what rate or rates may become accepted alternatives to LIBOR, or what the effect of any such changes in views or alternatives may have on the financial markets for LIBOR-linked financial instruments. Similar developments have occurred with respect to other IBORs.

Uncertainty regarding IBORs and the taking of discretionary actions or negotiation of fallback provisions could result in pricing volatility, loss of market share in certain products, adverse tax or accounting impacts, compliance, legal and operational costs and risks associated with client disclosures, as well as systems disruption, model disruption and other business continuity issues. In addition, uncertainty relating to IBORs could result in increased capital requirements for us given potential low transaction volumes, a lack of liquidity or limited observability for exposures linked to IBORs or any emerging successor rates and operational incidents associated with changes in and the discontinuance of IBORs.

The language in our contracts and financial instruments that define IBORs, in particular LIBOR, have developed over time and have various events that trigger when a successor rate to the designated rate would be selected. If a trigger is satisfied, contracts and financial instruments often give the calculation agent (which may be us) discretion over the successor rate or benchmark to be selected. As a result, there is considerable uncertainty as to how the financial services industry will address the discontinuance of designated rates in contracts and financial instruments or such designated rates ceasing to be acceptable reference rates. This uncertainty could ultimately result in client disputes and litigation surrounding the proper interpretation of our IBOR-based contracts and financial instruments. Although we have adhered to the ISDA IBOR Fallbacks Protocol, the protocol is applicable to derivatives when both parties adhere to the protocol or otherwise agree for it to apply to their derivatives.

Further, the discontinuation of an IBOR, changes in an IBOR or changes in market acceptance of any IBOR as a reference rate may also adversely affect the yield on loans or securities held by us, amounts paid on securities we have issued, amounts received and paid on derivative instruments we have entered into, the value of such loans, securities or derivative instruments, the trading market for securities, the terms of new loans being made using different or modified reference rates, our ability to effectively use derivative instruments to manage risk, or the availability or cost of our floating-rate funding and our exposure to fluctuations in interest rates.

Certain of our businesses and our funding instruments may be adversely affected by changes in other reference rates, currencies, indexes, baskets or ETFs to which products we offer or funding that we raise are linked.

Many of the products that we own or that we offer, such as structured notes, warrants, swaps or security-based swaps, pay interest or determine the principal amount to be paid at maturity or in the event of default by reference to rates or by reference to an index, currency, basket, ETF or other financial metric (the underlier). In the event that the composition of the underlier is significantly changed, by reference to rules governing such underlier or otherwise, the underlier ceases to exist (for example, in the event that a country withdraws from the Euro or links its currency to or delinks its currency from another currency or benchmark, an index or ETF sponsor materially alters the composition of an index or ETF, or stocks in a basket are delisted or become impermissible to be included in the index or ETF) or the underlier ceases to be recognized as an acceptable market benchmark, we may experience adverse effects consistent with those described above for IBORs.

We face enhanced risks as new business initiatives and acquisitions lead us to engage in new activities, operate in new locations, transact with a broader array of clients and counterparties and expose us to new asset classes and new markets.

A number of our recent and planned business initiatives and expansions of existing businesses, including through acquisitions and partnership arrangements, may bring us into contact, directly or indirectly, with individuals and entities that are not within our traditional client and counterparty base, expose us to new asset classes and new markets, and present us with integration challenges. For example, we continue to transact business and invest in new regions, including a wide range of emerging and growth markets, and we expect this trend to continue. Various emerging and growth market countries have experienced severe economic and financial disruptions, including significant devaluations of their currencies, defaults or threatened defaults on sovereign debt, capital and currency exchange controls, and low or negative growth rates in their economies. The possible effects of any of these conditions include an adverse impact on our businesses and increased volatility in financial markets generally.

Furthermore, in a number of our businesses, including where we make markets, invest and lend, we own interests in, or otherwise become affiliated with the ownership and operation of, public services, such as airports, toll roads and shipping ports, as well as physical commodities and commodities infrastructure components, both within and outside the U.S.

We have increased and intend to further increase our consumer-oriented deposit-taking and lending activities. For example, during 2019, we started to issue credit cards to consumers. To the extent we engage in those and other consumer-oriented activities, we have faced, and would continue to face, additional compliance, legal and regulatory risk, increased reputational risk and increased operational risk due to, among other things, higher transaction volumes and significantly increased retention and transmission of consumer and client information. We are also subject to additional legal requirements, including with respect to suitability and consumer protection (for example, Regulation Best Interest, fair lending laws and regulations and privacy laws and regulations). Further, identity fraud may increase and credit reporting practices may change in a manner that makes it more difficult for financial institutions, such as us, to evaluate the creditworthiness of consumers.

We have increased and intend to further increase our transaction banking activities. As a result, we expect to face additional compliance, legal and regulatory risk, including with respect to know-your-customer, anti-money laundering and reporting requirements and prohibitions on transfers of property belonging to countries, entities and individuals subject to sanctions by U.S. or other governmental authorities.

New business initiatives expose us to new and enhanced risks, including risks associated with dealing with governmental entities, reputational concerns arising from dealing with different types of clients, business partners, counterparties and investors, greater regulatory scrutiny of these activities, increased credit-related, market, sovereign and operational risks, risks arising from accidents or acts of terrorism, and reputational concerns with the manner in which certain assets are being operated or held or in which we interact with these clients, business partners, counterparties and investors. Legal, regulatory and reputational risks may also exist in connection with activities and transactions involving new products or markets where there is regulatory uncertainty or where there are different or conflicting regulations depending on the regulator or the jurisdiction involved, particularly where transactions in such products may involve multiple jurisdictions.

We have developed and pursued new business and strategic initiatives, and expect to continue to do so. If and to the extent we are unable to successfully execute those initiatives, we may incur unanticipated costs and losses, and face other adverse consequences, such as negative reputational effects. In addition, the actual effects of pursuing those initiatives may differ, possibly materially, from the benefits that we expect to realize from them, such as generating additional revenues, achieving expense savings, reducing operational risk exposures or using capital and funding more efficiently. Engaging in new activities exposes us to a variety of risks, including that we may be unable to successfully develop new, competitive, efficient and effective systems and processes, and hire and retain the necessary personnel. Due to our lack of historical experience with unsecured retail lending, our loan loss assumptions may prove to be incorrect and we may incur losses significantly above those which we originally anticipated in entering the business.

In recent years, we have invested, and may continue to invest, more in businesses that we expect will generate a higher level of more consistent revenues. In order to develop and be able to offer consumer financial products that compete effectively, we have made and expect to continue to make significant investments in technology and human capital resources in connection with our consumer-oriented activities. Such investments may not be successful or have returns similar to our other businesses.

Operational

A failure in our operational systems or infrastructure, or those of third parties, as well as human error, malfeasance or other misconduct, could impair our liquidity, disrupt our businesses, result in the disclosure of confidential information, damage our reputation and cause losses.

Our businesses are highly dependent on our ability to process and monitor, on a daily basis, a very large number of transactions, many of which are highly complex and occur at high volumes and frequencies, across numerous and diverse markets in many currencies. These transactions, as well as the information technology services we provide to clients, often must adhere to client-specific guidelines, as well as legal and regulatory standards.

Many rules and regulations worldwide govern our obligations to execute transactions and report such transactions and other information to regulators, exchanges and investors. Compliance with these legal and reporting requirements can be challenging, and we have been and may in the future be subject to regulatory fines and penalties for failing to follow these rules or to report timely, accurate and complete information in accordance with these rules. As such requirements expand, compliance with these rules and regulations has become more challenging.

As our client base, including through our consumer businesses, and our geographical reach expand and the volume, speed, frequency and complexity of transactions, especially electronic transactions (as well as the requirements to report such transactions on a real-time basis to clients, regulators and exchanges) increase, developing and maintaining our operational systems and infrastructure becomes more challenging, and the risk of systems or human error in connection with such transactions increases, as well as the potential consequences of such errors due to the speed and volume of transactions involved and the potential difficulty associated with discovering errors quickly enough to limit the resulting consequences. Such risks are exacerbated in times of increased volatility. As with other similarly situated institutions, we utilize credit underwriting models in connection with our businesses, including our consumer-oriented activities. Allegations, whether or not accurate, that the ultimate underwriting decisions do not treat consumers or clients fairly, or comply with the applicable law or regulation, can result in negative publicity, reputational damage and governmental and regulatory scrutiny.

Our financial, accounting, data processing or other operational systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, such as a spike in transaction volume, adversely affecting our ability to process these transactions or provide these services. We must continuously update these systems to support our operations and growth and to respond to changes in regulations and markets, and invest heavily in systemic controls and training to pursue our objective of ensuring that such transactions do not violate applicable rules and regulations or, due to errors in processing such transactions, adversely affect markets, our clients and counterparties or us. Enhancements and updates to systems, as well as the requisite training, including in connection with the integration of new businesses, entail significant costs and create risks associated with implementing new systems and integrating them with existing ones.

The use of computing devices and phones is critical to the work done by our employees and the operation of our systems and businesses and those of our clients and our third-party service providers and vendors. Their importance has continued to increase, in particular in light of work-from-home arrangements implemented in response to the COVID-19 pandemic. Computers and computer networks are subject to various risks, including, among others, cyber attacks, inherent technological defects, system failures and human error. For example, fundamental security flaws in computer chips found in many types of these computing devices and phones have been reported in the past and may be discovered in the future. Cloud technologies are also critical to the operation of our systems and platforms and our reliance on cloud technologies is growing. Service disruptions may lead to delays in accessing, or the loss of, data that is important to our businesses and may hinder our clients' access to our platforms. Addressing these and similar issues could be costly and affect the performance of these businesses and systems. Operational risks may be incurred in applying fixes and there may still be residual security risks.

Additionally, although the prevalence and scope of applications of distributed ledger technology and similar technologies is growing, the technology is also nascent and may be vulnerable to cyber attacks or have other inherent weaknesses. We may be, or may become, exposed to risks related to distributed ledger technology, including through our facilitation of clients' activities involving financial products linked to distributed ledger technology, such as blockchain or cryptocurrencies, our investments in companies that seek to develop platforms based on distributed ledger technology, and the use of distributed ledger technology by third-party vendors, clients, counterparties, clearing houses and other financial intermediaries.

Notwithstanding the proliferation of technology and technology-based risk and control systems, our businesses ultimately rely on people as our greatest resource, and, from time to time, they make mistakes or engage in violations of applicable policies, laws, rules or procedures that are not always caught immediately by our technological processes or by our controls and other procedures, which are intended to prevent and detect such errors or violations. These can include calculation errors, mistakes in addressing emails, errors in software or model development or implementation, or simple errors in judgment, as well as intentional efforts to ignore or circumvent applicable policies, laws, rules or procedures. Human errors, malfeasance and other misconduct, including the intentional misuse of client information in connection with insider trading or for other purposes, even if promptly discovered and remediated, can result in reputational damage and material losses and liabilities for us.

In addition, we face the risk of operational failure or significant operational delay, termination or capacity constraints of any of the clearing agents, exchanges, clearing houses or other financial intermediaries we use to facilitate our securities and derivatives transactions, and as our interconnectivity with our clients grows, we increasingly face the risk of operational failure or significant operational delay with respect to our clients' systems.

There has been significant consolidation among clearing agents, exchanges and clearing houses and an increasing number of derivative transactions are cleared on exchanges, which has increased our exposure to operational failure or significant operational delay, termination or capacity constraints of the particular financial intermediaries that we use and could affect our ability to find adequate and cost-effective alternatives in the event of any such failure, delay, termination or constraint. Industry consolidation, whether among market participants or financial intermediaries, increases the risk of operational failure or significant operational delay as disparate complex systems need to be integrated, often on an accelerated basis.

The interconnectivity of multiple financial institutions with central agents, exchanges and clearing houses, and the increased centrality of these entities, increases the risk that an operational failure at one institution or entity may cause an industry-wide operational failure that could materially impact our ability to conduct business. Interconnectivity of financial institutions with other companies through, among other things, application programming interfaces or APIs presents similar risks. Any such failure, termination or constraint could adversely affect our ability to effect transactions, service our clients, manage our exposure to risk or expand our businesses or result in financial loss or liability to our clients, impairment of our liquidity, disruption of our businesses, regulatory intervention or reputational damage.

Despite our resiliency plans and facilities, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the communities where we are located. This may include a disruption involving electrical, satellite, undersea cable or other communications, internet, transportation or other facilities used by us, our employees or third parties with which we conduct business, including cloud service providers. These disruptions may occur as a result of events that affect only our buildings or systems or those of such third parties, or as a result of events with a broader impact globally, regionally or in the cities where those buildings or systems are located, including, but not limited to, natural disasters, war, civil unrest, terrorism, economic or political developments, pandemics and weather events.

In addition, although we seek to diversify our third-party vendors to increase our resiliency, we are also exposed to the risk that a disruption or other information technology event at a common service provider to our vendors could impede their ability to provide products or services to us, including in connection with our new business initiatives. We may not be able to effectively monitor or mitigate operational risks relating to our vendors' use of common service providers.

Aside from work-from-home arrangements during the COVID-19 pandemic, nearly all of our employees in our primary locations, including the New York metropolitan area, London, Bengaluru, Hong Kong, Tokyo and Salt Lake City, work in close proximity to one another, in one or more buildings. Notwithstanding our efforts to maintain business continuity, given that our headquarters and the largest concentration of our employees are in the New York metropolitan area, and our two principal office buildings in the New York area both are located on the waterfront of the Hudson River, depending on the intensity and longevity of the event, a catastrophic event impacting our New York metropolitan area offices, including a terrorist attack, extreme weather event or other hostile or catastrophic event, could negatively affect our business. If a disruption occurs in one location and our employees in that location are unable to occupy our offices or communicate with or travel to other locations or successfully work remotely, our ability to service and interact with our clients may suffer, and we may not be able to successfully implement contingency plans that depend on communication, work-from-home arrangements or travel.

A failure to protect our computer systems, networks and information, and our clients' information, against cyber attacks and similar threats could impair our ability to conduct our businesses, result in the disclosure, theft or destruction of confidential information, damage our reputation and cause losses.

Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks and those of our vendors. There have been a number of highly publicized cases involving financial services companies, consumer-based companies, governmental agencies and other organizations reporting the unauthorized disclosure of client, customer or other confidential information in recent years, as well as cyber attacks involving the dissemination, theft and destruction of corporate information or other assets, as a result of failure to follow procedures by employees or contractors or as a result of actions by third parties, including actions by foreign governments. There have also been several highly publicized cases where hackers have requested "ransom" payments in exchange for not disclosing customer information or for restoring access to information or systems.

We are regularly the target of attempted cyber attacks, including denial-of-service attacks, and must continuously monitor and develop our systems to protect the integrity and functionality of our technology infrastructure and access to and the security of our data. We may face an increasing number of attempted cyber attacks as we expand our mobile- and other internet-based products and services, as well as our usage of mobile and cloud technologies, and as we provide more of these services to a greater number of individual consumers. The increasing migration of our communication from devices we provide to employee-owned devices presents additional risks of cyber attacks, as do work-from-home arrangements such as those implemented in response to the COVID-19 pandemic. In addition, due to our interconnectivity with third-party vendors (and their respective service providers), central agents, exchanges, clearing houses and other financial institutions, we could be adversely impacted if any of them is subject to a successful cyber attack or other information security event. These impacts could include the loss of access to information or services from the third party subject to the cyber attack or other information security event, which could, in turn, interrupt certain of our businesses.

Despite our efforts to ensure the integrity of our systems and information, we may not be able to anticipate, detect or implement effective preventive measures against all cyber threats, especially because the techniques used are increasingly sophisticated, change frequently and are often not recognized until launched. Cyber attacks can originate from a variety of sources, including third parties who are affiliated with or sponsored by foreign governments or are involved with organized crime or terrorist organizations. Third parties may also attempt to place individuals in our offices or induce employees, clients or other users of our systems to disclose sensitive information or provide access to our data or that of our clients, and these types of risks may be difficult to detect or prevent.

Although we take protective measures proactively and endeavor to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to unauthorized access, misuse, computer viruses or other malicious code, cyber attacks on our vendors and other events that could have a security impact. Due to the complexity and interconnectedness of our systems, the process of enhancing our protective measures can itself create a risk of systems disruptions and security issues. In addition, protective measures that we employ to compartmentalize our data may reduce our visibility into, and adversely affect our ability to respond to, cyber threats and issues with our systems.

If one or more of such events occur, this potentially could jeopardize our or our clients' or counterparties' confidential and other information processed, stored in, or transmitted through our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations or those of our clients, counterparties or third parties, which could impact their ability to transact with us or otherwise result in legal or regulatory action, significant losses or reputational damage. In addition, such an event could persist for an extended period of time before being detected, and, following detection, it could take considerable time for us to obtain full and reliable information about the extent, amount and type of information compromised. During the course of an investigation, we may not know the full impact of the event and how to remediate it, and actions, decisions and mistakes that are taken or made may further increase the negative effects of the event on our business, results of operations and reputation.

We have expended, and expect to continue to expend, significant resources on an ongoing basis to modify our protective measures and to investigate and remediate vulnerabilities or other exposures, but these measures may be ineffective and we may be subject to legal or regulatory action, as well as financial losses that are either not insured against or not fully covered through any insurance maintained by us.

Our clients' confidential information may also be at risk from the compromise of clients' personal electronic devices or as a result of a data security breach at an unrelated company. Losses due to unauthorized account activity could harm our reputation and may have adverse effects on our business, financial condition and results of operations.

The increased use of mobile and cloud technologies can heighten these and other operational risks, as can work-from-home arrangements. Certain aspects of the security of such technologies are unpredictable or beyond our control, and the failure by mobile technology and cloud service providers to adequately safeguard their systems and prevent cyber attacks could disrupt our operations and result in misappropriation, corruption or loss of confidential and other information. In addition, there is a risk that encryption and other protective measures, despite their sophistication, may be defeated, particularly to the extent that new computing technologies vastly increase the speed and computing power available.

We routinely transmit and receive personal, confidential and proprietary information by email and other electronic means. We have discussed and worked with clients, vendors, service providers, counterparties and other third parties to develop secure transmission capabilities and protect against cyber attacks, but we do not have, and may be unable to put in place, secure capabilities with all of our clients, vendors, service providers, counterparties and other third parties and we may not be able to ensure that these third parties have appropriate controls in place to protect the confidentiality of the information. An interception, misuse or mishandling of personal, confidential or proprietary information being sent to or received from a client, vendor, service provider, counterparty or other third party could result in legal liability, regulatory action and reputational harm.

We may incur losses as a result of ineffective risk management processes and strategies.

We seek to monitor and control our risk exposure through a risk and control framework encompassing a variety of separate but complementary financial, credit, operational, compliance and legal reporting systems, internal controls, management review processes and other mechanisms. Our risk management process seeks to balance our ability to profit from market-making, investing or lending positions, and underwriting activities, with our exposure to potential losses. While we employ a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate every economic and financial outcome or the specifics and timing of such outcomes. Thus, in the course of our activities, we have incurred and may in the future incur losses. Market conditions in recent years have involved unprecedented dislocations and highlight the limitations inherent in using historical data to manage risk.

The models that we use to assess and control our risk exposures reflect assumptions about the degrees of correlation or lack thereof among prices of various asset classes or other market indicators. In times of market stress or other unforeseen circumstances, previously uncorrelated indicators may become correlated, or conversely previously correlated indicators may move in different directions. These types of market movements have at times limited the effectiveness of our hedging strategies and have caused us to incur significant losses, and they may do so in the future. These changes in correlation have been and may in the future be exacerbated where other market participants are using risk or trading models with assumptions or algorithms that are similar to ours. In these and other cases, it may be difficult to reduce our risk positions due to the activity of other market participants or widespread market dislocations, including circumstances where asset values are declining significantly or no market exists for certain assets.

In addition, the use of models in connection with risk management and numerous other critical activities presents risks that such models may be ineffective, either because of poor design, ineffective testing, or improper or flawed inputs, as well as unpermitted access to such models resulting in unapproved or malicious changes to the model or its inputs.

To the extent that we have positions through our market-making or origination activities or we make investments directly through our investing activities, including private equity, that do not have an established liquid trading market or are otherwise subject to restrictions on sale or hedging, we may not be able to reduce our positions and therefore reduce our risk associated with those positions. In addition, to the extent permitted by applicable law and regulation, we invest our own capital in private equity, credit, real estate and hedge funds that we manage and limitations on our ability to withdraw some or all of our investments in these funds, whether for legal, reputational or other reasons, may make it more difficult for us to control the risk exposures relating to these investments.

Prudent risk management, as well as regulatory restrictions, may cause us to limit our exposure to counterparties, geographic areas or markets, which may limit our business opportunities and increase the cost of our funding or hedging activities.

As we have expanded and intend to continue to expand the product and geographic scope of our offerings of credit products to consumers, we are presented with different credit risks and must expand and adapt our credit risk monitoring and mitigation activities to account for these business activities. A failure to adequately assess and control such risk exposures could result in losses to us.

For further information about our risk management policies and procedures, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management" in Part II, Item 7 of this Form 10-K.

We may incur losses as a result of unforeseen or catastrophic events, including pandemics, terrorist attacks, extreme weather events or other natural disasters.

The occurrence of unforeseen or catastrophic events, including pandemics, such as COVID-19, or other widespread health emergencies (or concerns over the possibility of such an emergency), terrorist attacks, extreme terrestrial or solar weather events or other natural disasters, could create economic and financial disruptions, and could lead to operational difficulties (including travel limitations and limitations on occupancy in our offices) that could impair our ability to manage our businesses.

Climate change concerns could disrupt our businesses, adversely affect client activity levels, adversely affect the creditworthiness of our counterparties and damage our reputation.

Climate change may cause extreme weather events that disrupt operations at one or more of our primary locations, which may negatively affect our ability to service and interact with our clients, and also may adversely affect the value of our investments, including our real estate investments. Climate change may also have a negative impact on the financial condition of our clients, which may decrease revenues from those clients and increase the credit risk associated with loans and other credit exposures to those clients. Additionally, our reputation and client relationships may be damaged as a result of our involvement, or our clients' involvement, in certain industries or projects associated with causing or exacerbating climate change, as well as any decisions we make to continue to conduct or change our activities in response to considerations relating to climate change. New regulations or guidance relating to climate change, as well as the perspectives of shareholders, employees and other stakeholders regarding climate change, may affect whether and on what terms and conditions we engage in certain activities or offer certain products.

Legal and Regulatory

Our businesses and those of our clients are subject to extensive and pervasive regulation around the world.

As a participant in the financial services industry and a systemically important financial institution, we are subject to extensive regulation in jurisdictions around the world. We face the risk of significant intervention by law enforcement, regulatory and taxing authorities, as well as private litigation, in all jurisdictions in which we conduct our businesses. In many cases, our activities have been and may continue to be subject to overlapping and divergent regulation in different jurisdictions. Among other things, as a result of law enforcement authorities, regulators or private parties challenging our compliance with existing laws and regulations, we or our employees have been, and could be, fined, criminally charged or sanctioned; prohibited from engaging in some of our business activities; subjected to limitations or conditions on our business activities, including higher capital requirements; or subjected to new or substantially higher taxes or other governmental charges in connection with the conduct of our businesses or with respect to our employees. These limitations or conditions may limit our business activities and negatively impact our profitability.

In addition to the impact on the scope and profitability of our business activities, day-to-day compliance with existing laws and regulations has involved and will continue to involve significant amounts of time, including that of our senior leaders and that of a large number of dedicated compliance and other reporting and operational personnel, all of which may negatively impact our profitability.

Our revenues and profitability and those of our competitors have been and will continue to be impacted by requirements relating to capital, additional loss-absorbing capacity, leverage, minimum liquidity and long-term funding levels, requirements related to resolution and recovery planning, derivatives clearing and margin rules and levels of regulatory oversight, as well as limitations on which and, if permitted, how certain business activities may be carried out by financial institutions.

If there are new laws or regulations or changes in the enforcement of existing laws or regulations applicable to our businesses or those of our clients, including capital, liquidity, leverage, long-term debt, total loss-absorbing capacity and margin requirements, restrictions on leveraged lending or other business practices, reporting requirements, requirements relating to recovery and resolution planning, tax burdens and compensation restrictions, that are imposed on a limited subset of financial institutions (whether based on size, method of funding, activities, geography or other criteria), compliance with these new laws or regulations, or changes in the enforcement of existing laws or regulations, could adversely affect our ability to compete effectively with other institutions that are not affected in the same way. In addition, regulation imposed on financial institutions or market participants generally, such as taxes on stock transfers and other financial transactions, could adversely impact levels of market activity more broadly, and thus impact our businesses. Changes to laws or regulations, such as tax laws, could also have a disproportionate impact on us, based on the way those laws or regulations are applied to financial services and financial firms or due to our corporate structure. For example, during the recent presidential election, the new U.S. administration offered tax policy ideas that if enacted would, among other things, increase the corporate tax rate and the U.S. tax rate on Global Intangible Low Taxed Income (GILTI). Any increase in the corporate tax rate or the U.S. tax on GILTI would increase our effective tax rate and provision for taxes, possibly materially.

These developments could impact our profitability in the affected jurisdictions, or even make it uneconomic for us to continue to conduct all or certain of our businesses in those jurisdictions, or could cause us to incur significant costs associated with changing our business practices, restructuring our businesses, moving all or certain of our businesses and our employees to other locations or complying with applicable capital requirements, including reducing dividends or share repurchases, liquidating assets or raising capital in a manner that adversely increases our funding costs or otherwise adversely affects our shareholders and creditors.

U.S. and non-U.S. regulatory developments, in particular the Dodd-Frank Act and Basel III, have significantly altered the regulatory framework within which we operate and have adversely affected and may in the future adversely affect our profitability. Among the aspects of the Dodd-Frank Act that have affected or may in the future affect our businesses are: increased capital, liquidity and reporting requirements; limitations on activities in which we may engage; increased regulation of and restrictions on OTC derivatives markets and transactions; limitations on incentive compensation; limitations on affiliate transactions; requirements to reorganize or limit activities in connection with recovery and resolution planning; increased deposit insurance assessments; and increased standards of care for broker-dealers and investment advisers in dealing with clients. The implementation of higher capital requirements, more stringent requirements relating to liquidity, long-term debt and total loss-absorbing capacity and the prohibition on proprietary trading and the sponsorship of, or investment in, covered funds by the Volcker Rule may continue to adversely affect our profitability and competitive position, particularly if these requirements do not apply equally to our competitors or are not implemented uniformly across jurisdictions. We may also become subject to higher and more stringent capital and other regulatory requirements as a result of the implementation of Basel Committee standards, including those published in December 2017.

As described in "Business — Regulation — Banking Supervision and Regulation" in Part I, Item 1 of this Form 10-K, the SCB has replaced the capital conservation buffer under the Standardized Capital Rules and resulted in higher Standardized capital ratio requirements. Failure to comply with these requirements could limit our ability to, among other things, repurchase shares, pay dividends and make certain discretionary compensation payments. In addition, if, as in 2020, we are required to resubmit our capital plan, we generally may not make capital distributions, such as share repurchases or dividends, without the prior approval of the FRB. Dividends and repurchases are also subject to oversight by the FRB, which can result in limitations. Limitations on our ability to make capital distributions could, among other things, prevent us from returning capital to our shareholders and impact our return on equity. Additionally, as a consequence of our designation as a G-SIB, we are subject to the G-SIB surcharge. Our G-SIB surcharge is updated annually based on financial data from the prior year. Expansion of our businesses, growth in our balance sheet and increased reliance on short-term wholesale funding have resulted in increases and in the future may result in further increases in our G-SIB surcharge and a corresponding increase in our capital requirements.

We are also subject to laws and regulations, such as the GDPR and the California Consumer Privacy Act, relating to the privacy of the information of clients, employees or others, and any failure to comply with these laws and regulations could expose us to liability and/or reputational damage. As new privacy-related laws and regulations are implemented, the time and resources needed for us to comply with such laws and regulations, as well as our potential liability for non-compliance and reporting obligations in the case of data breaches, may significantly increase.

In addition, our businesses are increasingly subject to laws and regulations relating to surveillance, encryption and data on-shoring in the jurisdictions in which we operate. Compliance with these laws and regulations may require us to change our policies, procedures and technology for information security, which could, among other things, make us more vulnerable to cyber attacks and misappropriation, corruption or loss of information or technology.

We have entered into consumer-oriented deposit-taking, lending and credit card businesses, and we expect to expand the product and geographic scope of our offerings. Entering into these businesses subjects us to numerous additional regulations in the jurisdictions in which these businesses operate. Not only are these regulations extensive, but they involve types of regulations and supervision, as well as regulatory compliance risks, that have not historically applied to us. The level of regulatory scrutiny and the scope of regulations affecting financial interactions with consumers is often much greater than that associated with doing business with institutions and high-net-worth individuals. Complying with these regulations is time-consuming, costly and presents new and increased risks.

Increasingly, regulators and courts have sought to hold financial institutions liable for the misconduct of their clients where they have determined that the financial institution should have detected that the client was engaged in wrongdoing, even though the financial institution had no direct knowledge of the activities engaged in by its client. Regulators and courts have also increasingly found liability as a "control person" for activities of entities in which financial institutions or funds controlled by financial institutions have an investment, but which they do not actively manage. In addition, regulators and courts continue to seek to establish "fiduciary" obligations to counterparties to which no such duty had been assumed to exist. To the extent that such efforts are successful, the cost of, and liabilities associated with, engaging in brokerage, clearing, market-making, prime brokerage, investing and other similar activities could increase significantly. To the extent that we have fiduciary obligations in connection with acting as a financial adviser or investment adviser or in other roles for individual, institutional, sovereign or investment fund clients, any breach, or even an alleged breach, of such obligations could have materially negative legal, regulatory and reputational consequences.

For information about the extensive regulation to which our businesses are subject, see "Business — Regulation" in Part I, Item 1 of this Form 10-K.

A failure to appropriately identify and address potential conflicts of interest could adversely affect our businesses.

Due to the broad scope of our businesses and our client base, we regularly address potential conflicts of interest, including situations where our services to a particular client or our own investments or other interests conflict, or are perceived to conflict, with the interests of that client or another client, as well as situations where one or more of our businesses have access to material non-public information that may not be shared with our other businesses and situations where we may be a creditor of an entity with which we also have an advisory or other relationship.

In addition, our status as a BHC subjects us to heightened regulation and increased regulatory scrutiny by the FRB with respect to transactions between GS Bank USA and entities that are or could be viewed as affiliates of ours and, under the Volcker Rule, transactions between us and covered funds.

We have extensive procedures and controls that are designed to identify and address conflicts of interest, including those designed to prevent the improper sharing of information among our businesses. However, appropriately identifying and dealing with conflicts of interest is complex and difficult, and our reputation, which is one of our most important assets, could be damaged and the willingness of clients to enter into transactions with us may be adversely affected if we fail, or appear to fail, to identify, disclose and deal appropriately with conflicts of interest. In addition, potential or perceived conflicts could give rise to litigation or regulatory enforcement actions. Additionally, our *One Goldman Sachs* initiative aims to increase collaboration among our businesses, which may increase the potential for actual or perceived conflicts of interest and improper information sharing.

We may be adversely affected by increased governmental and regulatory scrutiny or negative publicity.

Governmental scrutiny from regulators, legislative bodies and law enforcement agencies with respect to matters relating to compensation, our business practices, our past actions and other matters has increased dramatically. Political and public sentiment regarding financial institutions has in the past and may in the future result in a significant amount of adverse press coverage, as well as adverse statements or charges by regulators or other government officials. Press coverage and other public statements that assert some form of wrongdoing (including, in some cases, press coverage and public statements that do not directly involve us) often result in some type of investigation by regulators, legislators and law enforcement officials or in lawsuits.

Responding to these investigations and lawsuits, regardless of the ultimate outcome of the proceeding, is time-consuming and expensive and can divert the time and effort of our senior management from our business. Penalties and fines sought by regulatory authorities have increased substantially over the last several years, and certain regulators have been more likely in recent years to commence enforcement actions or to advance or support legislation targeted at the financial services industry. Adverse publicity, governmental scrutiny and legal and enforcement proceedings can also have a negative impact on our reputation and on the morale and performance of our employees, which could adversely affect our businesses and results of operations.

The financial services industry generally and our businesses in particular have been subject to negative publicity. Our reputation and businesses may be adversely affected by negative publicity or information regarding our businesses and personnel, whether or not accurate or true, that may be posted on social media or other internet forums or published by news organizations. Postings on these types of forums may also adversely impact risk positions of our clients and other parties that owe us money, securities or other assets and increase the chance that they will not perform their obligations to us or reduce the revenues we receive from their use of our services. The speed and pervasiveness with which information can be disseminated through these channels, in particular social media, may magnify risks relating to negative publicity.

Substantial civil or criminal liability or significant regulatory action against us could have material adverse financial effects or cause us significant reputational harm, which in turn could seriously harm our business prospects.

We face significant legal risks in our businesses, and the volume of claims and amount of damages and penalties claimed in litigation and regulatory proceedings against financial institutions remain high. See Notes 18 and 27 to the consolidated financial statements in Part II, Item 8 of this Form 10-K for information about certain of our legal and regulatory proceedings and investigations. We have seen legal claims by consumers and clients increase in a market downturn and employment-related claims increase following periods in which we have reduced our headcount. Additionally, governmental entities have been plaintiffs and are parties in certain of our legal proceedings, and we may face future civil or criminal actions or claims by the same or other governmental entities, as well as follow-on civil litigation that is often commenced after regulatory settlements.

Significant settlements by several large financial institutions, including, in some cases, us, with governmental entities have been publicly announced. The trend of large settlements with governmental entities may adversely affect the outcomes for other financial institutions in similar actions, especially where governmental officials have announced that the large settlements will be used as the basis or a template for other settlements. The uncertain regulatory enforcement environment makes it difficult to estimate probable losses, which can lead to substantial disparities between legal reserves and subsequent actual settlements or penalties.

Claims of collusion or anti-competitive conduct have become more common. Civil cases have been brought against financial institutions (including us) alleging bid rigging, group boycotts or other anti-competitive practices. Antitrust laws generally provide for joint and several liability and treble damages. These claims have resulted in significant settlements in the past and may do so in the future.

We are subject to laws and regulations worldwide, including the FCPA and the U.K. Bribery Act, relating to corrupt and illegal payments to, and hiring practices with regard to, government officials and others. Violation of these or similar laws and regulations have in the past resulted in and could in the future result in significant monetary penalties. Such violations could also result in severe restrictions on our activities and damage to our reputation.

Certain law enforcement authorities have recently required admissions of wrongdoing, and, in some cases, criminal pleas, as part of the resolutions of matters brought against financial institutions or their employees. See for example, "1MDB-Related Matters" in Note 27 to the consolidated financial statements in Part II, Item 8 of this Form 10-K. Any such resolution of a criminal matter involving us or our employees could lead to increased exposure to civil litigation, could adversely affect our reputation, could result in penalties or limitations on our ability to conduct our activities generally or in certain circumstances and could have other negative effects. Further, as a result of the 1MDB settlement, we are no longer a "well-known seasoned issuer," which could place limitations on the manner in which we can market our securities.

In conducting our businesses around the world, we are subject to political, legal, regulatory and other risks that are inherent in operating in many countries.

In conducting our businesses and supporting our global operations, we are subject to risks of possible nationalization, expropriation, price controls, capital controls, exchange controls, communications and other content restrictions, and other restrictive governmental actions. For example, sanctions have been imposed by the U.S. and the E.U. on certain individuals and companies in Russia and Venezuela. In many countries, the laws and regulations applicable to the securities and financial services industries and many of the transactions in which we are involved are uncertain and evolving, and it may be difficult for us to determine the exact requirements of local laws in every market. We are also subject to the risk that our businesses may be subject to divergent laws and regulations across markets and that the jurisdictions in which we operate may implement laws and regulations that directly conflict with those of another jurisdiction. Any determination by local regulators that we have not acted in compliance with the application of local laws in a particular market or our failure to develop effective working relationships with local regulators could have a significant and negative effect not only on our businesses in that market, but also on our reputation generally. Further, in some jurisdictions a failure, or alleged failure, to comply with laws and regulations has subjected and may in the future subject us and our personnel not only to civil actions, but also criminal actions and other sanctions. We are also subject to the enhanced risk that transactions we structure might not be legally enforceable in all cases.

While business and other practices throughout the world differ, our principal entities are subject in their operations worldwide to rules and regulations relating to corrupt and illegal payments, hiring practices and money laundering, as well as laws relating to doing business with certain individuals, groups and countries, such as the FCPA, the USA PATRIOT Act and the U.K. Bribery Act. While we have invested and continue to invest significant resources in training and in compliance monitoring, the geographical diversity of our operations, employees, clients and consumers, as well as the vendors and other third parties that we deal with, greatly increases the risk that we may be found in violation of such rules or regulations and any such violation could subject us to significant penalties or adversely affect our reputation. See for example, "1MDB-Related Matters" in Note 27 to the consolidated financial statements in Part II, Item 8 of this Form 10-K.

In addition, there have been a number of highly publicized cases around the world, involving actual or alleged fraud or other misconduct by employees in the financial services industry in recent years, and we have had and may in the future have employee misconduct. This misconduct has included and may also in the future include intentional efforts to ignore or circumvent applicable policies, rules or procedures or misappropriation of funds and the theft of proprietary information, including proprietary software. It is not always possible to deter or prevent employee misconduct and the precautions we take to prevent and detect this activity have not been and may not be effective in all cases, as reflected by the settlements relating to 1MDB.

The application of regulatory strategies and requirements in the U.S. and non-U.S. jurisdictions to facilitate the orderly resolution of large financial institutions could create greater risk of loss for Group Inc.'s security holders.

As described in "Business — Regulation — Banking Supervision and Regulation — Insolvency of an IDI or a BHC," if the FDIC is appointed as receiver under OLA, the rights of Group Inc.'s creditors would be determined under OLA, and substantial differences exist in the rights of creditors between OLA and the U.S. Bankruptcy Code, including the right of the FDIC under OLA to disregard the strict priority of creditor claims in some circumstances, which could have a material adverse effect on our debtholders.

The FDIC has announced that a single point of entry strategy may be a desirable strategy under OLA to resolve a large financial institution in a manner that would, among other things, impose losses on shareholders, debtholders and other creditors of the top-tier BHC (in our case, Group Inc.), while the BHC's subsidiaries may continue to operate. It is possible that the application of the single point of entry strategy under OLA, in which Group Inc. would be the only entity to enter resolution proceedings (and its material broker-dealer, bank and other operating entities would not enter resolution proceedings), would result in greater losses to Group Inc.'s security holders (including holders of our fixed rate, floating rate and indexed debt securities), than the losses that would result from the application of a bankruptcy proceeding or a different resolution strategy, such as a multiple point of entry resolution strategy for Group Inc. and certain of its material subsidiaries.

Assuming Group Inc. entered resolution proceedings and that support from Group Inc. or other available resources to its subsidiaries was sufficient to enable the subsidiaries to remain solvent, losses at the subsidiary level would be transferred to Group Inc. and ultimately borne by Group Inc.'s security holders, third-party creditors of Group Inc.'s subsidiaries would receive full recoveries on their claims, and Group Inc.'s security holders (including our shareholders, debtholders and other unsecured creditors) could face significant and possibly complete losses. In that case, Group Inc.'s security holders would face losses while the third-party creditors of Group Inc.'s subsidiaries would incur no losses because the subsidiaries would continue to operate and would not enter resolution or bankruptcy proceedings. In addition, holders of Group Inc.'s eligible long-term debt and holders of Group Inc.'s other debt securities could face losses ahead of its other similarly situated creditors in a resolution under OLA if the FDIC exercised its right, described above, to disregard the priority of creditor claims.

OLA also provides the FDIC with authority to cause creditors and shareholders of the financial company in receivership to bear losses before taxpayers are exposed to such losses, and amounts owed to the U.S. government would generally receive a statutory payment priority over the claims of private creditors, including senior creditors.

In addition, under OLA, claims of creditors (including debtholders) could be satisfied through the issuance of equity or other securities in a bridge entity to which Group Inc.'s assets are transferred. If such a securities-for-claims exchange were implemented, there can be no assurance that the value of the securities of the bridge entity would be sufficient to repay or satisfy all or any part of the creditor claims for which the securities were exchanged. While the FDIC has issued regulations to implement OLA, not all aspects of how the FDIC might exercise this authority are known and additional rulemaking is possible.

In addition, certain jurisdictions, including the U.K. and the E.U., have implemented, or are considering, changes to resolution regimes to provide resolution authorities with the ability to recapitalize a failing entity by writing down its unsecured debt or converting its unsecured debt into equity. Such "bail-in" powers are intended to enable the recapitalization of a failing institution by allocating losses to its shareholders and unsecured debtholders. For example, the Bank of England requires a certain amount of intercompany funding that we provide to our material U.K. subsidiaries to contain a contractual trigger to expressly permit the Bank of England to exercise such "bail-in" powers in certain circumstances. If the intercompany funding we provide to our subsidiaries is "bailed in," Group Inc.'s claims on its subsidiaries would be subordinated to the claims of the subsidiaries' third-party creditors or written down. U.S. regulators are considering and non-U.S. authorities have adopted requirements that certain subsidiaries of large financial institutions maintain minimum amounts of total loss-absorbing capacity that would pass losses up from the subsidiaries to the top-tier BHC and, ultimately, to security holders of the top-tier BHC in the event of failure.

The application of Group Inc.'s proposed resolution strategy could result in greater losses for Group Inc.'s security holders.

In our resolution plan, Group Inc. would be resolved under the U.S. Bankruptcy Code. The strategy described in our resolution plan is a variant of the single point of entry strategy: Group Inc. and Goldman Sachs Funding LLC (Funding IHC), a wholly-owned, direct subsidiary of Group Inc., would recapitalize and provide liquidity to certain major subsidiaries, including through the forgiveness of intercompany indebtedness, the extension of the maturities of intercompany indebtedness and the extension of additional intercompany loans. If this strategy were successful, creditors of some or all of Group Inc.'s major subsidiaries would receive full recoveries on their claims, while Group Inc.'s security holders could face significant and possibly complete losses.

To facilitate the execution of our resolution plan, we formed Funding IHC. In exchange for an unsecured subordinated funding note and equity interest, Group Inc. transferred certain intercompany receivables and substantially all of its global core liquid assets (GCLA) to Funding IHC, and agreed to transfer additional GCLA above prescribed thresholds.

We also put in place a Capital and Liquidity Support Agreement (CLSA) among Group Inc., Funding IHC and our major subsidiaries. Under the CLSA, Funding IHC has provided Group Inc. with a committed line of credit that allows Group Inc. to draw sufficient funds to meet its cash needs during the ordinary course of business. In addition, if our financial resources deteriorate so severely that resolution may be imminent, (i) the committed line of credit will automatically terminate and the unsecured subordinated funding note will automatically be forgiven, (ii) all intercompany receivables owed by the major subsidiaries to Group Inc. will be transferred to Funding IHC or their maturities will be extended to five years, (iii) Group Inc. will be obligated to transfer substantially all of its remaining intercompany receivables and GCLA (other than an amount to fund anticipated bankruptcy expenses) to Funding IHC, and (iv) Funding IHC will be obligated to provide capital and liquidity support to the major subsidiaries. Group Inc.'s and Funding IHC's obligations under the CLSA are secured pursuant to a related security agreement. Such actions would materially and adversely affect Group Inc.'s liquidity. As a result, during a period of severe stress, Group Inc. might commence bankruptcy proceedings at an earlier time than it otherwise would if the CLSA and related security agreement had not been implemented.

If Group Inc.'s proposed resolution strategy were successful, Group Inc.'s security holders could face losses while the third-party creditors of Group Inc.'s major subsidiaries would incur no losses because those subsidiaries would continue to operate and not enter resolution or bankruptcy proceedings. As part of the strategy, Group Inc. could also seek to elevate the priority of its guarantee obligations relating to its major subsidiaries' derivative contracts or transfer them to another entity so that cross-default and early termination rights would be stayed under the ISDA Protocols, as applicable, which would result in holders of Group Inc.'s eligible long-term debt and holders of Group Inc.'s other debt securities incurring losses ahead of the beneficiaries of those guarantee obligations. It is also possible that holders of Group Inc.'s eligible long-term debt and other debt securities could incur losses ahead of other similarly situated creditors of Group Inc.'s major subsidiaries.

If Group Inc.'s proposed resolution strategy were not successful, Group Inc.'s financial condition would be adversely impacted and Group Inc.'s security holders, including debtholders, may as a consequence be in a worse position than if the strategy had not been implemented. In all cases, any payments to debtholders are dependent on our ability to make such payments and are therefore subject to our credit risk.

As a result of our recovery and resolution planning processes, including incorporating feedback from our regulators, we may incur increased operational, funding or other costs and face limitations on our ability to structure our internal organization or engage in internal or external activities in a manner that we may otherwise deem most operationally efficient.

Our commodities activities, particularly our physical commodities activities, subject us to extensive regulation and involve certain potential risks, including environmental, reputational and other risks that may expose us to significant liabilities and costs.

As part of our commodities business, we purchase and sell certain physical commodities, arrange for their storage and transport, and engage in market making of commodities. The commodities involved in these activities may include crude oil, refined oil products, natural gas, liquefied natural gas, electric power, agricultural products, metals (base and precious), minerals (including unenriched uranium), emission credits, coal, freight and related products and indices.

We make investments in and finance entities that engage in the production, storage and transportation of numerous commodities, including many of the commodities referenced above.

These activities subject us and/or the entities in which we invest to extensive and evolving federal, state and local energy, environmental, antitrust and other governmental laws and regulations worldwide, including environmental laws and regulations relating to, among others, air quality, water quality, waste management, transportation of hazardous substances, natural resources, site remediation and health and safety. Additionally, rising climate change concerns have led to additional regulation that could increase the operating costs and adversely affect the profitability of certain of our investments.

There may be substantial costs in complying with current or future laws and regulations relating to our commodities-related activities and investments. Compliance with these laws and regulations could require significant commitments of capital toward environmental monitoring, renovation of storage facilities or transport vessels, payment of emission fees and carbon or other taxes, and application for, and holding of, permits and licenses.

Commodities involved in our intermediation activities and investments are also subject to the risk of unforeseen or catastrophic events, which are likely to be outside of our control, including those arising from the breakdown or failure of transport vessels, storage facilities or other equipment or processes or other mechanical malfunctions, fires, leaks, spills or release of hazardous substances, performance below expected levels of output or efficiency, terrorist attacks, extreme weather events or other natural disasters or other hostile or catastrophic events. In addition, we rely on third-party suppliers or service providers to perform their contractual obligations and any failure on their part, including the failure to obtain raw materials at reasonable prices or to safely transport or store commodities, could expose us to costs or losses. Also, while we seek to insure against potential risks, we may not be able to obtain insurance to cover some of these risks and the insurance that we have may be inadequate to cover our losses.

The occurrence of any of such events may prevent us from performing under our agreements with clients, may impair our operations or financial results and may result in litigation, regulatory action, negative publicity or other reputational harm.

We may also be required to divest or discontinue certain of these activities for regulatory or legal reasons.

Competition

Our results have been and may in the future be adversely affected by the composition of our client base.

Our client base is not the same as that of our major competitors. Our businesses may have a higher or lower percentage of clients in certain industries or markets than some or all of our competitors. Therefore, unfavorable industry developments or market conditions affecting certain industries or markets have resulted in the past and may result in the future in our businesses underperforming relative to similar businesses of a competitor if our businesses have a higher concentration of clients in such industries or markets. For example, our market-making businesses have a higher percentage of clients with actively managed assets than our competitors and such clients have in the past and may in the future be disproportionately affected by low volatility.

Correspondingly, favorable or simply less adverse developments or market conditions involving industries or markets in a business where we have a lower concentration of clients in such industry or market have also resulted in the past and may result in the future in our underperforming relative to a similar business of a competitor that has a higher concentration of clients in such industry or market. For example, we have a smaller corporate client base in our market-making businesses than many of our peers and therefore those competitors may benefit more from increased activity by corporate clients. Similarly, we have not historically engaged in retail equities intermediation to the same extent as other financial institutions, which has in the past and could in the future adversely affect our market share in equities execution.

The financial services industry is highly competitive.

The financial services industry and all of our businesses are intensely competitive, and we expect them to remain so. We compete on the basis of a number of factors, including transaction execution, our products and services, innovation, reputation, creditworthiness and price. There has been substantial consolidation and convergence among companies in the financial services industry. This has hastened the globalization of the securities and other financial services markets. As a result, we have had to commit capital to support our international operations and to execute large global transactions. To the extent we expand into new business areas and new geographic regions, we will face competitors with more experience and more established relationships with clients, regulators and industry participants in the relevant market, which could adversely affect our ability to expand.

Governments and regulators have adopted regulations, imposed taxes, adopted compensation restrictions or otherwise put forward various proposals that have impacted or may impact our ability to conduct certain of our businesses in a cost-effective manner or at all in certain or all jurisdictions, including proposals relating to restrictions on the type of activities in which financial institutions are permitted to engage. These or other similar rules, many of which do not apply to all our U.S. or non-U.S. competitors, could impact our ability to compete effectively.

Pricing and other competitive pressures in our businesses have continued to increase, particularly in situations where some of our competitors may seek to increase market share by reducing prices. For example, in connection with investment banking and other assignments, in response to competitive pressure we have experienced, we have extended and priced credit at levels that may not always fully compensate us for the risks we take.

The financial services industry is highly interrelated in that a significant volume of transactions occur among a limited number of members of that industry. Many transactions are syndicated to other financial institutions and financial institutions are often counterparties in transactions. This has led to claims by other market participants and regulators that such institutions have colluded in order to manipulate markets or market prices, including allegations that antitrust laws have been violated. While we have extensive procedures and controls that are designed to identify and prevent such activities, allegations of such activities, particularly by regulators, can have a negative reputational impact and can subject us to large fines and settlements, and potentially significant penalties, including treble damages.

The growth of electronic trading and the introduction of new trading technology has increased competition.

Technology is fundamental to our business and our industry. The growth of electronic trading and the introduction of new technologies is changing our businesses and presenting us with new challenges. Securities, futures and options transactions are increasingly occurring electronically, both on our own systems and through other alternative trading systems, and it appears that the trend toward alternative trading systems will continue. Some of these alternative trading systems compete with us, particularly our exchange-based market-making activities, and we may experience continued competitive pressures in these and other areas. In addition, the increased use by our clients of low-cost electronic trading systems and direct electronic access to trading markets could cause a reduction in commissions and spreads. As our clients increasingly use our systems to trade directly in the markets, we may incur liabilities as a result of their use of our order routing and execution infrastructure.

We have invested significant resources into the development of electronic trading systems and expect to continue to do so, but there is no assurance that the revenues generated by these systems will yield an adequate return, particularly given the generally lower commissions arising from electronic trades.

Our businesses would be adversely affected if we are unable to hire and retain qualified employees.

Our performance is largely dependent on the talents and efforts of highly skilled people; therefore, our continued ability to compete effectively in our businesses, to manage our businesses effectively and to expand into new businesses and geographic areas depends on our ability to attract new talented and diverse employees and to retain and motivate our existing employees. Factors that affect our ability to attract and retain such employees include the level and composition of our compensation and benefits, and our reputation as a successful business with a culture of fairly hiring, training and promoting qualified employees. As a significant portion of the compensation that we pay to our employees is in the form of year-end discretionary compensation, a significant portion of which is in the form of deferred equity-related awards, declines in our profitability, or in the outlook for our future profitability, as well as regulatory limitations on compensation levels and terms, can negatively impact our ability to hire and retain highly qualified employees.

Competition from within the financial services industry and from businesses outside the financial services industry, including the technology industry, for qualified employees has often been intense. We have experienced increased competition in hiring and retaining employees to address the demands of new regulatory requirements, expanding consumer-oriented businesses and our technology initiatives. This is also the case in emerging and growth markets, where we are often competing for qualified employees with entities that have a significantly greater presence or more extensive experience in the region.

Changes in law or regulation in jurisdictions in which our operations are located that affect taxes on our employees' income, or the amount or composition of compensation, may also adversely affect our ability to hire and retain qualified employees in those jurisdictions.

As described further in "Business — Regulation — Compensation Practices" in Part I, Item 1 of this Form 10-K, our compensation practices are subject to review by, and the standards of, the FRB. As a large global financial and banking institution, we are subject to limitations on compensation practices (which may or may not affect our competitors) by the FRB, the PRA, the FCA, the FDIC and other regulators worldwide. These limitations, including any imposed by or as a result of future legislation or regulation, may require us to alter our compensation practices in ways that could adversely affect our ability to attract and retain talented employees.

Our operating expenses and efficiency ratio depend, in part, on our overall headcount and the proportion of our employees located in strategic locations. Our future human capital resource requirements and the benefits provided by strategic locations are uncertain, and we may not realize the benefits we anticipate.

Item 1B. Unresolved Staff Comments

There are no material unresolved written comments that were received from the SEC staff 180 days or more before the end of our fiscal year relating to our periodic or current reports under the Exchange Act.

Item 2. Properties

In the U.S. and elsewhere in the Americas, we have offices consisting of approximately 6.6 million square feet of leased and owned space. Our principal executive offices are located at 200 West Street, New York, New York and consist of approximately 2.1 million square feet. The building is located on a parcel leased from Battery Park City Authority pursuant to a ground lease. Under the lease, Battery Park City Authority holds title to all improvements, including the office building, subject to our right of exclusive possession and use until June 2069, the expiration date of the lease. Under the terms of the ground lease, we made a lump sum ground rent payment in June 2007 of $161 million for rent through the term of the lease.

In Europe, the Middle East and Africa, we have offices consisting of approximately 1.5 million square feet of leased and owned space. Our European headquarters is located in London at Plumtree Court, consisting of 826,000 square feet under a lease which can be terminated in 2039.

In Asia, Australia and New Zealand, we have offices consisting of approximately 2.6 million square feet, including our offices in India, and regional headquarters in Tokyo and Hong Kong. In India, we have offices with approximately 1.6 million square feet, the majority of which have leases that will expire in 2028.

In the preceding paragraphs, square footage figures are provided only for properties that are used in the operation of our businesses. We regularly evaluate our space capacity in relation to current and projected headcount. We may incur exit costs in the future if we (i) reduce our space capacity or (ii) commit to, or occupy, new properties in locations in which we operate and dispose of existing space that had been held for potential growth. These costs may be material to our operating results in a given period.

Item 3. Legal Proceedings

We are involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of our businesses. Many of these proceedings are in early stages, and many of these cases seek an indeterminate amount of damages. We have estimated the upper end of the range of reasonably possible aggregate loss for matters where we have been able to estimate a range and we believe, based on currently available information, that the results of matters where we have not been able to estimate a range of reasonably possible loss, in the aggregate, will not have a material adverse effect on our financial condition, but may be material to our operating results in a given period. Given the range of litigation and investigations presently under way, our litigation expenses may remain high. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Use of Estimates" in Part II, Item 7 of this Form 10-K. See Notes 18 and 27 to the consolidated financial statements in Part II, Item 8 of this Form 10-K for information about our reasonably possible aggregate loss estimate and judicial, regulatory and legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The principal market on which our common stock is traded is the NYSE under the symbol "GS." Information relating to the performance of our common stock from December 31, 2015 through December 31, 2020 is set forth in "Supplemental Financial Information — Common Stock Performance" in Part II, Item 8 of this Form 10-K. As of February 5, 2021, there were 6,491 holders of record of our common stock.

The table below presents purchases made by or on behalf of Group Inc. or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act) of our common stock during the fourth quarter of 2020.

	Total Shares Purchased	Average Price Paid Per Share	Total Shares Purchased as Part of a Publicly Announced Program	Maximum Shares That May Yet Be Purchased Under the Program
October	–	–	–	**49,693,762**
November	–	–	–	**49,693,762**
December	–	–	–	**49,693,762**
Total	–		–	

We suspended stock repurchases during the first quarter of 2020 and, consistent with the FRB's requirement for all large BHCs, extended the suspension of stock repurchases through the fourth quarter of 2020.

Since March 2000, our Board has approved a repurchase program authorizing repurchases of up to 605 million shares of our common stock. The repurchase program is effected primarily through regular open-market purchases (which may include repurchase plans designed to comply with Rule 10b5-1 and accelerated share repurchases), the amounts and timing of which are determined primarily by our current and projected capital position, but which may also be influenced by general market conditions and the prevailing price and trading volumes of our common stock. The repurchase program has no set expiration or termination date.

Information relating to compensation plans under which our equity securities are authorized for issuance is presented in Part III, Item 12 of this Form 10-K.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

The Goldman Sachs Group, Inc. (Group Inc. or parent company), a Delaware corporation, together with its consolidated subsidiaries, is a leading global financial institution that delivers a broad range of financial services across investment banking, securities, investment management and consumer banking to a large and diversified client base that includes corporations, financial institutions, governments and individuals. Founded in 1869, we are headquartered in New York and maintain offices in all major financial centers around the world. We report our activities in four business segments: Investment Banking, Global Markets, Asset Management, and Consumer & Wealth Management. See "Results of Operations" for further information about our business segments.

When we use the terms "we," "us" and "our," we mean Group Inc. and its consolidated subsidiaries. When we use the term "our subsidiaries," we mean the consolidated subsidiaries of Group Inc. References to "this Form 10-K" are to our Annual Report on Form 10-K for the year ended December 31, 2020. All references to "the consolidated financial statements" or "Supplemental Financial Information" are to Part II, Item 8 of this Form 10-K. All references to 2020, 2019 and 2018 refer to our years ended, or the dates, as the context requires, December 31, 2020, December 31, 2019 and December 31, 2018, respectively. Any reference to a future year refers to a year ending on December 31 of that year.

In this discussion and analysis of our financial condition and results of operations, we have included information that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are not historical facts or statements of current conditions, but instead represent only our beliefs regarding future events, many of which, by their nature, are inherently uncertain and outside our control.

By identifying the following statements for you in this manner, we are alerting you to the possibility that our actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition in these forward-looking statements. Important factors that could cause our results, financial condition and capital actions to differ from those in these statements include, among others, those described in "Risk Factors" in Part I, Item 1A of this Form 10-K and "Cautionary Statement Pursuant to the U.S. Private Securities Litigation Reform Act of 1995" in Part I, Item 1 of this Form 10-K.

These statements may relate to, among other things, (i) our future plans and results, including our target ROE, ROTE, efficiency ratio and CET1 capital ratio, and how they can be achieved, (ii) trends in or growth opportunities for our businesses, including the timing, costs, profitability, benefits and other aspects of business and strategic initiatives and their impact on our efficiency ratio, (iii) our level of future compensation expense, including as a percentage of both operating expenses and revenues net of provision for credit losses, (iv) our investment banking transaction backlog, (v) our expected interest income and interest expense, (vi) our expense savings and strategic locations initiatives, (vii) expenses we may incur, including future litigation expense and expenses from investing in our consumer and transaction banking businesses, (viii) the projected growth of our deposits and other funding, asset liability management and funding strategies and related interest expense savings, (ix) our business initiatives, including transaction banking and new consumer financial products, (x) our planned 2021 parent vanilla debt issuances, (xi) the amount, composition and location of GCLA we expect to hold, (xii) our credit exposures, (xiii) our expected provisions for credit losses (including those related to our co-branded credit card relationship with General Motors), (xiv) the adequacy of our allowance for credit losses, (xv) the projected growth of our installment loan and credit card businesses, (xvi) the objectives and effectiveness of our business continuity plan (BCP), information security program, risk management and liquidity policies, (xvii) our resolution plan and strategy and their implications for stakeholders, (xviii) the design and effectiveness of our resolution capital and liquidity models and triggers and alerts framework, (xix) the results of stress tests, (xx) the effect of changes to regulations, and our future status, activities or reporting under banking and financial regulation, (xxi) our NSFR, (xxii) our expected tax rate, (xxiii) the future state of our liquidity and regulatory capital ratios, and our prospective capital distributions (including dividends and repurchases), (xxiv) our expected SCB and G-SIB surcharge, (xxv) legal proceedings, governmental investigations or other contingencies, (xxvi) the 1MDB settlements, including the asset recovery guarantee and our remediation activities, (xxvii) the effectiveness of our strategy with respect to Brexit, (xxviii) the replacement of IBORs and our transition to alternative risk-free reference rates, (xxix) the impact of the COVID-19 pandemic on our business, results, financial position and liquidity, (xxx) the effectiveness of our management of our human capital, including our diversity goals and (xxxi) our plans for our people to return to our offices.

Executive Overview

We generated net earnings of $9.46 billion for 2020, an increase of 12% compared with $8.47 billion for 2019. Diluted earnings per common share (EPS) was $24.74 for 2020, an increase of 18% compared with $21.03 for 2019. Return on average common shareholders' equity (ROE) was 11.1% for 2020, compared with 10.0% for 2019. Book value per common share was $236.15 as of December 2020, 8.1% higher compared with December 2019.

During 2020, we recorded net provisions for litigation and regulatory proceedings of $3.42 billion, which reduced diluted EPS by $9.51 and reduced ROE by 3.9 percentage points. During 2019, we recorded net provisions for litigation and regulatory proceedings of $1.24 billion, which reduced diluted EPS by $3.16 and reduced ROE by 1.5 percentage points.

Net revenues were $44.56 billion for 2020, 22% higher than 2019. Net revenues were significantly higher in both Fixed Income, Currency and Commodities (FICC) and Equities within Global Markets, driven by strong client activity, and in Investment Banking, reflecting significantly higher net revenues in both Equity and Debt underwriting. Net revenues in Consumer & Wealth Management were higher, reflecting growth in Wealth management and Consumer banking. These increases were partially offset by lower net revenues in Asset Management, due to significantly lower net revenues in Equity investments and Lending and debt investments, which reflected the impact of a challenging environment earlier this year.

Provision for credit losses was $3.10 billion for 2020, compared with $1.07 billion for 2019. This increase was primarily due to significantly higher provisions related to wholesale loans as a result of individual impairments and ratings downgrades during the year, as well as deterioration and uncertainty in the broader economic environment (incorporating the accounting for credit losses under the Current Expected Credit Losses (CECL) standard) reflecting the impact of the global outbreak of the coronavirus (COVID-19) pandemic. The increase also included higher provisions related to credit card loans, due to growth in the portfolio. See Note 3 to the consolidated financial statements for further information about ASU No. 2016-13, "Financial Instruments — Credit Losses (Topic 326) — Measurement of Credit Losses on Financial Instruments."

Operating expenses were $28.98 billion for 2020, 16% higher than 2019, primarily reflecting significantly higher net provisions for litigation and regulatory proceedings, higher compensation and benefits expenses (reflecting improved financial performance) and higher transaction based expenses (reflecting an increase in activity levels). Our efficiency ratio (total operating expenses divided by total net revenues) for 2020 was 65.0%, compared with 68.1% for 2019. Net provisions for litigation and regulatory proceedings increased our efficiency ratio for 2020 by 7.6 percentage points and for 2019 by 3.4 percentage points.

During 2020, we returned $3.72 billion of capital to common shareholders, including $1.93 billion of common share repurchases, all during the first quarter, and $1.80 billion in common stock dividends. As of December 2020, our Common Equity Tier 1 (CET1) capital ratio was 14.7% under the Standardized Capital Rules and 13.4% under the Advanced Capital Rules. See Note 20 to the consolidated financial statements for further information about our capital ratios.

In the beginning of 2020, we announced strategic initiatives related to expense efficiencies and funding optimization with an emphasis on improving profitability and shareholder returns. We estimated that by year-end 2022 we will generate (i) $1.3 billion of annual run-rate expense efficiencies, which will create capacity to fund growth, and (ii) $1.0 billion of annual run-rate interest expense savings through funding optimization from the growth of deposits and the reduction of wholesale unsecured funding. During 2020, we achieved approximately half of the expense efficiencies target of $1.3 billion, which enabled us to partially offset the cost of investment in our business and our people in 2020. While we did not achieve interest expense savings during 2020, we remain focused on achieving the $1.0 billion interest expense savings by year-end 2022, based on the current pricing of our consumer deposits, as well as higher deposit balances.

Business Environment

In the beginning of 2020, the spread of COVID-19 across the globe and the accompanying temporary closures of non-essential businesses and stay-at-home requirements caused a sharp contraction in global economic activity, widespread unemployment, high levels of volatility across most financial assets and global markets, an unprecedented decline in global equity prices, and a significant widening of credit spreads. Global central banks responded quickly with accommodative monetary policy by reducing policy interest rates and increasing large scale asset purchases, and the establishment of a number of facilities to support the functioning of markets and to provide liquidity to markets. In addition, governments globally intervened with fiscal policy to mitigate the impact, including the Coronavirus Aid, Relief, and Economic Security (CARES) Act in the U.S., which provided economic relief to businesses and individuals. These monetary and fiscal interventions, combined with the reopening of businesses and relaxation of earlier lockdowns, contributed to a sharp rebound in global economic activity during the second half of 2020. As a result, investors became more optimistic towards the prospect of a quicker economic recovery and a return to pre-pandemic levels, effecting sharp increases in equity prices and tighter credit spreads. Late in the year, medical professionals developed effective COVID-19 vaccines and governments began to distribute them globally, which is expected to reduce virus spread and further aid economic recovery. Additionally, the U.S. concluded a presidential election, and a second pandemic-aid bill was passed that included additional unemployment benefits and direct payments to individuals.

Despite broad improvements in the overall economy since the pandemic began, there continues to be uncertainty related to the prospects for economic growth, virus resurgence, vaccine distribution, further fiscal stimulus and geopolitical risks. See "Results of Operations — Segment Operating Results" for further information about the operating environment for each of our business segments.

Critical Accounting Policies

Fair Value

Fair Value Hierarchy. Trading assets and liabilities, certain investments and loans, and certain other financial assets and liabilities, are included in our consolidated balance sheets at fair value (i.e., marked-to-market), with related gains or losses generally recognized in our consolidated statements of earnings. The use of fair value to measure financial instruments is fundamental to our risk management practices and is our most critical accounting policy.

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We measure certain financial assets and liabilities as a portfolio (i.e., based on its net exposure to market and/or credit risks). In determining fair value, the hierarchy under U.S. generally accepted accounting principles (U.S. GAAP) gives (i) the highest priority to unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities (level 1 inputs), (ii) the next priority to inputs other than level 1 inputs that are observable, either directly or indirectly (level 2 inputs), and (iii) the lowest priority to inputs that cannot be observed in market activity (level 3 inputs). In evaluating the significance of a valuation input, we consider, among other factors, a portfolio's net risk exposure to that input. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to their fair value measurement.

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

Instruments classified in level 3 of the fair value hierarchy are those which require one or more significant inputs that are not observable. Level 3 financial assets represented 2.3% as of both December 2020 and December 2019, of our total assets. See Notes 4 through 10 to the consolidated financial statements for further information about level 3 financial assets, including changes in level 3 financial assets and related fair value measurements. Absent evidence to the contrary, instruments classified in level 3 of the fair value hierarchy are initially valued at transaction price, which is considered to be the best initial estimate of fair value. Subsequent to the transaction date, we use other methodologies to determine fair value, which vary based on the type of instrument. Estimating the fair value of level 3 financial instruments requires judgments to be made. These judgments include:

- Determining the appropriate valuation methodology and/or model for each type of level 3 financial instrument;
- Determining model inputs based on an evaluation of all relevant empirical market data, including prices evidenced by market transactions, interest rates, credit spreads, volatilities and correlations; and
- Determining appropriate valuation adjustments, including those related to illiquidity or counterparty credit quality.

Regardless of the methodology, valuation inputs and assumptions are only changed when corroborated by substantive evidence.

Controls Over Valuation of Financial Instruments. Market makers and investment professionals in our revenue-producing units are responsible for pricing our financial instruments. Our control infrastructure is independent of the revenue-producing units and is fundamental to ensuring that all of our financial instruments are appropriately valued at market-clearing levels. In the event that there is a difference of opinion in situations where estimating the fair value of financial instruments requires judgment (e.g., calibration to market comparables or trade comparison, as described below), the final valuation decision is made by senior managers in independent risk oversight and control functions. This independent price verification is critical to ensuring that our financial instruments are properly valued.

Price Verification. All financial instruments at fair value classified in levels 1, 2 and 3 of the fair value hierarchy are subject to our independent price verification process. The objective of price verification is to have an informed and independent opinion with regard to the valuation of financial instruments under review. Instruments that have one or more significant inputs which cannot be corroborated by external market data are classified in level 3 of the fair value hierarchy. Price verification strategies utilized by our independent risk oversight and control functions include:

- **Trade Comparison.** Analysis of trade data (both internal and external, where available) is used to determine the most relevant pricing inputs and valuations.
- **External Price Comparison.** Valuations and prices are compared to pricing data obtained from third parties (e.g., brokers or dealers, IHS Markit, Bloomberg, IDC, TRACE). Data obtained from various sources is compared to ensure consistency and validity. When broker or dealer quotations or third-party pricing vendors are used for valuation or price verification, greater priority is generally given to executable quotations.
- **Calibration to Market Comparables.** Market-based transactions are used to corroborate the valuation of positions with similar characteristics, risks and components.
- **Relative Value Analyses.** Market-based transactions are analyzed to determine the similarity, measured in terms of risk, liquidity and return, of one instrument relative to another or, for a given instrument, of one maturity relative to another.
- **Collateral Analyses.** Margin calls on derivatives are analyzed to determine implied values, which are used to corroborate our valuations.
- **Execution of Trades.** Where appropriate, market-making desks are instructed to execute trades in order to provide evidence of market-clearing levels.
- **Backtesting.** Valuations are corroborated by comparison to values realized upon sales.

See Note 4 to the consolidated financial statements for further information about fair value measurements.

Review of Net Revenues. Independent risk oversight and control functions ensure adherence to our pricing policy through a combination of daily procedures, including the explanation and attribution of net revenues based on the underlying factors. Through this process, we independently validate net revenues, identify and resolve potential fair value or trade booking issues on a timely basis and seek to ensure that risks are being properly categorized and quantified.

Review of Valuation Models. Our independent model risk management group (Model Risk), consisting of quantitative professionals who are separate from model developers, performs an independent model review and validation process of our valuation models. New or changed models are reviewed and approved prior to implementation. Models are reviewed annually to assess the impact of any changes in the product or market and any market developments in pricing theories. See "Risk Management — Model Risk Management" for further information about the review and validation of our valuation models.

Allowance for Credit Losses

We estimate and record an allowance for credit losses related to our loans held for investment that are accounted for at amortized cost. We adopted ASU No. 2016-13 in January 2020, which replaced the probable incurred credit loss model for recognizing credit losses with the CECL model. As a result, our allowance for credit losses effective January 2020, reflects our estimate of credit losses over the remaining expected life of such loans and also takes into account forecasts of future economic conditions. See Note 3 to the consolidated financial statements for further information about adoption of ASU No. 2016-13. To determine the allowance for credit losses, we classify our loans accounted for at amortized cost into wholesale and consumer portfolios. These portfolios represent the level at which we have developed and documented our methodology to determine the allowance for credit losses. The allowance for credit losses is measured on a collective basis for loans that exhibit similar risk characteristics using a modeled approach and asset-specific basis for loans that do not share similar risk characteristics. The allowance for credit losses also includes qualitative components which allow management to reflect the uncertain nature of economic forecasting, capture uncertainty regarding model inputs, and account for model imprecision and concentration risk. The determination of allowance for credit losses entails significant judgment on various risk factors. Risk factors for wholesale loans include internal credit ratings, industry default and loss data, expected life, macroeconomic indicators (e.g., unemployment rates and GDP), the borrower's capacity to meet its financial obligations, the borrower's country of risk and industry, loan seniority and collateral type. In addition, for loans backed by real estate, risk factors include loan-to-value ratio, debt service ratio and home price index. Risk factors for installment and credit card loans include Fair Isaac Corporation (FICO) credit scores, delinquency status, loan vintage and macroeconomic indicators.

Our estimate of credit losses entails judgment about collectability at the reporting dates, and there are uncertainties inherent in those judgments. The allowance for credit losses is subject to a governance process that involves review and approval by senior management within our independent risk oversight and control functions. Personnel within our independent risk oversight and control functions are responsible for forecasting the economic variables that underlie the economic scenarios that are used in the modeling of expected credit losses. While we use the best information available to determine this estimate, future adjustments to the allowance may be necessary based on, among other things, changes in the economic environment or variances between actual results and the original assumptions used. Loans are charged off against the allowance for loan losses when deemed to be uncollectible.

We also record an allowance for credit losses on lending commitments which are held for investment that are accounted for at amortized cost. Such allowance is determined using the same methodology as the allowance for loan losses, while also taking into consideration the probability of drawdowns or funding, and whether such commitments are cancellable by us. See Note 9 to the consolidated financial statements for further information about the allowance for credit losses.

Use of Estimates

U.S. GAAP requires us to make certain estimates and assumptions. In addition to the estimates we make in connection with fair value measurements and the allowance for credit losses on loans and lending commitments held for investment and accounted for at amortized cost, the use of estimates and assumptions is also important in determining the accounting for goodwill and identifiable intangible assets, provisions for losses that may arise from litigation and regulatory proceedings (including governmental investigations), and provisions for losses that may arise from tax audits.

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

Estimating the fair value of our reporting units requires judgment. Critical inputs to the fair value estimates include projected earnings and allocated equity. There is inherent uncertainty in the projected earnings. The estimated carrying value of each reporting unit reflects an allocation of total shareholders' equity and represents the estimated amount of total shareholders' equity required to support the activities of the reporting unit under currently applicable regulatory capital requirements. See Note 12 to the consolidated financial statements for further information about goodwill.

If we experience a prolonged or severe period of weakness in the business environment, financial markets, our performance or our common stock price, or additional increases in capital requirements, our goodwill could be impaired in the future.

Identifiable intangible assets are tested for impairment when events or changes in circumstances suggest that an asset's or asset group's carrying value may not be fully recoverable. Judgment is required to evaluate whether indications of potential impairment have occurred, and to test intangible assets for impairment, if required. An impairment is recognized if the estimated undiscounted cash flows relating to the asset or asset group is less than the corresponding carrying value. See Note 12 to the consolidated financial statements for further information about identifiable intangible assets.

We also estimate and provide for potential losses that may arise out of litigation and regulatory proceedings to the extent that such losses are probable and can be reasonably estimated. In addition, we estimate the upper end of the range of reasonably possible aggregate loss in excess of the related reserves for litigation and regulatory proceedings where we believe the risk of loss is more than slight. See Notes 18 and 27 to the consolidated financial statements for information about certain judicial, litigation and regulatory proceedings. Significant judgment is required in making these estimates and our final liabilities may ultimately be materially different. Our total estimated liability in respect of litigation and regulatory proceedings is determined on a case-by-case basis and represents an estimate of probable losses after considering, among other factors, the progress of each case, proceeding or investigation, our experience and the experience of others in similar cases, proceedings or investigations, and the opinions and views of legal counsel.

In accounting for income taxes, we recognize tax positions in the financial statements only when it is more likely than not that the position will be sustained on examination by the relevant taxing authority based on the technical merits of the position. See Note 24 to the consolidated financial statements for further information about income taxes.

Recent Accounting Developments

See Note 3 to the consolidated financial statements for information about Recent Accounting Developments.

Results of Operations

The composition of our net revenues has varied over time as financial markets and the scope of our operations have changed. The composition of net revenues can also vary over the shorter term due to fluctuations in U.S. and global economic and market conditions. See "Risk Factors" in Part I, Item 1A of this Form 10-K for further information about the impact of economic and market conditions on our results of operations. For a discussion of our 2019 financial results compared with 2018, see Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2019.

Financial Overview

The table below presents an overview of our financial results and selected financial ratios.

	Year Ended December		
$ in millions, except per share amounts	**2020**	2019	2018
Net revenues	**$44,560**	$36,546	$36,616
Pre-tax earnings	**$12,479**	$10,583	$12,481
Net earnings	**$ 9,459**	$ 8,466	$10,459
Net earnings to common	**$ 8,915**	$ 7,897	$ 9,860
Diluted EPS	**$ 24.74**	$ 21.03	$ 25.27
ROE	**11.1%**	10.0%	13.3%
ROTE	**11.8%**	10.6%	14.1%
Net earnings to average total assets	**0.8%**	0.9%	1.1%
Return on average shareholders' equity	**10.3%**	9.4%	12.3%
Average equity to average assets	**8.2%**	9.3%	8.8%
Dividend payout ratio	**20.2%**	19.7%	12.5%

In the table above:

- Net earnings to common represents net earnings applicable to common shareholders, which is calculated as net earnings less preferred stock dividends.
- Average equity to average assets is calculated by dividing average total shareholders' equity by average total assets.
- Dividend payout ratio is calculated by dividing dividends declared per common share by diluted EPS.
- ROE is calculated by dividing net earnings to common by average monthly common shareholders' equity. Tangible common shareholders' equity is calculated as total shareholders' equity less preferred stock, goodwill and identifiable intangible assets. Return on average tangible common shareholders' equity (ROTE) is calculated by dividing net earnings to common by average monthly tangible common shareholders' equity. We believe that tangible common shareholders' equity is meaningful because it is a measure that we and investors use to assess capital adequacy and that ROTE is meaningful because it measures the performance of businesses consistently, whether they were acquired or developed internally. Tangible common shareholders' equity and ROTE are non-GAAP measures and may not be comparable to similar non-GAAP measures used by other companies. Return on average shareholders' equity is calculated by dividing net earnings by average monthly shareholders' equity.

The table below presents our average equity and the reconciliation of average common shareholders' equity to average tangible common shareholders' equity.

	Average for the Year Ended December		
$ in millions	**2020**	2019	2018
Total shareholders' equity	**$ 91,779**	$ 90,297	$ 85,238
Preferred stock	**(11,203)**	(11,203)	(11,253)
Common shareholders' equity	**80,576**	79,094	73,985
Goodwill	**(4,238)**	(3,965)	(3,739)
Identifiable intangible assets	**(617)**	(499)	(351)
Tangible common shareholders' equity	**$ 75,721**	$ 74,630	$ 69,895

Net Revenues

The table below presents our net revenues by line item.

	Year Ended December		
$ in millions	**2020**	2019	2018
Investment banking	**$ 9,141**	$ 6,798	$ 7,430
Investment management	**6,923**	6,189	6,590
Commissions and fees	**3,548**	2,988	3,199
Market making	**15,546**	10,157	9,724
Other principal transactions	**4,651**	6,052	5,906
Total non-interest revenues	**39,809**	32,184	32,849
Interest income	**13,689**	21,738	19,679
Interest expense	**8,938**	17,376	15,912
Net interest income	**4,751**	4,362	3,767
Total net revenues	**$44,560**	$36,546	$36,616

In the table above:

- Investment banking consists of revenues (excluding net interest) from financial advisory and underwriting assignments. These activities are included in our Investment Banking segment.
- Investment management consists of revenues (excluding net interest) from providing asset management services across all major asset classes to a diverse set of asset management clients (included in our Asset Management segment), as well as asset management services, wealth advisory services and certain transaction services for wealth management clients (included in our Consumer & Wealth Management segment).
- Commissions and fees consists of revenues from executing and clearing client transactions on major stock, options and futures exchanges worldwide, as well as over-the-counter (OTC) transactions. These activities are included in our Global Markets and Consumer & Wealth Management segments.
- Market making consists of revenues (excluding net interest) from client execution activities related to making markets in interest rate products, credit products, mortgages, currencies, commodities and equity products. These activities are included in our Global Markets segment.
- Other principal transactions consists of revenues (excluding net interest) from our equity investing activities, including revenues related to our consolidated investments (included in our Asset Management segment), and lending activities (included across our four segments).

Operating Environment. During 2020, the COVID-19 pandemic broadly impacted the operating environment, contributing to lower global equity prices and wider credit spreads earlier in the year. The ensuing financial market volatility and negative impact to global economic activity were counteracted, in part, by monetary and fiscal support from central banks and governments globally, which contributed to a sharp rebound in global equity prices and tighter credit spreads. Market-making activities benefitted from higher levels of volatility, higher client activity, and wider bid-ask spreads. Investment banking activities benefitted from high levels of industry-wide underwriting volumes, while industry-wide completed mergers and acquisitions volumes decreased, reflecting the impact of the COVID-19 pandemic on announcements in the first half of 2020.

If the ongoing efforts to mitigate the impact of the COVID-19 pandemic turn out to be ineffective, it may lead to a decline in market-making activity levels, a continued decline in industry-wide completed mergers and acquisitions volumes, or a decline in industry-wide underwriting volumes, and declines in global equity markets or widening of credit spreads, and net revenues and the provision for credit losses would likely be negatively impacted. See "Segment Operating Results" for information about the operating environment and material trends and uncertainties that may impact our results of operations.

2020 versus 2019. Net revenues in the consolidated statements of earnings were $44.56 billion for 2020, 22% higher than 2019, reflecting significantly higher market making and investment banking revenues, and higher investment management revenues, commissions and fees and net interest income, partially offset by significantly lower other principal transactions revenues.

Non-Interest Revenues. Investment banking revenues in the consolidated statements of earnings were $9.14 billion for 2020, 34% higher than 2019, due to significantly higher revenues in both equity and debt underwriting, reflecting an increase in industry-wide volumes. These increases were partially offset by slightly lower revenues in financial advisory, reflecting a decrease in industry-wide completed merger and acquisitions transactions.

Investment management revenues in the consolidated statements of earnings were $6.92 billion for 2020, 12% higher than 2019, primarily due to higher management and other fees, reflecting the impact of higher average assets under supervision (AUS) and the impact of the full-year consolidation of GS Personal Financial Management, partially offset by a lower average effective management fee due to shifts in the mix of client assets and strategies. In addition, incentive fees were significantly higher, primarily driven by performance.

Commissions and fees in the consolidated statements of earnings were $3.55 billion for 2020, 19% higher than 2019, reflecting an increase in our listed cash equity volumes, generally consistent with market volumes.

Market making revenues in the consolidated statements of earnings were $15.55 billion for 2020, 53% higher than 2019, primarily due to significantly higher revenues in equity products (both derivatives and cash products), credit products, interest rate products, commodities and currencies.

Other principal transactions revenues in the consolidated statements of earnings were $4.65 billion for 2020, 23% lower than 2019, reflecting significantly lower net gains from investments in private equities and net losses from debt investments, partially offset by significantly higher net gains from investments in public equities.

Net Interest Income. Net interest income in the consolidated statements of earnings was $4.75 billion for 2020, 9% higher than 2019, reflecting a decrease in interest expense primarily related to other interest-bearing liabilities, collateralized financings, long-term borrowings and deposits, each reflecting the impact of lower interest rates, partially offset by the impact of higher average balances for deposits. The decrease in interest expense was largely offset by a decrease in interest income primarily related to collateralized agreements, other interest-earning assets and deposits with banks, each reflecting the impact of lower interest rates. See "Statistical Disclosures — Distribution of Assets, Liabilities and Shareholders' Equity" for further information about our sources of net interest income.

Provision for Credit Losses

Provision for credit losses consists of provision for credit losses on loans and lending commitments held for investment and accounted for at amortized cost. See Note 9 to the consolidated financial statements for further information about the provision for credit losses.

The table below presents our provision for credit losses.

	Year Ended December		
$ in millions	**2020**	2019	2018
Provision for credit losses	**$3,098**	$1,065	$674

2020 versus 2019. Provision for credit losses in the consolidated statements of earnings was $3.10 billion for 2020, compared with $1.07 billion for 2019. This increase was primarily due to significantly higher provisions related to wholesale loans as a result of individual impairments (approximately $1.15 billion primarily related to borrowers in the diversified industrials, technology, media & telecommunications and natural resources industries) and ratings downgrades during the year, as well as deterioration and uncertainty in the broader economic environment (incorporating the accounting for credit losses under the CECL standard) reflecting the impact of the COVID-19 pandemic. The increase also included higher provisions related to credit card loans, due to growth in the portfolio. See Note 3 to the consolidated financial statements for further information about ASU No. 2016-13.

Operating Expenses

Our operating expenses are primarily influenced by compensation, headcount and levels of business activity. Compensation and benefits includes salaries, year-end discretionary compensation, amortization of equity awards and other items such as benefits. Discretionary compensation is significantly impacted by, among other factors, the level of net revenues, overall financial performance, prevailing labor markets, business mix, the structure of our share-based compensation programs and the external environment.

The table below presents our operating expenses by line item and headcount.

	Year Ended December		
$ in millions	**2020**	2019	2018
Compensation and benefits	**$13,309**	$12,353	$12,328
Transaction based	**4,141**	3,513	3,492
Market development	**401**	739	740
Communications and technology	**1,347**	1,167	1,023
Depreciation and amortization	**1,902**	1,704	1,328
Occupancy	**960**	1,029	809
Professional fees	**1,306**	1,316	1,214
Other expenses	**5,617**	3,077	2,527
Total operating expenses	**$28,983**	$24,898	$23,461
Headcount at period-end	**40,500**	38,300	36,600

In the table above, brokerage, clearing, exchange and distribution fees has been renamed transaction based and additionally includes expenses resulting from completed transactions, which are directly related to client revenues. Such expenses were previously reported in other expenses and were $314 million for 2020 ($55 million for the first quarter of 2020, $69 million for the second quarter of 2020, $100 million for the third quarter of 2020 and $90 million for the fourth quarter of 2020), $261 million for 2019 and $292 million for 2018. Previously reported amounts have been conformed to the current presentation.

2020 versus 2019. Operating expenses in the consolidated statements of earnings were $28.98 billion for 2020, 16% higher than 2019. Our efficiency ratio (total operating expenses divided by total net revenues) for 2020 was 65.0%, compared with 68.1% for 2019. Net provisions for litigation and regulatory proceedings increased our efficiency ratio for 2020 by 7.6 percentage points and for 2019 by 3.4 percentage points.

The increase in operating expenses compared with 2019 primarily reflected significantly higher net provisions for litigation and regulatory proceedings and higher compensation and benefits expenses (reflecting improved financial performance). In addition, transaction based expenses were higher (reflecting an increase in activity levels), technology expenses were higher and expenses related to consolidated investments, including impairments, were also higher (increase was primarily in depreciation and amortization and occupancy expenses). The increase also reflected higher charitable contributions (included in other expenses), which included approximately $300 million to Goldman Sachs Gives and approximately $125 million to The Goldman Sachs Foundation during 2020. These increases were partially offset by significantly lower travel and entertainment expenses (included in market development expenses) and lower occupancy-related expenses.

Net provisions for litigation and regulatory proceedings for 2020 were $3.42 billion compared with $1.24 billion for 2019.

Headcount increased 6% compared with December 2019, reflecting investments in new business initiatives and an increase in technology professionals.

Provision for Taxes

The effective income tax rate for 2020 was 24.2%, up from the full year income tax rate of 20.0% for 2019, primarily due to an increase in provisions for non-deductible litigation.

The CARES Act was enacted in March 2020. The CARES Act includes retroactive and prospective provisions enacted to provide income tax relief and liquidity to businesses affected by the COVID-19 pandemic. The legislation includes corporate income tax provisions that temporarily allow for the carryback of net operating losses and remove limitations on the use of loss carryforwards, increase interest expense deduction limitations and allow accelerated depreciation deductions on certain asset improvements. The CARES Act did not have a material impact on our effective income tax rate for 2020.

In July 2020, the U.S. Internal Revenue Service and the U.S. Department of the Treasury released final regulations that include an election to exempt income that is subject to a high rate of tax from Global Intangible Low Taxed Income (GILTI) and proposed regulations that would conform the high-tax elections for purposes of GILTI and Subpart F. These final and proposed regulations did not have a material impact on our effective tax rate for 2020. In September 2020, Base Erosion and Anti-Abuse Tax regulations were released finalizing proposed regulations and supplementing final regulations that were released in 2019. These final regulations did not have a material impact on our effective tax rate for 2020.

Additionally, in July 2020, the U.K. Finance Act 2020 (Finance Act) was enacted. The Finance Act includes a repeal of a two percentage point decrease in the U.K. corporate income tax rate that was scheduled to become effective in April 2020. The impact of this legislation did not have a material impact on our effective income tax rate for 2020.

We expect our 2021 income tax rate to be approximately 21%, excluding the impact of income tax benefits on employee share-based awards and any potential changes in current income tax rates.

Segment Assets and Operating Results

Segment Assets. The table below presents assets by segment.

	As of December	
$ in millions	**2020**	2019
Investment Banking	**$ 116,242**	$ 92,009
Global Markets	**844,606**	725,060
Asset Management	**95,751**	92,102
Consumer & Wealth Management	**106,429**	83,797
Total	**$1,163,028**	$992,968

The allocation process for segment assets is based on the activities of these segments. The allocation of assets includes allocation of global core liquid assets (GCLA) (which consists of unencumbered, highly liquid securities and cash), which is generally included within cash and cash equivalents, collateralized agreements and trading assets on our balance sheet. Due to the integrated nature of these segments, estimates and judgments are made in allocating these assets. See "Risk Management — Liquidity Risk Management" for further information about our GCLA.

Segment Operating Results. The table below presents our segment operating results.

	Year Ended December		
$ in millions	**2020**	2019	2018
Investment Banking			
Net revenues	**$ 9,423**	$ 7,599	$ 8,178
Provision for credit losses	**1,624**	333	124
Operating expenses	**6,134**	4,685	4,473
Pre-tax earnings	**$ 1,665**	$ 2,581	$ 3,581
Net earnings to common	**$ 1,193**	$ 1,996	$ 2,924
Average common equity	**$11,313**	$11,167	$ 8,737
Return on average common equity	**10.5%**	17.9%	33.5%
Global Markets			
Net revenues	**$21,157**	$14,779	$14,438
Provision for credit losses	**274**	35	52
Operating expenses	**12,806**	10,851	10,585
Pre-tax earnings	**$ 8,077**	$ 3,893	$ 3,801
Net earnings to common	**$ 5,766**	$ 2,729	$ 2,796
Average common equity	**$40,760**	$40,060	$41,237
Return on average common equity	**14.1%**	6.8%	6.8%
Asset Management			
Net revenues	**$ 7,984**	$ 8,965	$ 8,835
Provision for credit losses	**442**	274	160
Operating expenses	**5,142**	4,817	4,179
Pre-tax earnings	**$ 2,400**	$ 3,874	$ 4,496
Net earnings to common	**$ 1,740**	$ 3,013	$ 3,668
Average common equity	**$20,491**	$21,575	$19,061
Return on average common equity	**8.5%**	14.0%	19.2%
Consumer & Wealth Management			
Net revenues	**$ 5,996**	$ 5,203	$ 5,165
Provision for credit losses	**758**	423	338
Operating expenses	**4,901**	4,545	4,224
Pre-tax earnings	**$ 337**	$ 235	$ 603
Net earnings to common	**$ 216**	$ 159	$ 472
Average common equity	**$ 8,012**	$ 6,292	$ 4,950
Return on average common equity	**2.7%**	2.5%	9.5%
Total net revenues	**$44,560**	$36,546	$36,616
Total provision for credit losses	**3,098**	1,065	674
Total operating expenses	**28,983**	24,898	23,461
Total pre-tax earnings	**$12,479**	$10,583	$12,481
Net earnings to common	**$ 8,915**	$ 7,897	$ 9,860
Average common equity	**$80,576**	$79,094	$73,985
Return on average common equity	**11.1%**	10.0%	13.3%

Net revenues in our segments include allocations of interest income and expense to specific positions in relation to the cash generated by, or funding requirements of, such positions. See Note 25 to the consolidated financial statements for further information about our business segments.

The allocation of common shareholders' equity and preferred stock dividends to each segment is based on the estimated amount of equity required to support the activities of the segment under relevant regulatory capital requirements. Net earnings for each segment is calculated by applying the firmwide tax rate to each segment's pre-tax earnings.

Compensation and benefits expenses within our segments reflect, among other factors, our overall performance, as well as the performance of individual businesses. Consequently, pre-tax margins in one segment of our business may be significantly affected by the performance of our other business segments. A description of segment operating results follows.

Investment Banking

Investment Banking generates revenues from the following:

- **Financial advisory.** Includes strategic advisory assignments with respect to mergers and acquisitions, divestitures, corporate defense activities, restructurings and spin-offs.
- **Underwriting.** Includes public offerings and private placements, including local and cross-border transactions and acquisition financing, of a wide range of securities and other financial instruments, including loans.
- **Corporate lending.** Includes lending to corporate clients, including through relationship lending, middle-market lending and acquisition financing. We also provide transaction banking services to certain of our corporate clients.

The table below presents our Investment Banking assets.

	As of December	
$ in millions	**2020**	2019
Cash and cash equivalents	**$ 34,730**	$25,301
Collateralized agreements	**20,242**	13,376
Customer and other receivables	**2,465**	3,576
Trading assets	**29,493**	20,737
Investments	**1,078**	854
Loans	**26,544**	26,565
Other assets	**1,690**	1,600
Total	**$116,242**	$92,009

The table below presents our Investment Banking operating results.

	Year Ended December		
$ in millions	**2020**	2019	2018
Financial advisory	**$ 3,065**	$ 3,197	$3,444
Equity underwriting	**3,406**	1,482	1,628
Debt underwriting	**2,670**	2,119	2,358
Underwriting	**6,076**	3,601	3,986
Corporate lending	**282**	801	748
Net revenues	**9,423**	7,599	8,178
Provision for credit losses	**1,624**	333	124
Operating expenses	**6,134**	4,685	4,473
Pre-tax earnings	**1,665**	2,581	3,581
Provision for taxes	**403**	516	580
Net earnings	**1,262**	2,065	3,001
Preferred stock dividends	**69**	69	77
Net earnings to common	**$ 1,193**	$ 1,996	$2,924
Average common equity	**$11,313**	$11,167	$8,737
Return on average common equity	**10.5%**	17.9%	33.5%

The table below presents our financial advisory and underwriting transaction volumes.

	Year Ended December		
$ in billions	**2020**	2019	2018
Announced mergers and acquisitions	**$ 983**	$ 1,354	$1,272
Completed mergers and acquisitions	**$ 1,018**	$ 1,270	$1,168
Equity and equity-related offerings	**$ 115**	$ 67	$ 67
Debt offerings	**$ 352**	$ 246	$ 256

In the table above:

- Volumes are per Dealogic.
- Announced and completed mergers and acquisitions volumes are based on full credit to each of the advisors in a transaction. Equity and equity-related offerings and debt offerings are based on full credit for single book managers and equal credit for joint book managers. Transaction volumes may not be indicative of net revenues in a given period. In addition, transaction volumes for prior periods may vary from amounts previously reported due to the subsequent withdrawal or a change in the value of a transaction.
- Equity and equity-related offerings includes Rule 144A and public common stock offerings, convertible offerings and rights offerings.
- Debt offerings includes non-convertible preferred stock, mortgage-backed securities, asset-backed securities and taxable municipal debt. Includes publicly registered and Rule 144A issues and excludes leveraged loans.

Operating Environment. During the year, the COVID-19 pandemic broadly impacted the economic environment and had a mixed impact on investment banking activity. In mergers and acquisitions, industry-wide announced transactions were negatively impacted by the pandemic, primarily in the middle of the year, contributing to a year-over-year decline in industry-wide completed transactions. In underwriting, equity valuations and a desire by clients to raise cash to strengthen their balance sheets, combined with the lower rate environment, contributed to high levels of activity across equity underwriting, including initial public offerings, and higher volumes in debt underwriting. Corporate clients increased borrowing under revolving lines of credit to address liquidity needs in the beginning of the pandemic, but have since paid down borrowed funds following the stabilization of credit markets.

In the future, if industry-wide announced and completed mergers and acquisitions volumes continue to decline, or if industry-wide equity and debt underwriting volumes decline, or credit spreads related to hedges on our relationship lending portfolio continue to tighten, net revenues in Investment Banking would likely be negatively impacted. In addition, a deterioration in the creditworthiness of borrowers would negatively impact the provision for credit losses.

2020 versus 2019. Net revenues in Investment Banking were $9.42 billion for 2020, 24% higher than 2019, reflecting significantly higher net revenues in Underwriting. This increase was partially offset by significantly lower net revenues in Corporate lending and slightly lower net revenues in Financial advisory.

The increase in Underwriting net revenues was due to significantly higher net revenues in both Equity and Debt underwriting, reflecting an increase in industry-wide volumes. The decrease in Corporate lending net revenues primarily reflected net mark-downs on corporate loans in 2020 compared to net gains in 2019. The decrease in Financial advisory net revenues reflected a decrease in industry-wide completed mergers and acquisitions transactions, primarily in the middle of the year.

Provision for credit losses was $1.62 billion for 2020, compared with $333 million for 2019, reflecting higher impairments related to relationship lending and middle-market lending and reserve increases as a result of the impact of the COVID-19 pandemic on the broader economic environment (incorporating the accounting for credit losses under the CECL standard). See Note 3 to the consolidated financial statements for further information about ASU No. 2016-13.

Operating expenses were $6.13 billion for 2020, 31% higher than 2019, primarily due to significantly higher net provisions for litigation and regulatory proceedings. Pre-tax earnings were $1.67 billion for 2020, 35% lower than 2019. Net provisions for litigation and regulatory proceedings reduced ROE by 11.5 percentage points for 2020.

As of December 2020, our investment banking transaction backlog increased significantly compared with December 2019, due to significantly higher estimated net revenues from potential equity underwriting transactions, primarily from initial public offerings, and higher estimated net revenues from potential advisory transactions. Estimated net revenues from potential debt underwriting transactions were essentially unchanged.

Our backlog represents an estimate of our net revenues from future transactions where we believe that future revenue realization is more likely than not. We believe changes in our backlog may be a useful indicator of client activity levels which, over the long term, impact our net revenues. However, the time frame for completion and corresponding revenue recognition of transactions in our backlog varies based on the nature of the assignment, as certain transactions may remain in our backlog for longer periods of time, which could occur in light of the impact of the COVID-19 pandemic on mergers and acquisitions. In addition, our backlog is subject to certain limitations, such as assumptions about the likelihood that individual client transactions will occur in the future. Transactions may be cancelled or modified, and transactions not included in the estimate may also occur, including underwriting transactions for which the time frame from discussion to completion has shortened in the current environment.

Global Markets

Our Global Markets segment consists of:

FICC. FICC generates revenues from intermediation and financing activities.

- **FICC intermediation.** Includes client execution activities related to making markets in both cash and derivative instruments, as detailed below.

  Interest Rate Products. Government bonds (including inflation-linked securities) across maturities, other government-backed securities, and interest rate swaps, options and other derivatives.

  Credit Products. Investment-grade and high-yield corporate securities, credit derivatives, exchange-traded funds (ETFs), bank and bridge loans, municipal securities, emerging market and distressed debt, and trade claims.

  Mortgages. Commercial mortgage-related securities, loans and derivatives, residential mortgage-related securities, loans and derivatives (including U.S. government agency-issued collateralized mortgage obligations and other securities and loans), and other asset-backed securities, loans and derivatives.

  Currencies. Currency options, spot/forwards and other derivatives on G-10 currencies and emerging-market products.

  Commodities. Commodity derivatives and, to a lesser extent, physical commodities, involving crude oil and petroleum products, natural gas, base, precious and other metals, electricity, coal, agricultural and other commodity products.

  For further information about market-making activities, see "Market-Making Activities" below.

- **FICC financing.** Includes providing financing to our clients through securities purchased under agreements to resell (resale agreements), as well as through structured credit, warehouse lending (including residential and commercial mortgage lending) and asset-backed lending, which are typically longer term in nature.

Equities. Equities generates revenues from intermediation and financing activities.

- **Equities intermediation.** We make markets in equity securities and equity-related products, including ETFs, convertible securities, options, futures and over-the-counter (OTC) derivative instruments. We also structure and make markets in derivatives on indices, industry sectors, financial measures and individual company stocks. Our exchange-based market-making activities include making markets in stocks and ETFs, futures and options on major exchanges worldwide. In addition, we generate commissions and fees from executing and clearing institutional client transactions on major stock, options and futures exchanges worldwide, as well as OTC transactions. For further information about market-making activities, see "Market-Making Activities" below.
- **Equities financing.** Includes prime brokerage and other equities financing activities, including securities lending, margin lending and swaps. We earn fees by providing clearing, settlement and custody services globally. We provide services that principally involve borrowing and lending securities to cover institutional clients' short sales and borrowing securities to cover our short sales and to make deliveries into the market. In addition, we are an active participant in broker-to-broker securities lending and third-party agency lending activities. We provide financing to our clients for their securities trading activities through margin loans that are collateralized by securities, cash or other acceptable collateral. In addition, we execute swap transactions to provide our clients with exposure to securities and indices.

Market-Making Activities

As a market maker, we facilitate transactions in both liquid and less liquid markets, primarily for institutional clients, such as corporations, financial institutions, investment funds and governments, to assist clients in meeting their investment objectives and in managing their risks. In this role, we seek to earn the difference between the price at which a market participant is willing to sell an instrument to us and the price at which another market participant is willing to buy it from us, and vice versa (i.e., bid/offer spread). In addition, we maintain (i) market-making positions, typically for a short period of time, in response to, or in anticipation of, client demand, and (ii) positions to actively manage our risk exposures that arise from these market-making activities (collectively, inventory). Our inventory is recorded in trading assets (long positions) or trading liabilities (short positions) in our consolidated balance sheets.

Our results are influenced by a combination of interconnected drivers, including (i) client activity levels and transactional bid/offer spreads (collectively, client activity), and (ii) changes in the fair value of our inventory and interest income and interest expense related to the holding, hedging and funding of our inventory (collectively, market-making inventory changes). Due to the integrated nature of our market-making activities, disaggregation of net revenues into client activity and market-making inventory changes is judgmental and has inherent complexities and limitations.

The amount and composition of our net revenues vary over time as these drivers are impacted by multiple interrelated factors affecting economic and market conditions, including volatility and liquidity in the market, changes in interest rates, currency exchange rates, credit spreads, equity prices and commodity prices, investor confidence, and other macroeconomic concerns and uncertainties.

In general, assuming all other market-making conditions remain constant, increases in client activity levels or bid/offer spreads tend to result in increases in net revenues, and decreases tend to have the opposite effect. However, changes in market-making conditions can materially impact client activity levels and bid/offer spreads, as well as the fair value of our inventory. For example, a decrease in liquidity in the market could have the impact of (i) increasing our bid/offer spread, (ii) decreasing investor confidence and thereby decreasing client activity levels, and (iii) widening of credit spreads on our inventory positions.

The table below presents our Global Markets assets.

	As of December	
$ in millions	**2020**	2019
Cash and cash equivalents	**$ 86,663**	$ 82,819
Collateralized agreements	**212,711**	196,278
Customer and other receivables	**110,473**	63,277
Trading assets	**339,349**	316,242
Investments	**52,929**	25,937
Loans	**33,214**	31,111
Other assets	**9,267**	9,396
Total	**$844,606**	$725,060

The table below presents our Global Markets operating results.

	Year Ended December		
$ in millions	**2020**	2019	2018
FICC intermediation	**$ 9,991**	$ 6,009	$ 5,737
FICC financing	**1,593**	1,379	1,248
FICC	**11,584**	7,388	6,985
Equities intermediation	**6,989**	4,374	4,681
Equities financing	**2,584**	3,017	2,772
Equities	**9,573**	7,391	7,453
Net revenues	**21,157**	14,779	14,438
Provision for credit losses	**274**	35	52
Operating expenses	**12,806**	10,851	10,585
Pre-tax earnings	**8,077**	3,893	3,801
Provision for taxes	**1,955**	779	616
Net earnings	**6,122**	3,114	3,185
Preferred stock dividends	**356**	385	389
Net earnings to common	**$ 5,766**	$ 2,729	$ 2,796
Average common equity	**$40,760**	$ 40,060	$ 41,237
Return on average common equity	**14.1%**	6.8%	6.8%

The table below presents our Global Markets net revenues by line item in the consolidated statements of earnings.

$ in millions	FICC	Equities	Global Markets
Year Ended December 2020			
Market making	**$ 8,972**	**$6,574**	**$15,546**
Commissions and fees	**–**	**3,347**	**3,347**
Other principal transactions	**53**	**(18)**	**35**
Net interest income	**2,559**	**(330)**	**2,229**
Total	**$11,584**	**$9,573**	**$21,157**
Year Ended December 2019			
Market making	$ 5,813	$4,344	$10,157
Commissions and fees	–	2,900	2,900
Other principal transactions	1	51	52
Net interest income	1,574	96	1,670
Total	$ 7,388	$7,391	$14,779
Year Ended December 2018			
Market making	$ 5,531	$4,193	$ 9,724
Commissions and fees	–	3,055	3,055
Other principal transactions	19	33	52
Net interest income	1,435	172	1,607
Total	$ 6,985	$7,453	$14,438

In the table above:

- The difference between commissions and fees and those in the consolidated statements of earnings represents commissions and fees included in our Consumer & Wealth Management segment.
- See "Net Revenues" for further information about market making revenues, commissions and fees, other principal transactions revenues and net interest income. See Note 25 to the consolidated financial statements for net interest income by business segment.
- The primary driver of net revenues for FICC intermediation was client activity.

Operating Environment. During 2020, Global Markets operated in an environment characterized by strong client activity, higher volatility, and wider bid-ask spreads compared with 2019, as clients reacted to economic uncertainty amid the COVID-19 pandemic by repositioning investment portfolios and hedging risks across asset classes. During the initial stages of the pandemic, equity prices decreased sharply and credit spreads widened as global economic activity declined. In response, central banks and governments globally intervened with monetary easing and fiscal stimulus. This support, in conjunction with improved sentiment regarding the pace of the economic recovery, contributed to a sharp rebound in global equity prices and tighter credit spreads. At the end of 2020, the S&P 500 Index was 16% higher and the MSCI World Index was 14% higher than the end of 2019. U.S. investment-grade credit spreads were approximately 5 basis points tighter compared with the end of 2019. Additionally, market volatility was elevated as the average daily VIX was 29 for 2020, compared with an average of 15 for 2019. If macroeconomic conditions lead to a decline in activity levels, bid-ask spreads or volatility, net revenues in Global Markets would likely be negatively impacted.

2020 versus 2019. Net revenues in Global Markets were $21.16 billion for 2020, 43% higher than 2019.

Net revenues in FICC were $11.58 billion, 57% higher than 2019, primarily due to significantly higher net revenues in FICC intermediation, reflecting significantly higher net revenues across all major businesses. In addition, net revenues in FICC financing were higher, driven by resale agreements.

The increase in FICC intermediation net revenues reflected significantly higher client activity. The following provides information about our FICC intermediation net revenues by business, compared with 2019 results:

- Net revenues in credit products, interest rate products, currencies and mortgages reflected higher client activity.
- Net revenues in commodities reflected the impact of improved market-making conditions on our inventory and higher client activity.

Net revenues in Equities were $9.57 billion, 30% higher than 2019, due to significantly higher net revenues in Equities intermediation, reflecting significantly higher net revenues in both derivatives and cash products. This increase was partially offset by lower net revenues in Equities financing, primarily reflecting higher net funding costs, including the impact of lower yields on our global core liquid assets.

Provision for credit losses was $274 million for 2020, compared with $35 million for 2019, reflecting loan growth and reserve increases as a result of the impact of the COVID-19 pandemic on the broader economic environment (incorporating the accounting for credit losses under the CECL standard). See Note 3 to the consolidated financial statements for further information about ASU No. 2016-13.

Operating expenses were $12.81 billion for 2020, 18% higher than 2019, primarily reflecting significantly higher net provisions for litigation and regulatory proceedings, higher compensation and benefits expenses (reflecting improved financial performance) and higher transaction based expenses. Pre-tax earnings were $8.08 billion for 2020, compared with $3.89 billion for 2019. Net provisions for litigation and regulatory proceedings reduced ROE by 4.0 percentage points for 2020.

Asset Management

We manage client assets across a broad range of investment strategies and asset classes for a diverse set of institutional clients and a network of third-party distributors around the world, including equity, fixed income and alternative investments. We provide investment solutions including those managed on a fiduciary basis by our portfolio managers, as well as those managed by a variety of third-party managers. We offer our investment solutions in a variety of structures, including separately managed accounts, mutual funds, private partnerships and other comingled vehicles. These solutions begin with identifying clients' objectives and continue through portfolio construction, ongoing asset allocation and risk management and investment realization.

In addition to managing client assets, we invest in alternative investments across a range of asset classes that seek to deliver long-term accretive risk-adjusted returns. Our investing activities, which are typically longer term, include investments in corporate equity, credit, real estate and infrastructure assets.

Asset Management generates revenues from the following:

- **Management and other fees.** The majority of revenues in management and other fees consists of asset-based fees on client assets that we manage. For further information about AUS, see "Assets Under Supervision" below. The fees that we charge vary by asset class, distribution channel and the types of services provided, and are affected by investment performance, as well as asset inflows and redemptions.
- **Incentive fees.** In certain circumstances, we also receive incentive fees based on a percentage of a fund's or a separately managed account's return, or when the return exceeds a specified benchmark or other performance targets. Such fees include overrides, which consist of the increased share of the income and gains derived primarily from our private equity and credit funds when the return on a fund's investments over the life of the fund exceeds certain threshold returns.
- **Equity investments.** Our alternative investing activities relate to public and private equity investments in corporate, real estate and infrastructure assets. We also make investments through consolidated investment entities (CIEs), substantially all of which are engaged in real estate investment activities.
- **Lending and debt investments.** We invest in corporate debt and provide financing for real estate and other assets. These activities include investments in mezzanine debt, senior debt and distressed debt securities.

The table below presents our Asset Management assets.

	As of December	
$ in millions	**2020**	2019
Cash and cash equivalents	**$ 8,635**	$ 6,756
Collateralized agreements	**4,749**	3,433
Customer and other receivables	**1,261**	1,579
Trading assets	**6,819**	5,266
Investments	**34,386**	37,096
Loans	**16,558**	17,101
Other assets	**23,343**	20,871
Total	**$95,751**	$92,102

The table below presents our Asset Management operating results.

	Year Ended December		
$ in millions	**2020**	2019	2018
Management and other fees	**$ 2,785**	$ 2,600	$ 2,612
Incentive fees	**287**	130	384
Equity investments	**4,095**	4,765	4,207
Lending and debt investments	**817**	1,470	1,632
Net revenues	**7,984**	8,965	8,835
Provision for credit losses	**442**	274	160
Operating expenses	**5,142**	4,817	4,179
Pre-tax earnings	**2,400**	3,874	4,496
Provision for taxes	**581**	775	729
Net earnings	**1,819**	3,099	3,767
Preferred stock dividends	**79**	86	99
Net earnings to common	**$ 1,740**	$ 3,013	$ 3,668
Average common equity	**$20,491**	$21,575	$19,061
Return on average common equity	**8.5%**	14.0%	19.2%

The table below presents our Equity investments net revenues by equity type and asset class.

	Year Ended December		
$ in millions	**2020**	2019	2018
Equity Type			
Private equity	**$ 2,417**	$ 4,288	$ 4,390
Public equity	**1,678**	477	(183)
Total	**$ 4,095**	$ 4,765	$ 4,207
Asset Class			
Real estate	**$ 1,621**	$ 2,384	$ 1,816
Corporate	**2,474**	2,381	2,391
Total	**$ 4,095**	$ 4,765	$ 4,207

Operating Environment. Early in 2020, macroeconomic concerns from the COVID-19 pandemic led to lower global equity prices and wider credit spreads. These trends reversed during the remainder of the year as widespread intervention by central banks and governments globally, combined with improving economic conditions, contributed to a sharp rebound in global equity prices and tighter credit spreads, which provided a more favorable backdrop for asset management activities and investments. If the ongoing efforts to mitigate the impact of the COVID-19 pandemic turn out to be ineffective, it may lead to a decline in asset prices, widening of credit spreads, and investors continuing to transition to asset classes that typically generate lower fees or investors withdrawing their assets, and net revenues in Asset Management would likely be negatively impacted.

2020 versus 2019. Net revenues in Asset Management were $7.98 billion for 2020, 11% lower than 2019, reflecting significantly lower net revenues in Equity investments and Lending and debt investments. Incentive fees were significantly higher, and Management and other fees (from our institutional and third-party distribution asset management clients) were higher.

The decrease in Equity investments net revenues reflected significantly lower net gains from investments in private equities, partially offset by significantly higher net gains from investments in public equities. Net gains from investments in private equities for 2020 were primarily driven by company-specific events, such as sales and capital raises, partially offset by net mark-downs driven by corporate performance.

The decrease in Lending and debt investments primarily reflected net losses from debt investments in 2020 compared with net gains in 2019. Lending and debt investments net revenues included approximately $1.05 billion of net interest income for 2020.

The increase in Incentive fees was primarily driven by performance, and the increase in Management and other fees reflected the impact of higher average assets under supervision, partially offset by a lower average effective management fee due to shifts in the mix of client assets and strategies.

Provision for credit losses was $442 million for 2020, 61% higher than 2019, reflecting higher impairments related to the private credit and real estate portfolios and reserve increases as a result of the impact of the COVID-19 pandemic on the broader economic environment (incorporating the accounting for credit losses under the CECL standard). See Note 3 to the consolidated financial statements for further information about ASU No. 2016-13.

Operating expenses were $5.14 billion for 2020, 7% higher than 2019, due to higher compensation and benefits expenses and higher expenses related to consolidated investments, including impairments. Pre-tax earnings were $2.40 billion for 2020, 38% lower than 2019.

During the year, we sold or announced the sale of over $4 billion of gross equity investments, with a related $2 billion expected reduction in required capital.

Consumer & Wealth Management

Consumer & Wealth Management helps clients achieve their individual financial goals by providing a broad range of wealth advisory and banking services, including financial planning, investment management, deposit taking, and lending. Services are offered through our global network of advisors and via our digital platforms.

Wealth Management. Wealth management provides tailored wealth advisory services to clients across the wealth spectrum. We operate globally serving individuals, families, family offices, and foundations and endowments. Our relationships are established directly or introduced through corporations that sponsor financial wellness programs for their employees.

We offer personalized financial planning inclusive of income and liability management, compensation and benefits analysis, trust and estate structuring, tax optimization, philanthropic giving, and asset protection. We also provide customized investment advisory solutions, and offer structuring and execution capabilities in security and derivative products across all major global markets. We leverage a broad, open-architecture investment platform and our global execution capabilities to help clients achieve their investment goals. In addition, we offer clients a full range of private banking services, including a variety of deposit alternatives and loans that our clients use to finance investments in both financial and nonfinancial assets, bridge cash flow timing gaps or provide liquidity and flexibility for other needs.

Wealth management generates revenues from the following:

- **Management and other fees.** Includes fees related to managing assets, providing investing and wealth advisory solutions, providing financial planning and counseling services via Ayco Personal Finance Management, and executing brokerage transactions for wealth management clients.
- **Incentive fees.** In certain circumstances, we also receive incentive fees from wealth management clients based on a percentage of a fund's return, or when the return exceeds a specified benchmark or other performance targets. Such fees include overrides, which consist of the increased share of the income and gains derived primarily from our private equity and credit funds when the return on a fund's investments over the life of the fund exceeds certain threshold returns.
- **Private banking and lending.** Includes net interest income allocated to deposit-taking and net interest income earned on lending activities for wealth management clients.

Consumer Banking. Our Consumer banking business issues unsecured loans, through our digital platform, *Marcus by Goldman Sachs* (Marcus), and credit cards, to finance the purchases of goods or services. We also accept deposits through Marcus, in Goldman Sachs Bank USA (GS Bank USA) and Goldman Sachs International Bank (GSIB). These deposits include savings and time deposits which provide us with a diversified source of funding.

Consumer banking revenues consist of net interest income earned on unsecured loans issued to consumers through Marcus and credit card lending activities, and net interest income allocated to consumer deposits.

The table below presents our Consumer & Wealth Management assets.

	As of December	
$ in millions	**2020**	2019
Cash and cash equivalents	**$ 25,814**	$18,670
Collateralized agreements	**12,518**	8,675
Customer and other receivables	**7,132**	6,173
Trading assets	**17,969**	13,087
Investments	**52**	50
Loans	**39,799**	34,127
Other assets	**3,145**	3,015
Total	**$106,429**	$83,797

The table below presents our Consumer & Wealth Management operating results.

	Year Ended December		
$ in millions	**2020**	2019	2018
Management and other fees	**$3,889**	$ 3,475	$ 3,282
Incentive fees	**114**	81	446
Private banking and lending	**780**	783	826
Wealth management	**4,783**	4,339	4,554
Consumer banking	**1,213**	864	611
Net revenues	**5,996**	5,203	5,165
Provision for credit losses	**758**	423	338
Operating expenses	**4,901**	4,545	4,224
Pre-tax earnings	**337**	235	603
Provision for taxes	**81**	47	97
Net earnings	**256**	188	506
Preferred stock dividends	**40**	29	34
Net earnings to common	**$ 216**	$ 159	$ 472
Average common equity	**$8,012**	$ 6,292	$ 4,950
Return on average common equity	**2.7%**	2.5%	9.5%

Operating Environment. During 2020, the COVID-19 pandemic initially negatively impacted economic activity and financial markets. In response, central banks and governments globally intervened with widespread monetary and fiscal stimulus to support the economy and financial markets. As a result, global equity prices rebounded sharply and finished the year higher than at the end of 2019. In addition, unemployment and retail spending improved throughout the year after the initial effects of the pandemic. If the ongoing efforts to mitigate the impact of the COVID-19 pandemic turn out to be ineffective, it may lead to a decline in asset prices, investors continuing to favor asset classes that typically generate lower fees, investors withdrawing their assets and consumers withdrawing their deposits or deterioration in consumer credit, and net revenues and the provision for credit losses in Consumer & Wealth Management would likely be negatively impacted.

2020 versus 2019. Net revenues in Consumer & Wealth Management were $6.00 billion for 2020, 15% higher than 2019.

Net revenues in Wealth management were $4.78 billion, 10% higher than 2019, primarily reflecting higher Management and other fees, primarily reflecting the impact of higher average AUS, higher transaction volumes and the impact of the full-year consolidation of GS Personal Financial Management, partially offset by a lower average effective management fee due to shifts in the mix of client assets and strategies.

Net revenues in Consumer banking were $1.21 billion, 40% higher than 2019, reflecting higher credit card loan and deposit balances.

Provision for credit losses was $758 million for 2020, 79% higher than 2019, reflecting growth in credit card loans and the impact of the COVID-19 pandemic on the broader economic environment (incorporating the accounting for credit losses under the CECL standard). See Note 3 to the consolidated financial statements for further information about ASU No. 2016-13.

Operating expenses were $4.90 billion for 2020, 8% higher than 2019, primarily due to higher expenses related to the impact of the full-year consolidation of GS Personal Financial Management and our credit card activities. Pre-tax earnings were $337 million for 2020, 43% higher than 2019.

Total client assets (which includes AUS, brokerage assets and consumer deposits) exceeded $1 trillion at the end of 2020.

Assets Under Supervision

AUS includes our institutional clients' assets and assets sourced through third-party distributors (both included in our Asset Management segment), as well as high-net-worth clients' assets (included in our Consumer & Wealth Management segment), where we earn a fee for managing assets on a discretionary basis. This includes net assets in our mutual funds, hedge funds, credit funds, private equity funds, real estate funds, and separately managed accounts for institutional and individual investors. AUS also includes client assets invested with third-party managers, private bank deposits and advisory relationships where we earn a fee for advisory and other services, but do not have investment discretion. AUS does not include the self-directed brokerage assets of our clients.

The table below presents information about our firmwide period-end AUS by segment, asset class, distribution channel, region and vehicle.

	As of December		
$ in billions	**2020**	2019	2018
Segment			
Asset Management	**$1,530**	$1,298	$1,087
Consumer & Wealth Management	**615**	561	455
Total AUS	**$2,145**	$1,859	$1,542
Asset Class			
Alternative investments	**$ 191**	$ 185	$ 167
Equity	**475**	423	301
Fixed income	**896**	789	677
Total long-term AUS	**1,562**	1,397	1,145
Liquidity products	**583**	462	397
Total AUS	**$2,145**	$1,859	$1,542
Distribution Channel			
Institutional	**$ 761**	$ 684	$ 575
Wealth management	**615**	561	455
Third-party distributed	**769**	614	512
Total AUS	**$2,145**	$1,859	$1,542
Region			
Americas	**$1,656**	$1,408	$1,151
EMEA	**318**	279	239
Asia	**171**	172	152
Total AUS	**$2,145**	$1,859	$1,542
Vehicle			
Separate accounts	**$1,186**	$1,069	$ 867
Public funds	**707**	603	506
Private funds and other	**252**	187	169
Total AUS	**$2,145**	$1,859	$1,542

In the table above:

- Liquidity products includes money market funds and private bank deposits.
- EMEA represents Europe, Middle East and Africa.

Asset classes, such as alternative investment and equity assets, typically generate higher fees relative to fixed income and liquidity product assets. The average effective management fee (which excludes non-asset-based fees) we earned on our firmwide assets under supervision was 29 basis points for 2020 and 32 basis points for 2019. This decrease reflected shifts in the mix of client assets and strategies.

We earn management fees on client assets that we manage and also receive incentive fees based on a percentage of a fund's or a separately managed account's return, or when the return exceeds a specified benchmark or other performance targets. These incentive fees are recognized when it is probable that a significant reversal of such fees will not occur. Our estimated unrecognized incentive fees were $1.79 billion as of December 2020 and $1.63 billion as of December 2019. Such amounts are based on the completion of the funds' financial statements, which is generally one quarter in arrears. These fees will be recognized, assuming no decline in fair value, if and when it is probable that a significant reversal of such fees will not occur, which is generally when such fees are no longer subject to fluctuations in the market value of the assets.

The table below presents changes in our AUS.

	Year Ended December		
$ in billions	**2020**	2019	2018
Asset Management			
Beginning balance	**$1,298**	$1,087	$1,036
Net inflows/(outflows):			
Alternative investments	**(3)**	2	6
Equity	**(12)**	34	6
Fixed income	**53**	35	14
Total long-term AUS net inflows/(outflows)	**38**	71	26
Liquidity products	**107**	52	51
Total AUS net inflows/(outflows)	**145**	123	77
Net market appreciation/(depreciation)	**87**	88	(26)
Ending balance	**$1,530**	$1,298	$1,087
Consumer & Wealth Management			
Beginning balance	**$ 561**	$ 455	$ 458
Net inflows/(outflows):			
Alternative investments	**2**	9	(5)
Equity	**8**	11	7
Fixed income	**(6)**	17	9
Total long-term AUS net inflows/(outflows)	**4**	37	11
Liquidity products	**14**	13	1
Total AUS net inflows/(outflows)	**18**	50	12
Net market appreciation/(depreciation)	**36**	56	(15)
Ending balance	**$ 615**	$ 561	$ 455
Firmwide			
Beginning balance	**$1,859**	$1,542	$1,494
Net inflows/(outflows):			
Alternative investments	**(1)**	11	1
Equity	**(4)**	45	13
Fixed income	**47**	52	23
Total long-term AUS net inflows/(outflows)	**42**	108	37
Liquidity products	**121**	65	52
Total AUS net inflows/(outflows)	**163**	173	89
Net market appreciation/(depreciation)	**123**	144	(41)
Ending balance	**$2,145**	$1,859	$1,542

In the table above, total AUS net inflows/(outflows) for 2019 included $71 billion of inflows (substantially all in equity and fixed income assets) in connection with the acquisitions of Standard & Poor's Investment Advisory Services (SPIAS), GS Personal Financial Management and Rocaton Investment Advisors (Rocaton). SPIAS and Rocaton were included in the Asset Management segment and GS Personal Financial Management was included in the Consumer & Wealth Management segment.

The table below presents information about our average monthly firmwide AUS by segment and asset class.

	Average for the Year Ended December		
$ in billions	**2020**	2019	2018
Segment			
Asset Management	**$1,429**	$1,182	$1,050
Consumer & Wealth Management	**565**	505	467
Total AUS	**$1,994**	$1,687	$1,517
Asset Class			
Alternative investments	**$ 183**	$ 176	$ 171
Equity	**409**	364	329
Fixed income	**829**	746	665
Total long-term AUS	**1,421**	1,286	1,165
Liquidity products	**573**	401	352
Total AUS	**$1,994**	$1,687	$1,517

In addition to our AUS, we have discretion over alternative investments where we currently do not earn management fees (non-fee-earning alternative assets).

The table below presents information about our AUS for alternative assets, non-fee-earning alternative assets and total alternative assets.

$ in billions	AUS	Non-fee-earning alternative assets	Total alternative assets
As of December 2020			
Corporate equity	**$ 80**	**$ 51**	**$131**
Credit	**19**	**72**	**91**
Real estate	**18**	**44**	**62**
Hedge funds and multi-asset	**74**	**1**	**75**
Other	**–**	**1**	**1**
Total	**$191**	**$169**	**$360**
As of December 2019			
Corporate equity	$ 81	$ 38	$119
Credit	14	51	65
Real estate	13	43	56
Hedge funds and multi-asset	77	1	78
Other	–	1	1
Total	$185	$134	$319
As of December 2018			
Corporate equity	$ 72	$ 35	$107
Credit	11	47	58
Real estate	10	38	48
Hedge funds and multi-asset	74	1	75
Other	–	1	1
Total	$167	$122	$289

In the table above:

- Substantially all corporate equity is private equity.
- Total alternative assets included uncalled capital that is available for future investing of $44 billion as of December 2020, $32 billion as of December 2019 and $27 billion as of December 2018.
- Non-fee-earning alternative assets primarily includes investments that we hold on our balance sheet, our unfunded commitments, unfunded commitments of our clients (where we do not charge fees on commitments), credit facilities collateralized by fund assets and employee funds. Our calculation of non-fee-earning alternative assets may not be comparable to similar calculations used by other companies.

In the beginning of 2020, we announced a strategic objective of growing our third-party alternatives business, and established targets of achieving net inflows of $100 billion and gross inflows of $150 billion for alternative assets over five years. During 2020, we raised approximately $40 billion in third-party commitments for alternative assets. As of December 2020, approximately $13 billion of these commitments were included in AUS, as they were generating fees. The remaining approximately $27 billion of such commitments were included in non-fee-earning alternative assets in the table above, approximately $20 billion of which will begin to earn fees (and become AUS), if and when the commitments are drawn and assets are invested.

The table below presents information about alternative investments in our Asset Management segment that we hold on our balance sheet.

$ in billions	Loans	Debt securities	Equity securities	CIE investments and other	Total
As of December 2020					
Corporate equity	**$ –**	**$ –**	**$16**	**$ –**	**$16**
Credit	**8**	**11**	**–**	**–**	**19**
Real estate	**9**	**2**	**4**	**19**	**34**
Other	**–**	**–**	**–**	**1**	**1**
Total	**$17**	**$13**	**$20**	**$20**	**$70**
As of December 2019					
Corporate equity	$ –	$ –	$17	$ –	$17
Credit	8	12	–	–	20
Real estate	9	2	5	17	33
Other	–	–	–	1	1
Total	$17	$14	$22	$18	$71
As of December 2018					
Corporate equity	$ –	$ –	$17	$ –	$17
Credit	6	8	–	–	14
Real estate	8	2	4	13	27
Other	–	–	–	1	1
Total	$14	$10	$21	$14	$59

Loans and Debt Securities. The table below presents the concentration of loans and debt securities within our alternative investments by accounting classification, region and industry.

$ in billions	As of December 2020
Loans	**$17**
Debt securities	**13**
Total	**$30**
Accounting Classification	
Debt securities at fair value	**44%**
Loans at amortized cost	**43%**
Loans at fair value	**13%**
Total	**100%**
Region	
Americas	**45%**
EMEA	**33%**
Asia	**22%**
Total	**100%**
Industry	
Consumers	**5%**
Financial Institutions	**7%**
Healthcare	**9%**
Industrials	**15%**
Natural Resources & Utilities	**4%**
Real Estate	**36%**
Technology, Media & Telecommunications	**14%**
Other	**10%**
Total	**100%**

Equity. The table below presents the concentration of equity securities within our alternative investments by vintage, region and industry.

$ in billions	As of December 2020
Equity securities	**$20**
Vintage	
2013 or earlier	**33%**
2014 - 2016	**34%**
2017 - thereafter	**33%**
Total	**100%**
Region	
Americas	**51%**
EMEA	**18%**
Asia	**31%**
Total	**100%**
Industry	
Financial Institutions	**25%**
Healthcare	**8%**
Industrials	**5%**
Natural Resources & Utilities	**7%**
Real Estate	**18%**
Technology, Media & Telecommunications	**31%**
Other	**6%**
Total	**100%**

In the table above:

- Equity securities included $17 billion of private equity positions and $3 billion of public equity positions that converted from private equity upon the initial public offering of the underlying company.
- Real estate equity securities consisted of 3% of multifamily, 3% of office, 5% of mixed use and 7% of other real estate equity securities.

CIE Investments and Other. CIE investments and other included assets held by CIEs of $19 billion, which were funded with liabilities of approximately $10 billion as of December 2020. Substantially all such liabilities were nonrecourse, thereby reducing our equity at risk.

The table below presents the concentration of CIE assets, net of financings, within our alternative investments by vintage, region and asset class.

$ in billions	As of December 2020
CIE assets, net of financings	**$9**
Vintage	
2013 or earlier	**1%**
2014 - 2016	**17%**
2017 - thereafter	**82%**
Total	**100%**
Region	
Americas	**63%**
EMEA	**22%**
Asia	**15%**
Total	**100%**
Asset Class	
Hospitality	**4%**
Industrials	**10%**
Multifamily	**23%**
Office	**28%**
Retail	**6%**
Senior Housing	**13%**
Student Housing	**7%**
Other	**9%**
Total	**100%**

Geographic Data

See Note 25 to the consolidated financial statements for a summary of our total net revenues, pre-tax earnings and net earnings by geographic region.

Balance Sheet and Funding Sources

Balance Sheet Management

One of our risk management disciplines is our ability to manage the size and composition of our balance sheet. While our asset base changes due to client activity, market fluctuations and business opportunities, the size and composition of our balance sheet also reflects factors, including (i) our overall risk tolerance, (ii) the amount of equity capital we hold and (iii) our funding profile, among other factors. See "Equity Capital Management and Regulatory Capital — Equity Capital Management" for information about our equity capital management process.

Although our balance sheet fluctuates on a day-to-day basis, our total assets at quarter-end and year-end dates are generally not materially different from those occurring within our reporting periods.

In order to ensure appropriate risk management, we seek to maintain a sufficiently liquid balance sheet and have processes in place to dynamically manage our assets and liabilities, which include (i) balance sheet planning, (ii) balance sheet limits, (iii) monitoring of key metrics and (iv) scenario analyses.

Balance Sheet Planning. We prepare a balance sheet plan that combines our projected total assets and composition of assets with our expected funding sources over a three-year time horizon. This plan is reviewed quarterly and may be adjusted in response to changing business needs or market conditions. The objectives of this planning process are:

- To develop our balance sheet projections, taking into account the general state of the financial markets and expected business activity levels, as well as regulatory requirements;
- To allow Treasury and our independent risk oversight and control functions to objectively evaluate balance sheet limit requests from our revenue-producing units in the context of our overall balance sheet constraints, including our liability profile and equity capital levels, and key metrics; and
- To inform the target amount, tenor and type of funding to raise, based on our projected assets and contractual maturities.

Treasury and our independent risk oversight and control functions, along with our revenue-producing units, review current and prior period information and expectations for the year to prepare our balance sheet plan. The specific information reviewed includes asset and liability size and composition, limit utilization, risk and performance measures, and capital usage.

Our consolidated balance sheet plan, including our balance sheets by business, funding projections and projected key metrics, is reviewed and approved by the Firmwide Asset Liability Committee and the Risk Governance Committee. See "Risk Management — Overview and Structure of Risk Management" for an overview of our risk management structure.

Balance Sheet Limits. The Firmwide Asset Liability Committee and the Risk Governance Committee have the responsibility to review and approve balance sheet limits. These limits are set at levels which are close to actual operating levels, rather than at levels which reflect our maximum risk appetite, in order to ensure prompt escalation and discussion among our revenue-producing units, Treasury and our independent risk oversight and control functions on a routine basis. Requests for changes in limits are evaluated after giving consideration to their impact on our key metrics. Compliance with limits is monitored by our revenue-producing units and Treasury, as well as our independent risk oversight and control functions.

Monitoring of Key Metrics. We monitor key balance sheet metrics both by business and on a consolidated basis, including asset and liability size and composition, limit utilization and risk measures. We allocate assets to businesses and review and analyze movements resulting from new business activity, as well as market fluctuations.

Scenario Analyses. We conduct various scenario analyses, including as part of the Comprehensive Capital Analysis and Review (CCAR) and U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act Stress Tests (DFAST), as well as our resolution and recovery planning. See "Equity Capital Management and Regulatory Capital — Equity Capital Management" for further information about these scenario analyses. These scenarios cover short- and long-term time horizons using various macroeconomic and firm-specific assumptions, based on a range of economic scenarios. We use these analyses to assist us in developing our longer-term balance sheet management strategy, including the level and composition of assets, funding and equity capital. Additionally, these analyses help us develop approaches for maintaining appropriate funding, liquidity and capital across a variety of situations, including a severely stressed environment.

Balance Sheet Analysis and Metrics

As of December 2020, total assets in our consolidated balance sheets were $1.16 trillion, an increase of $170.06 billion from December 2019, primarily reflecting increases in customer and other receivables of $46.73 billion (primarily reflecting higher client activity), trading assets of $38.30 billion (primarily due to increases in derivative instruments reflecting the impact of changes in interest rates and equity prices and increases in non-U.S. government and agency obligations reflecting our and our clients' activities), collateralized agreements of $28.46 billion (reflecting the impact of our and our clients' activities), investments of $24.51 billion (primarily reflecting an increase in U.S. government obligations accounted for as available-for-sale), and cash and cash equivalents of $22.30 billion (primarily reflecting the impact of our activity). As of December 2020, approximately 25% of our total assets were held in our bank subsidiaries.

As of December 2020, total liabilities in our consolidated balance sheets were $1.07 trillion, an increase of $164.39 billion from December 2019, primarily reflecting increases in deposits of $69.94 billion (reflecting increases in consumer, transaction banking and private bank deposits), trading liabilities of $44.89 billion (primarily due to increases in equities and government obligations reflecting higher client activity and increases in derivative instruments reflecting the impact of changes in interest rate and equity price movements), collateralized financings of $21.93 billion (reflecting the impact of our and our clients' activities), and customer and other payables of $15.84 billion (primarily reflecting higher client activity).

Our total securities sold under agreements to repurchase (repurchase agreements), accounted for as collateralized financings, were $126.57 billion as of December 2020 and $117.76 billion as of December 2019, which were 24% higher as of December 2020 and 32% higher as of December 2019 than the average daily amount of repurchase agreements over the respective quarters, and 31% higher as of December 2020 and 40% higher as of December 2019 than the average daily amount of repurchase agreements over the respective years. As of December 2020, the increase in our repurchase agreements relative to the average daily amount of repurchase agreements during the quarter and year resulted from higher levels of our and our clients' activities at the end of the period.

The level of our repurchase agreements fluctuates between and within periods, primarily due to providing clients with access to highly liquid collateral, such as liquid government and agency obligations, through collateralized financing activities.

The table below presents information about our balance sheet and leverage ratios.

	As of December	
$ in millions	**2020**	2019
Total assets	**$1,163,028**	$992,968
Unsecured long-term borrowings	**$ 213,481**	$207,076
Total shareholders' equity	**$ 95,932**	$ 90,265
Leverage ratio	**12.1x**	11.0x
Debt-to-equity ratio	**2.2x**	2.3x

In the table above:

- The leverage ratio equals total assets divided by total shareholders' equity and measures the proportion of equity and debt we use to finance assets. This ratio is different from the leverage ratios included in Note 20 to the consolidated financial statements.
- The debt-to-equity ratio equals unsecured long-term borrowings divided by total shareholders' equity.

The table below presents information about our shareholders' equity and book value per common share, including the reconciliation of common shareholders' equity to tangible common shareholders' equity.

	As of December	
$ in millions, except per share amounts	**2020**	2019
Total shareholders' equity	**$ 95,932**	$ 90,265
Preferred stock	**(11,203)**	(11,203)
Common shareholders' equity	**84,729**	79,062
Goodwill	**(4,332)**	(4,196)
Identifiable intangible assets	**(630)**	(641)
Tangible common shareholders' equity	**$ 79,767**	$ 74,225
Book value per common share	**$ 236.15**	$ 218.52
Tangible book value per common share	**$ 222.32**	$ 205.15

In the table above:

- Tangible common shareholders' equity is calculated as total shareholders' equity less preferred stock, goodwill and identifiable intangible assets. We believe that tangible common shareholders' equity is meaningful because it is a measure that we and investors use to assess capital adequacy. Tangible common shareholders' equity is a non-GAAP measure and may not be comparable to similar non-GAAP measures used by other companies.
- Book value per common share and tangible book value per common share are based on common shares outstanding and restricted stock units granted to employees with no future service requirements and not subject to performance conditions (collectively, basic shares) of 358.8 million as of December 2020 and 361.8 million as of December 2019. We believe that tangible book value per common share (tangible common shareholders' equity divided by basic shares) is meaningful because it is a measure that we and investors use to assess capital adequacy. Tangible book value per common share is a non-GAAP measure and may not be comparable to similar non-GAAP measures used by other companies.

Funding Sources

Our primary sources of funding are deposits, collateralized financings, unsecured short- and long-term borrowings, and shareholders' equity. We seek to maintain broad and diversified funding sources globally across products, programs, markets, currencies and creditors to avoid funding concentrations.

The table below presents information about our funding sources.

	As of December			
$ in millions	**2020**		2019	
Deposits	**$259,962**	**33%**	$190,019	28%
Collateralized financings	**173,947**	**22%**	152,018	22%
Unsecured short-term borrowings	**52,870**	**6%**	48,287	7%
Unsecured long-term borrowings	**213,481**	**27%**	207,076	30%
Total shareholders' equity	**95,932**	**12%**	90,265	13%
Total	**$796,192**	**100%**	$687,665	100%

Our funding is primarily raised in U.S. dollar, Euro, British pound and Japanese yen. We generally distribute our funding products through our own sales force and third-party distributors to a large, diverse creditor base in a variety of markets in the Americas, Europe and Asia. We believe that our relationships with our creditors are critical to our liquidity. Our creditors include banks, governments, securities lenders, corporations, pension funds, insurance companies, mutual funds and individuals. We have imposed various internal guidelines to monitor creditor concentration across our funding programs.

Deposits. Our deposits provide us with a diversified source of funding and reduce our reliance on wholesale funding. We raise deposits, including savings, demand and time deposits, from private bank clients, consumers, transaction banking clients, other institutional clients, and through internal and third-party broker-dealers. Substantially all of our deposits are raised through GS Bank USA and GSIB. See Note 13 to the consolidated financial statements for further information about our deposits.

Secured Funding. We fund a significant amount of inventory and a portion of investments on a secured basis. Secured funding includes collateralized financings in the consolidated balance sheets. We may also pledge our inventory and investments as collateral for securities borrowed under a securities lending agreement. We also use our own inventory and investments to cover transactions in which we or our clients have sold securities that have not yet been purchased. Secured funding is less sensitive to changes in our credit quality than unsecured funding, due to our posting of collateral to our lenders. Nonetheless, we analyze the refinancing risk of our secured funding activities, taking into account trade tenors, maturity profiles, counterparty concentrations, collateral eligibility and counterparty rollover probabilities. We seek to mitigate our refinancing risk by executing term trades with staggered maturities, diversifying counterparties, raising excess secured funding and pre-funding residual risk through our GCLA.

We seek to raise secured funding with a term appropriate for the liquidity of the assets that are being financed, and we seek longer maturities for secured funding collateralized by asset classes that may be harder to fund on a secured basis, especially during times of market stress. Our secured funding, excluding funding collateralized by liquid government and agency obligations, is primarily executed for tenors of one month or greater and is primarily executed through term repurchase agreements and securities loaned contracts.

The weighted average maturity of our secured funding included in collateralized financings in the consolidated balance sheets, excluding funding that can only be collateralized by liquid government and agency obligations, exceeded 120 days as of December 2020.

Assets that may be harder to fund on a secured basis during times of market stress include certain financial instruments in the following categories: mortgage and other asset-backed loans and securities, non-investment-grade corporate debt securities, equity securities and emerging market securities. Assets that are classified in level 3 of the fair value hierarchy are generally funded on an unsecured basis. See Notes 4 through 10 to the consolidated financial statements for further information about the classification of financial instruments in the fair value hierarchy and "Unsecured Long-Term Borrowings" below for further information about the use of unsecured long-term borrowings as a source of funding.

We also raise financing through other types of collateralized financings, such as secured loans and notes. GS Bank USA has access to funding from the Federal Home Loan Bank. We had no outstanding borrowings against the Federal Home Loan Bank as of December 2020 and $527 million as of December 2019. Additionally, we have access to funding through the Federal Reserve discount window. However, we do not rely on this funding in our liquidity planning and stress testing.

Unsecured Short-Term Borrowings. A significant portion of our unsecured short-term borrowings was originally long-term debt that is scheduled to mature within one year of the reporting date. We use unsecured short-term borrowings, including U.S. and non-U.S. hybrid financial instruments and commercial paper, to finance liquid assets and for other cash management purposes. In accordance with regulatory requirements, Group Inc. does not issue debt with an original maturity of less than one year, other than to its subsidiaries. See Note 14 to the consolidated financial statements for further information about our unsecured short-term borrowings.

Unsecured Long-Term Borrowings. Unsecured long-term borrowings, including structured notes, are raised through syndicated U.S. registered offerings, U.S. registered and Rule 144A medium-term note programs, offshore medium-term note offerings and other debt offerings. We issue in different tenors, currencies and products to maximize the diversification of our investor base.

The table below presents our quarterly unsecured long-term borrowings maturity profile.

$ in millions	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
As of December 2020					
2022	**$ 8,839**	**$6,762**	**$6,965**	**$6,403**	**$ 28,969**
2023	**$10,344**	**$6,860**	**$8,638**	**$7,451**	**33,293**
2024	**$ 6,200**	**$4,735**	**$6,094**	**$3,302**	**20,331**
2025	**$ 7,469**	**$8,890**	**$5,892**	**$4,925**	**27,176**
2026 - thereafter					**103,712**
Total					**$213,481**

The weighted average maturity of our unsecured long-term borrowings as of December 2020 was approximately seven years. To mitigate refinancing risk, we seek to limit the principal amount of debt maturing over the course of any monthly, quarterly or annual time horizon. We enter into interest rate swaps to convert a portion of our unsecured long-term borrowings into floating-rate obligations to manage our exposure to interest rates. See Note 14 to the consolidated financial statements for further information about our unsecured long-term borrowings.

Shareholders' Equity. Shareholders' equity is a stable and perpetual source of funding. See Note 19 to the consolidated financial statements for further information about our shareholders' equity.

Equity Capital Management and Regulatory Capital

Capital adequacy is of critical importance to us. We have in place a comprehensive capital management policy that provides a framework, defines objectives and establishes guidelines to assist us in maintaining the appropriate level and composition of capital in both business-as-usual and stressed conditions.

Equity Capital Management

We determine the appropriate amount and composition of our equity capital by considering multiple factors, including our current and future regulatory capital requirements, the results of our capital planning and stress testing process, the results of resolution capital models and other factors, such as rating agency guidelines, subsidiary capital requirements, the business environment and conditions in the financial markets.

We manage our capital requirements and the levels of our capital usage principally by setting limits on the balance sheet and/or limits on risk, in each case at both the firmwide and business levels.

We principally manage the level and composition of our equity capital through issuances and repurchases of our common stock.

We may issue, redeem or repurchase our preferred stock, junior subordinated debt issued to trusts, and other subordinated debt or other forms of capital as business conditions warrant. Prior to such redemptions or repurchases, we must receive approval from the Board of Governors of the Federal Reserve System (FRB). See Notes 14 and 19 to the consolidated financial statements for further information about our preferred stock, junior subordinated debt issued to trusts and other subordinated debt.

Capital Planning and Stress Testing Process. As part of capital planning, we project sources and uses of capital given a range of business environments, including stressed conditions. Our stress testing process is designed to identify and measure material risks associated with our business activities, including market risk, credit risk and operational risk, as well as our ability to generate revenues.

Our capital planning process incorporates an internal capital adequacy assessment with the objective of ensuring that we are appropriately capitalized relative to the risks in our businesses. We incorporate stress scenarios into our capital planning process with a goal of holding sufficient capital to ensure we remain adequately capitalized after experiencing a severe stress event. Our assessment of capital adequacy is viewed in tandem with our assessment of liquidity adequacy and is integrated into our overall risk management structure, governance and policy framework.

Our stress tests incorporate our internally designed stress scenarios, including our internally developed severely adverse scenario, and those required by the FRB, and are designed to capture our specific vulnerabilities and risks. We provide further information about our stress test processes and a summary of the results on our website as described in "Business — Available Information" in Part I, Item 1 of this Form 10-K.

As required by the FRB's CCAR rules, we submit an annual capital plan for review by the FRB. The purpose of the FRB's review is to ensure that we have a robust, forward-looking capital planning process that accounts for our unique risks and that permits continued operation during times of economic and financial stress.

The FRB evaluates us based, in part, on whether we have the capital necessary to continue operating under the baseline and severely adverse scenarios provided by the FRB and those developed internally. This evaluation also takes into account our process for identifying risk, our controls and governance for capital planning, and our guidelines for making capital planning decisions. In addition, the FRB evaluates our plan to make capital distributions (i.e., dividend payments and repurchases or redemptions of stock, subordinated debt or other capital securities) and issue capital, across the range of macroeconomic scenarios and firm-specific assumptions. The FRB determines the stress capital buffer (SCB) applicable to us based on its own annual stress test. The SCB under the Standardized approach is calculated as (i) the difference between our starting and minimum projected CET1 capital ratios under the supervisory severely adverse scenario and (ii) our planned common stock dividends for each of the fourth through seventh quarters of the planning horizon, expressed as a percentage of risk-weighted assets (RWAs).

We submitted our 2020 CCAR capital plan in April 2020 and published a summary of our annual DFAST results in June 2020. See "Business — Available Information" in Part I, Item 1 of this Form 10-K. With respect to our 2020 CCAR submission, the FRB notified us that our SCB beginning on October 1, 2020 is 6.6%, bringing our Standardized CET1 capital ratio requirement to 13.6%. In light of the impact of the COVID-19 pandemic on the economy, the FRB required all large bank holding companies (BHCs) to suspend stock repurchases through the fourth quarter of 2020 and not to increase common stock dividends or pay common stock dividends in excess of their average net income over the prior four quarters. The FRB also required large BHCs, including us, to resubmit their capital plans in November 2020 under the updated scenarios provided by the FRB, and released the results of the resubmissions in December 2020.

The FRB did not change our SCB as a result of our resubmission, but has extended the period to recalculate it to March 31, 2021. The FRB also modified the existing restrictions on capital actions by permitting stock repurchases and common stock dividends, that in aggregate, do not exceed the average net income over the prior four quarters and requiring large BHCs to not increase their common stock dividend in the first quarter of 2021. We plan to maintain both common and preferred dividends, and resumed common stock repurchases in the first quarter of 2021, while complying with these capital restrictions. In addition, we will continue deploying capital to our businesses where returns are accretive and otherwise return it to our shareholders as permitted by the FRB.

GS Bank USA has its own capital planning process, but was not required to submit its annual stress test results to the FRB in 2020. Based on growth in GS Bank USA's average balance sheet, it will be required to submit its annual stress test results in 2022. Goldman Sachs International (GSI), GSIB and Goldman Sachs Bank Europe SE (GSBE) also have their own capital planning and stress testing process, which incorporates internally designed stress tests developed in accordance with the guidelines of their respective regulators.

Contingency Capital Plan. As part of our comprehensive capital management policy, we maintain a contingency capital plan. Our contingency capital plan provides a framework for analyzing and responding to a perceived or actual capital deficiency, including, but not limited to, identification of drivers of a capital deficiency, as well as mitigants and potential actions. It outlines the appropriate communication procedures to follow during a crisis period, including internal dissemination of information, as well as timely communication with external stakeholders.

Capital Attribution. We assess each of our businesses' capital usage based on our internal assessment of risks, which incorporates an attribution of our relevant regulatory capital requirements. These regulatory capital requirements are allocated using our attributed equity framework, which takes into consideration our most binding capital constraints. Our most binding capital constraint is based on the results of the FRB's annual stress test, which includes the Standardized risk-based capital and leverage ratios. See "Segment Assets and Operating Results — Segment Operating Results" for information about our attributed equity by segment. Effective on January 1, 2021, we adjusted the attributed equity framework in line with the impact of the SCB Rule and our SCB of 6.6%, which became effective on October 1, 2020 under the Standardized approach.

Share Repurchase Program. We use our share repurchase program to help maintain the appropriate level of common equity. The repurchase program is effected primarily through regular open-market purchases (which may include repurchase plans designed to comply with Rule 10b5-1 and accelerated share repurchases), the amounts and timing of which are determined primarily by our current and projected capital position and our capital plan submitted to the FRB as part of CCAR. The amounts and timing of the repurchases may also be influenced by general market conditions and the prevailing price and trading volumes of our common stock.

As of December 2020, the remaining share authorization under our existing repurchase program was 49.7 million shares. See "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" in Part II, Item 5 of this Form 10-K and Note 19 to the consolidated financial statements for further information about our share repurchase program, and see above for information about our capital planning and stress testing process.

Resolution Capital Models. In connection with our resolution planning efforts, we have established a Resolution Capital Adequacy and Positioning framework, which is designed to ensure that our major subsidiaries (GS Bank USA, Goldman Sachs & Co. LLC (GS&Co.), GSI, GSIB, Goldman Sachs Japan Co., Ltd. (GSJCL), Goldman Sachs Asset Management, L.P., Goldman Sachs Asset Management International (GSAMI) and GSBE) have access to sufficient loss-absorbing capacity (in the form of equity, subordinated debt and unsecured senior debt) so that they are able to wind-down following a Group Inc. bankruptcy filing in accordance with our preferred resolution strategy.

In addition, we have established a triggers and alerts framework, which is designed to provide the Board of Directors of Group Inc. (Board) with information needed to make an informed decision on whether and when to commence bankruptcy proceedings for Group Inc.

Rating Agency Guidelines

The credit rating agencies assign credit ratings to the obligations of Group Inc., which directly issues or guarantees substantially all of our senior unsecured debt obligations. GS&Co. and GSI have been assigned long- and short-term issuer ratings by certain credit rating agencies. GS Bank USA, GSIB and GSBE have also been assigned long- and short-term issuer ratings, as well as ratings on their long- and short-term bank deposits. In addition, credit rating agencies have assigned ratings to debt obligations of certain other subsidiaries of Group Inc.

The level and composition of our equity capital are among the many factors considered in determining our credit ratings. Each agency has its own definition of eligible capital and methodology for evaluating capital adequacy, and assessments are generally based on a combination of factors rather than a single calculation. See "Risk Management — Liquidity Risk Management — Credit Ratings" for further information about credit ratings of Group Inc., GS Bank USA, GSIB, GSBE, GS&Co. and GSI.

Consolidated Regulatory Capital

We are subject to consolidated regulatory capital requirements which are calculated in accordance with the regulations of the FRB (Capital Framework). Under the Capital Framework, we are an "Advanced approach" banking organization and have been designated as a global systemically important bank (G-SIB).

The capital requirements calculated under the Capital Framework include the capital conservation buffer requirements, comprised of a 2.5% buffer (under the Advanced Capital Rules), a stress capital buffer (under the Standardized Capital Rules), and a countercyclical buffer and the G-SIB surcharge (under both Capital Rules). Our G-SIB surcharge is 2.5% for 2020, 2021 and 2022. We expect that our G-SIB surcharge will be 3.0% beginning in 2023. The G-SIB surcharge and countercyclical buffer in the future may differ due to additional guidance from our regulators and/or positional changes, and our SCB is likely to change from year to year based on the results of the annual supervisory stress tests. Our target Standardized CET1 capital ratio over the medium term is between 13.0% and 13.5% (including management buffers) based upon the execution of our previously announced strategic initiatives and achievement of capital efficiencies.

See Note 20 to the consolidated financial statements for further information about our risk-based capital ratios and leverage ratios, and the Capital Framework.

Total Loss-Absorbing Capacity (TLAC)

We are also subject to the FRB's TLAC and related requirements. Failure to comply with the TLAC and related requirements could result in restrictions being imposed by the FRB and could limit our ability to repurchase shares, pay dividends and make certain discretionary compensation payments.

The table below presents TLAC and external long-term debt requirements.

	Requirements
TLAC to RWAs	**22.0%**
TLAC to leverage exposure	**9.5%**
External long-term debt to RWAs	**8.5%**
External long-term debt to leverage exposure	**4.5%**

In the table above:

- The TLAC to RWAs requirement includes (i) the 18% minimum, (ii) the 2.5% buffer, (iii) the 1.5% G-SIB surcharge (Method 1) and (iv) the countercyclical capital buffer, which the FRB has set to zero percent.
- The TLAC to leverage exposure requirement includes (i) the 7.5% minimum and (ii) the 2.0% leverage exposure buffer.
- The external long-term debt to RWAs requirement includes (i) the 6% minimum and (ii) the 2.5% G-SIB surcharge (Method 2).

- The external long-term debt to total leverage exposure is the 4.5% minimum.

The table below presents information about our TLAC and external long-term debt ratios.

	As of December	
$ in millions	**2020**	2019
TLAC	**$ 242,730**	$ 236,850
External long-term debt	**$ 139,200**	$ 141,770
RWAs	**$ 609,750**	$ 563,575
Leverage exposure	**$1,332,937**	$1,375,467
TLAC to RWAs	**39.8%**	42.0%
TLAC to leverage exposure	**18.2%**	17.2%
External long-term debt to RWAs	**22.8%**	25.2%
External long-term debt to leverage exposure	**10.4%**	10.3%

In the table above:

- TLAC includes common and preferred stock, and eligible long-term debt issued by Group Inc. Eligible long-term debt represents unsecured debt, which has a remaining maturity of at least one year and satisfies additional requirements.
- External long-term debt consists of eligible long-term debt subject to a haircut if it is due to be paid between one and two years.
- RWAs represent Advanced RWAs as of December 2020 and Standardized RWAs as of December 2019. In accordance with the TLAC rules, the higher of Advanced or Standardized RWAs are used in the calculation of TLAC and external long-term debt ratios and applicable requirements.
- Leverage exposure consists of average adjusted total assets and certain off-balance sheet exposures. As of December 2020, leverage exposure excluded average holdings of U.S. Treasury securities and average deposits at the Federal Reserve as permitted by the FRB under a temporary amendment. This temporary amendment is effective through March 31, 2021.

See "Business — Regulation" in Part I, Item 1 of this Form 10-K for further information about TLAC.

Subsidiary Capital Requirements

Many of our subsidiaries, including our bank and broker-dealer subsidiaries, are subject to separate regulation and capital requirements of the jurisdictions in which they operate.

Bank Subsidiaries. GS Bank USA is our primary U.S. banking subsidiary and GSIB and GSBE are our primary non-U.S. banking subsidiaries. These entities are subject to regulatory capital requirements. See Note 20 to the consolidated financial statements for further information about the regulatory capital requirements of our bank subsidiaries.

U.S. Regulated Broker-Dealer Subsidiaries. GS&Co. is our primary U.S. regulated broker-dealer subsidiary and is subject to regulatory capital requirements, including those imposed by the SEC and the Financial Industry Regulatory Authority, Inc. In addition, GS&Co. is a registered futures commission merchant and is subject to regulatory capital requirements imposed by the CFTC, the Chicago Mercantile Exchange 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. has elected to calculate its minimum capital requirements in accordance with the "Alternative Net Capital Requirement" as permitted by Rule 15c3-1.

GS&Co. had regulatory net capital, as defined by Rule 15c3-1, of $22.38 billion as of December 2020 and $20.88 billion as of December 2019, which exceeded the amount required by $18.45 billion as of December 2020 and $18.15 billion as of December 2019. 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 both December 2020 and December 2019, GS&Co. had tentative net capital and net capital in excess of both the minimum and the notification requirements.

Non-U.S. Regulated Broker-Dealer Subsidiaries. Our principal non-U.S. regulated broker-dealer subsidiaries include GSI and GSJCL.

GSI, our U.K. broker-dealer, is regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). GSI is subject to the capital framework for E.U.-regulated financial institutions prescribed in the E.U. Fourth Capital Requirements Directive and the E.U. Capital Requirements Regulation (CRR). These capital regulations are largely based on the Basel Committee on Banking Supervision's (Basel Committee) capital framework for strengthening international capital standards (Basel III).

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

	As of December	
	2020	2019
Risk-based capital requirements		
CET1 capital ratio	**8.1%**	8.8%
Tier 1 capital ratio	**10.0%**	10.8%
Total capital ratio	**12.5%**	13.4%

In the table above, the risk-based capital requirements incorporate capital guidance received from the PRA and could change in the future.

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

	As of December	
$ in millions	**2020**	2019
Risk-based capital and risk-weighted assets		
CET1 capital	**$ 26,394**	$ 24,142
Tier 1 capital	**$ 34,694**	$ 32,442
Tier 2 capital	**$ 5,377**	$ 5,374
Total capital	**$ 40,071**	$ 37,816
RWAs	**$252,355**	$206,669
Risk-based capital ratios		
CET1 capital ratio	**10.5%**	11.7%
Tier 1 capital ratio	**13.7%**	15.7%
Total capital ratio	**15.9%**	18.3%

In the table above, CET1 capital, Tier 1 capital and Total capital as of December 2020 excluded GSI's undistributed profits from October 2020 through December 2020, as such profits have not yet been approved to be included as regulatory capital by the PRA.

In June 2019, the European Commission finalized an amendment to the CRR that establishes a 3% leverage ratio requirement for certain E.U. financial institutions. This leverage ratio compares the CRR's definition of Tier 1 capital to a measure of leverage exposure, defined as the sum of certain assets plus certain off-balance sheet exposures (which include a measure of derivatives, securities financing transactions, commitments and guarantees), less Tier 1 capital deductions. Following Brexit, GSI will become subject to a similar PRA-required leverage ratio that is expected to become effective in January 2022. GSI had a leverage ratio of 4.6% as of both December 2020 and December 2019. GSI's leverage ratio as of December 2020 excluded GSI's undistributed profits from October 2020 through December 2020, as such profits have not yet been approved to be included as regulatory capital by the PRA. This leverage ratio is based on our current interpretation and understanding of this rule and may evolve as we discuss the interpretation and application of this rule with GSI's regulators.

GSI is also subject to a minimum requirement for own funds and eligible liabilities issued to affiliates. This requirement is subject to a transitional period which began to phase in from January 2019 and will become fully effective beginning in January 2022. As of December 2020, GSI was in compliance with this requirement.

GSJCL, our Japanese broker-dealer, is regulated by Japan's Financial Services Agency. GSJCL and certain other non-U.S. subsidiaries are also subject to capital requirements promulgated by authorities of the countries in which they operate. As of both December 2020 and December 2019, these subsidiaries were in compliance with their local capital requirements.

Regulatory and Other Matters

Regulatory Matters

Our businesses are subject to extensive regulation and supervision worldwide. Regulations have been adopted or are being considered by regulators and policy makers worldwide. Given that many of the new and proposed rules are highly complex, the full impact of regulatory reform will not be known until the rules are implemented and market practices develop under the final regulations.

See "Business — Regulation" in Part I, Item 1 of this Form 10-K for further information about the laws, rules and regulations and proposed laws, rules and regulations that apply to us and our operations.

Other Matters

Brexit. The E.U. and the U.K. agreed to a withdrawal agreement (the Withdrawal Agreement), which became effective on January 31, 2020. The transition period under the Withdrawal Agreement ended on December 2020, after which E.U. law ceased to apply to the U.K. Effective December 31, 2020, and notwithstanding the Trade and Cooperation Agreement between the E.U. and U.K. reached at the end of 2020, firms established in the U.K., including our U.K. subsidiaries, have lost their pan-E.U. "passports" and are generally treated as any other entities in countries outside the E.U. whose access to the E.U. is governed by the E.U. and national law.

The U.K. has adopted E.U. financial services legislation that was in effect on December 31, 2020, which means that the U.K. financial services regime will remain substantially the same as under E.U. financial services legislation. However, in the future the U.K. may diverge from E.U. legislation and may decide not to adopt rules that correspond to E.U. legislation not already operative in the U.K.

We had prepared for a scenario where the U.K. financial services firms lost access to E.U. markets. Accordingly, we have managed to continue servicing our E.U. client base in the following manner:

- Our German bank subsidiary, GSBE, acts as our main operating subsidiary in the E.U. and has assumed certain functions that can no longer be efficiently and effectively performed by our U.K. operating subsidiaries, including GSI, GSIB and GSAMI.

- We have moved a number of relationships with clients of our Investment Banking, Global Markets and Wealth Management businesses from GSI and GSIB to GSBE, and clients of our Asset Management business from GSAMI to GSBE. A meaningful portion of our Global Markets and Investment Banking clients may choose to continue being serviced by, and to transact with, our U.K. entities under arrangements provided by individual member states. We expect to continue providing products and services in this manner to the extent that clients prefer such coverage and it is available. We have received applicable cross-border licenses and exemptions for GSI where these are available. We have also set up authorized branches of GSI in the E.U. which will be used for our Global Markets business with domestic clients in France, Spain and Sweden.
- We have set up branches of GSBE in a number of jurisdictions in the E.U. to enable Investment Banking, Global Markets and Consumer & Wealth Management personnel to be situated in our offices in those countries.
- We intend to use Goldman Sachs Paris Inc. et Cie as our primary broker-dealer entity for E.U. clients primarily to conduct certain activities that GSBE may be prevented from undertaking, such as activities related to physical commodities and related products.
- The internal infrastructure build-out and external connectivity to financial market infrastructure required for our new E.U. entities is complete. GSBE is connected and operational with E.U. exchange, clearing and settlement platforms.
- In order to service our Asset Management clients, we have received approval from the Irish Financial Regulator, the Central Bank of Ireland, for a Collective Investment Fund and Alternative Investment Fund Manager in Ireland, which has replaced the similar existing London-based Alternative Investment Fund Manager.

Replacement of Interbank Offered Rates (IBORs), including LIBOR. Central banks and regulators in a number of major jurisdictions (for example, U.S., U.K., E.U., Switzerland and Japan) have convened working groups to find, and implement the transition to suitable replacements for IBORs. The administrator of LIBOR has proposed to extend the publication of the most commonly used U.S. Dollar LIBOR settings to June 30, 2023 and to cease publishing other LIBOR settings on December 31, 2021. The U.S. federal banking agencies have issued guidance strongly encouraging banking organizations to cease using the U.S. Dollar LIBOR as a reference rate in new contracts as soon as practicable and in any event by December 31, 2021.

Market-led working groups in major jurisdictions, noted above, have already selected their preferred alternative risk-free reference rates. They have published and are expected to continue to publish consultations on issues, including methodologies for fallback provisions in contracts and financial instruments linked to IBORs and the development of term structures for alternative risk-free reference rates, which will be critical for financial markets to transition to the use of alternative risk-free reference rates in place of IBORs.

In October 2020, the International Swaps and Derivatives Association (ISDA) launched the IBOR Fallbacks Protocol, which became effective in January 2021 and provides derivatives market participants with new fallbacks for legacy and new derivatives contracts. Both counterparties will have to adhere to the Fallbacks Protocol or engage in bilateral amendments for the terms to be effective for derivative contracts. We have adhered to the Fallbacks Protocol for our eligible derivative contracts.

We are facilitating an orderly transition from IBORs to alternative risk-free reference rates for us and our clients. Our centralized LIBOR transition program continues to make progress with a focus on:

- Evaluating and monitoring the impacts across our businesses, including transactions and products;
- Ensuring that financial instruments and contracts impacted by the transition already contain appropriate fallback language or are being amended, either through bilateral negotiation or using industry-wide tools, such as protocols;
- Enhancements to infrastructure (for example, models and systems) to prepare for a smooth transition to alternative risk-free reference rates;
- Ensuring operational readiness to offer and support various alternative risk-free reference rate products;
- Active participation in central bank and sector working groups, including responding to industry consultations; and
- Client education and communication.

As part of this program, we have sought to systematically identify the risks inherent in this transition, including financial risks (for example, earnings volatility under stress due to widening swap spreads and the loss of funding sources as a result of counterparties' reluctance to participate in transitioning their positions) and nonfinancial risks (for example, the inability to negotiate fallbacks with clients and/or counterparties, the potential for disputes relating to the interpretation and implementation of fallback provision and operational impediments to the transition).

The markets for alternative risk-free reference rates continue to develop and, where liquidity allows, we have begun participating in alternative risk-free reference rate markets. In particular, during 2020 we have:

- Issued debt and deposits linked to the Secured Overnight Financing Rate (SOFR) and Sterling Overnight Index Average (SONIA).
- Executed SOFR- and SONIA-based derivative contracts to make markets and facilitate client activities.
- Executed transactions in the market to reduce our LIBOR exposures arising from hedges to our fixed-rate debt issuances and replace with alternative risk-free reference rate exposures.

In addition, in 2020, we, alongside the industry, successfully transitioned the discounting conventions of centrally cleared Euro interest rate derivatives from the Euro Overnight Index Average to the Euro Short-Term Rate and centrally cleared U.S. Dollar interest rate derivatives from Federal Funds to SOFR at Chicago Mercantile Exchange, London Clearing House and Eurex Exchange.

We are engaged with a range of industry and regulatory working groups (for example, ISDA, the Bank of England's Working Group on Sterling Risk-Free Reference Rates, the Federal Reserve's Alternative Reference Rates Committee and the Canadian Alternative Reference Rate Working Group) and will continue to engage with our clients and counterparties to facilitate an orderly transition to alternative risk-free reference rates.

Impact of COVID-19 Pandemic. The resurgence in the spread of COVID-19 toward the end of 2020 and into 2021 has created greater uncertainty regarding the economic outlook for the near term, even as early efforts to distribute vaccines are underway. While governments and central banks continued to be aggressive in providing fiscal and monetary stimulus, the global economic recovery remains fragile.

We have continued to successfully execute on our Business Continuity Planning (BCP) strategy since initially activating it in the first quarter of 2020 in response to the emergence of the COVID-19 pandemic. Our priority has been to safeguard our employees and to seek to ensure continuity of business operations on behalf of our clients. Our business continuity response to the COVID-19 pandemic is managed by a central team, which is led by our chief administrative officer and chief medical officer, and includes senior management within Risk and the chief operating officers across all regions and businesses. As a result of our BCP strategy, the majority of our employees worked remotely during most of 2020 and continue to do so in January 2021. In order to re-open our offices to employees after initial restrictions began to ease in the second quarter of 2020, we established policies and protocols to address safety considerations, taking into account the readiness of people, communities and facilities. Over the course of the pandemic, the extent to which our employees have worked from our offices has varied based on how circumstances in each location have evolved. We are in constant dialogue with key stakeholders to assess health and safety conditions across all of our office locations and to have robust procedures in place to protect the well-being of employees, such as controls around building access, strict physical distancing measures, enhanced cleaning regimes and on-site COVID-19 testing.

Our systems and infrastructure have been robust throughout the COVID-19 pandemic, enabling us to conduct our activities without disruption. We continue to maintain regular and active communication among our senior management, the rest of our employees and the Board, and our decision-making processes have remained disciplined and rigorous throughout the pandemic. Since the beginning of the COVID-19 pandemic, our Management Committee and other senior leaders have met regularly and our executive officers have provided regular and enhanced communications to promote connectivity with our clients and employees worldwide. In addition, as part of our vendor management processes, we have ongoing dialogues with third-party service providers, which are intended to ensure that they continue to meet our criteria for business continuity.

Our liquidity position during 2020 remained strong, as our GCLA averaged $283 billion for the year. We have continued to access our traditional funding sources in the normal course and service our debt and other obligations on a timely basis. Our CET1 capital ratios under the Standardized approach increased to 14.7% as of December 2020, up 140 basis points compared with December 2019, as we continued to support our clients, while managing our capital. We suspended stock repurchases during the first quarter of 2020 and, consistent with the FRB's requirement for all large BHCs, extended the suspension of stock repurchases through the fourth quarter of 2020. We resumed stock repurchases in the first quarter of 2021. See "Balance Sheet and Funding Sources," "Equity Capital Management and Regulatory Capital" and "Liquidity Risk Management" for further information.

As a result of the COVID-19 pandemic, we have had to apply a greater degree of judgment in making certain accounting estimates and assumptions. The process of estimating the allowance for credit losses is inherently judgmental in nature, given that it involves forecasts of future economic conditions. The uncertainty as to the severity and duration of the impact of the COVID-19 pandemic has made this process more challenging, as it has resulted in greater subjectivity in our economic forecasts. This uncertainty also impacts the estimation of the fair value for less liquid financial instruments that lack price transparency, where valuation involves judgment regarding estimated future cash flows or other significant unobservable inputs. See Note 9 to the consolidated financial statements for further information about our allowance for credit losses and Note 4 to the consolidated financial statements for further information about fair value measurements. In addition, we assessed goodwill for impairment as of December 2020 and determined that it was not impaired. See Note 12 to the consolidated financial statements for further information about goodwill.

The COVID-19 pandemic gave rise to higher volatility levels in financial markets and correspondingly higher client activity levels. We have assisted clients in navigating the unpredictable and unprecedented operating environment by providing complex risk intermediation, financing solutions and bespoke advice, utilizing our balance sheet, as necessary. Our average daily Value-at-Risk (VaR) for 2020 was $94 million, $38 million higher than 2019. We have maintained our proactive approach to managing market risk levels, which entails ongoing review and monitoring of exposures and focusing on ways to mitigate risk. With respect to credit risk, the improvement in economic conditions in the second half of 2020 from the significant contraction in the second quarter of 2020 has, in general, helped to stabilize conditions in the credit markets. In relationship lending, the drawn balance on credit lines, which spiked early in the pandemic, was back to pre-pandemic levels as of December 2020. While borrowers, in general, faced less challenging circumstances in the second half of the year, credit risk remains high for borrowers in industries that continue to face significant disruptions due to the COVID-19 pandemic, such as companies in the oil and gas, gaming and lodging, and airlines industries. Throughout this crisis, we have remained highly focused on monitoring of credit exposures and management of margin calls and disputes. Our risk positions remained balanced, controlled and adequately provisioned for, both in terms of counterparty risk and sector exposure. See "Market Risk Management" and "Credit Risk Management" for further information.

Our actions in response to the COVID-19 pandemic have included granting forbearance to certain corporate and other borrowers who have made requests to defer payments. We had approximately $880 million of corporate loans and approximately $155 million of commercial real estate loans under forbearance as of December 2020. We have continued to provide relief to consumers through programs to help them manage the financial challenges that they face as a result of the COVID-19 pandemic. The accommodations under these programs include providing borrowers of installment and credit card loans the ability to modify or defer payments without incurring interest charges and permitting Marcus depositors to access certificates of deposit early without a penalty. As of December 2020, installment and credit card loans with a gross carrying value of approximately $120 million were enrolled in such programs. In aggregate, loans under forbearance or relief programs represented approximately 1% of total loans.

The unpredictability of the trajectory of the COVID-19 pandemic has significantly diminished visibility into the future operating environment. A sustained period of weak economic conditions as a result of the pandemic would be detrimental to our businesses as it would negatively affect factors that are important to our operating performance, such as the level of client activity, creditworthiness of counterparties and borrowers, and the amount of our AUS. We are monitoring the ongoing developments as the COVID-19 vaccines are being distributed and administered, and will take further action that are in the best interests of our employees, clients and counterparties. For further information about the risks associated with the COVID-19 pandemic, see "Business — Risk Factors" in Part II, Item 1A of this Form 10-K.

Off-Balance Sheet Arrangements and Contractual Obligations

Off-Balance Sheet Arrangements

In the ordinary course of business, we enter into various types of off-balance sheet arrangements. Our involvement in these arrangements can take many different forms, including:

- Purchasing or retaining residual and other interests in special purpose entities, such as mortgage-backed and other asset-backed securitization vehicles;
- Holding senior and subordinated debt, interests in limited and general partnerships, and preferred and common stock in other nonconsolidated vehicles;
- Entering into interest rate, foreign currency, equity, commodity and credit derivatives, including total return swaps; and
- Providing guarantees, indemnifications, commitments, letters of credit and representations and warranties.

We enter into these arrangements for a variety of business purposes, including securitizations. The securitization vehicles that purchase mortgages, corporate bonds, and other types of financial assets are critical to the functioning of several significant investor markets, including the mortgage-backed and other asset-backed securities markets, since they offer investors access to specific cash flows and risks created through the securitization process.

We also enter into these arrangements to underwrite client securitization transactions; provide secondary market liquidity; make investments in performing and nonperforming debt, distressed loans, power-related assets, equity securities, real estate and other assets; provide investors with credit-linked and asset-repackaged notes; and receive or provide letters of credit to satisfy margin requirements and to facilitate the clearance and settlement process.

The table below presents where information about our various off-balance sheet arrangements may be found in this Form 10-K. In addition, see Note 3 to the consolidated financial statements for information about our consolidation policies.

Off-Balance Sheet Arrangement	Disclosure in Form 10-K
Variable interests and other obligations, including contingent obligations, arising from variable interests in nonconsolidated variable interest entities (VIEs)	See Note 17 to the consolidated financial statements.
Guarantees, letters of credit, and lending and other commitments	See Note 18 to the consolidated financial statements.
Derivatives	See "Risk Management — Credit Risk Management — Credit Exposures — OTC Derivatives" and Notes 4, 5, 7 and 18 to the consolidated financial statements.

Contractual Obligations

We have certain contractual obligations which require us to make future cash payments. These contractual obligations include our time deposits, secured long-term financings, unsecured long-term borrowings, interest payments and operating lease payments.

Our obligations to make future cash payments also include our commitments and guarantees related to off-balance sheet arrangements, which are excluded from the table below. See Note 18 to the consolidated financial statements for further information about such commitments and guarantees.

Due to the uncertainty of the timing and amounts that will ultimately be paid, our liability for unrecognized tax benefits has been excluded from the table below. See Note 24 to the consolidated financial statements for further information about our unrecognized tax benefits.

The table below presents our contractual obligations by type.

	As of December	
$ in millions	**2020**	2019
Time deposits	**$ 26,433**	$ 32,273
Financings and borrowings:		
Secured long-term	**$ 12,537**	$ 11,953
Unsecured long-term	**$213,481**	$207,076
Interest payments	**$ 44,073**	$ 47,649
Operating lease payments	**$ 3,268**	$ 3,980

The table below presents our contractual obligations by expiration.

	As of December 2020			
$ in millions	2021	2022 - 2023	2024 - 2025	2026 - Thereafter
Time deposits	$ –	$16,673	$ 6,646	$ 3,114
Financings and borrowings:				
Secured long-term	$ –	$ 6,394	$ 2,670	$ 3,473
Unsecured long-term	$ –	$62,262	$47,507	$103,712
Interest payments	$5,486	$ 9,568	$ 6,976	$ 22,043
Operating lease payments	$ 342	$ 565	$ 462	$ 1,899

In the table above:

- Obligations maturing within one year of our financial statement date or redeemable within one year of our financial statement date at the option of the holders are excluded as they are treated as short-term obligations. See Note 14 to the consolidated financial statements for further information about our short-term borrowings.
- Obligations that are repayable prior to maturity at our option are reflected at their contractual maturity dates and obligations that are redeemable prior to maturity at the option of the holders are reflected at the earliest dates such options become exercisable.
- As of December 2020, unsecured long-term borrowings had maturities extending through 2065, consisted principally of senior borrowings, and included $12.04 billion of adjustments to the carrying value of certain unsecured long-term borrowings resulting from the application of hedge accounting. See Note 14 to the consolidated financial statements for further information about our unsecured long-term borrowings.
- As of December 2020, the difference between aggregate contractual principal amount and the related fair value of long-term other secured financings for which the fair value option was elected was not material.
- As of December 2020, the fair value of unsecured long-term borrowings for which the fair value option was elected, exceeded the aggregate contractual principal amount by $445 million.
- Interest payments represents estimated future contractual interest payments related to unsecured long-term borrowings, secured long-term financings and time deposits based on applicable interest rates as of December 2020, and includes stated coupons, if any, on structured notes.
- Operating lease payments includes lease commitments for office space that expire on various dates through 2069. Certain agreements are subject to periodic escalation provisions for increases in real estate taxes and other charges. See Note 15 to the consolidated financial statements for further information about our operating lease liabilities.

Risk Management

Risks are inherent in our businesses and include liquidity, market, credit, operational, model, legal, compliance, conduct, regulatory and reputational risks. Our risks include the risks across our risk categories, regions or global businesses, as well as those which have uncertain outcomes and have the potential to materially impact our financial results, our liquidity and our reputation. For further information about our risk management processes, see "Overview and Structure of Risk Management," and for information about our areas of risk, see "Liquidity Risk Management," "Market Risk Management," "Credit Risk Management," "Operational Risk Management" and "Model Risk Management" and "Risk Factors" in Part I, Item 1A of this Form 10-K.

Overview and Structure of Risk Management

Overview

We believe that effective risk management is critical to our success. Accordingly, we have established an enterprise risk management framework that employs a comprehensive, integrated approach to risk management, and is designed to enable comprehensive risk management processes through which we identify, assess, monitor and manage the risks we assume in conducting our activities. Our risk management structure is built around three core components: governance, processes and people.

Governance. Risk management governance starts with the Board, which both directly and through its committees, including its Risk Committee, oversees our risk management policies and practices implemented through the enterprise risk management framework. The Board is also responsible for the annual review and approval of our risk appetite statement. The risk appetite statement describes the levels and types of risk we are willing to accept or to avoid, in order to achieve our objectives included in our strategic business plan, while remaining in compliance with regulatory requirements. The Board reviews our strategic business plan and is ultimately responsible for overseeing and providing direction about our strategy and risk appetite.

The Board receives regular briefings on firmwide risks, including liquidity risk, market risk, credit risk, operational risk and model risk from our independent risk oversight and control functions, including the chief risk officer, and on compliance risk and conduct risk from Compliance, on legal and regulatory enforcement matters from the general counsel, and on other matters impacting our reputation from the chair of our Firmwide Client and Business Standards Committee and our Firmwide Reputational Risk Committee. The chief risk officer reports to our chief executive officer and to the Risk Committee of the Board. As part of the review of the firmwide risk portfolio, the chief risk officer regularly advises the Risk Committee of the Board of relevant risk metrics and material exposures, including risk limits and thresholds established in our risk appetite statement.

The implementation of our risk governance structure and core risk management processes are overseen by Enterprise Risk, which reports to our chief risk officer, and is responsible for ensuring that our enterprise risk management framework provides the Board, our risk committees and senior management with a consistent and integrated approach to managing our various risks in a manner consistent with our risk appetite.

Our revenue-producing units, as well as Treasury, Engineering, Human Capital Management, Operations, and Corporate and Workplace Solutions, are considered our first line of defense. They are accountable for the outcomes of our risk-generating activities, as well as for assessing and managing those risks within our risk appetite.

Our independent risk oversight and control functions are considered our second line of defense and provide independent assessment, oversight and challenge of the risks taken by our first line of defense, as well as lead and participate in risk committees. Independent risk oversight and control functions include Compliance, Conflicts Resolution, Controllers, Legal, Risk and Tax.

Internal Audit is considered our third line of defense and reports to the Audit Committee of the Board and administratively to our chief executive officer. Internal Audit includes professionals with a broad range of audit and industry experience, including risk management expertise. Internal Audit is responsible for independently assessing and validating the effectiveness of key controls, including those within the risk management framework, and providing timely reporting to the Audit Committee of the Board, senior management and regulators.

The three lines of defense structure promotes the accountability of first line risk takers, provides a framework for effective challenge by the second line and empowers independent review from the third line.

Processes. We maintain various processes that are critical components of our risk management framework, including (i) risk identification and assessment, (ii) risk appetite, limit and threshold setting, (iii) risk reporting and monitoring, and (iv) risk decision-making.

- **Risk Identification and Assessment.** We believe that the identification and assessment of our risks is a critical step in providing our Board and senior management transparency and insight into the range and materiality of our risks. We have a comprehensive data collection process, including firmwide policies and procedures that require all employees to report and escalate risk events. Our approach for risk identification and assessment is comprehensive across all risk types, is dynamic and forward-looking to reflect and adapt to our changing risk profile and business environment, leverages subject matter expertise, and allows for prioritization of our most critical risks.

  To effectively assess our risks, we maintain a daily discipline of marking substantially all of our inventory to current market levels. We carry our inventory at fair value, with changes in valuation reflected immediately in our risk management systems and in net revenues. We do so because we believe this discipline is one of the most effective tools for assessing and managing risk and that it provides transparent and realistic insight into our inventory exposures.

  An important part of our risk management process is firmwide stress testing. It allows us to quantify our exposure to tail risks, highlight potential loss concentrations, undertake risk/reward analysis, and assess and mitigate our risk positions. Firmwide stress tests are performed on a regular basis and are designed to ensure a comprehensive analysis of our vulnerabilities and idiosyncratic risks combining financial and nonfinancial risks, including, but not limited to, credit, market, liquidity and funding, operational and compliance, strategic, systemic and emerging risks into a single combined scenario. We also perform ad hoc stress tests in anticipation of market events or conditions. Stress tests are also used to assess capital adequacy as part of our capital planning and stress testing process. See "Equity Capital Management and Regulatory Capital — Equity Capital Management" for further information.

- **Risk Appetite, Limit and Threshold Setting.** We apply a rigorous framework of limits and thresholds to control and monitor risk across transactions, products, businesses and markets. The Board, directly or indirectly through its Risk Committee, approves limits and thresholds included in our risk appetite statement at firmwide, business and product levels. In addition, the Firmwide Enterprise Risk Committee is responsible for approving our risk limits framework, subject to the overall limits approved by the Risk Committee of the Board, and monitoring these limits.

  The Risk Governance Committee is responsible for approving limits at firmwide, business and product levels. Certain limits may be set at levels that will require periodic adjustment, rather than at levels that reflect our maximum risk appetite. This fosters an ongoing dialogue about risk among our first and second lines of defense, committees and senior management, as well as rapid escalation of risk-related matters. Additionally, through delegated authority from the Risk Governance Committee, Market Risk sets limits at certain product and desk levels, and Credit Risk sets limits for individual counterparties, counterparties and their subsidiaries, industries and countries. Limits are reviewed regularly and amended on a permanent or temporary basis to reflect changing market conditions, business conditions or risk tolerance.

- **Risk Reporting and Monitoring.** Effective risk reporting and risk decision-making depends on our ability to get the right information to the right people at the right time. As such, we focus on the rigor and effectiveness of our risk systems, with the objective of ensuring that our risk management technology systems provide us with complete, accurate and timely information. Our risk reporting and monitoring processes are designed to take into account information about both existing and emerging risks, thereby enabling our risk committees and senior management to perform their responsibilities with the appropriate level of insight into risk exposures. Furthermore, our limit and threshold breach processes provide means for timely escalation. We evaluate changes in our risk profile and our businesses, including changes in business mix or jurisdictions in which we operate, by monitoring risk factors at a firmwide level.

- **Risk Decision-Making.** Our governance structure provides the protocol and responsibility for decision-making on risk management issues and ensures implementation of those decisions. We make extensive use of risk committees that meet regularly and serve as an important means to facilitate and foster ongoing discussions to manage and mitigate risks.

  We maintain strong and proactive communication about risk and we have a culture of collaboration in decision-making among our first and second lines of defense, committees and senior management. While our first line of defense is responsible for management of their risk, we dedicate extensive resources to our second line of defense in order to ensure a strong oversight structure and an appropriate segregation of duties. We regularly reinforce our strong culture of escalation and accountability across all functions.

People. Even the best technology serves only as a tool for helping to make informed decisions in real time about the risks we are taking. Ultimately, effective risk management requires our people to interpret our risk data on an ongoing and timely basis and adjust risk positions accordingly. The experience of our professionals, and their understanding of the nuances and limitations of each risk measure, guides us in assessing exposures and maintaining them within prudent levels.

We reinforce a culture of effective risk management, consistent with our risk appetite, in our training and development programs, as well as in the way we evaluate performance, and recognize and reward our people. Our training and development programs, including certain sessions led by our most senior leaders, are focused on the importance of risk management, client relationships and reputational excellence. As part of our performance review process, we assess reputational excellence, including how an employee exercises good risk management and reputational judgment, and adheres to our code of conduct and compliance policies. Our review and reward processes are designed to communicate and reinforce to our professionals the link between behavior and how people are recognized, the need to focus on our clients and our reputation, and the need to always act in accordance with our highest standards.

Structure

Ultimate oversight of risk is the responsibility of our Board. The Board oversees risk both directly and through its committees, including its Risk Committee. We have a series of committees with specific risk management mandates that have oversight or decision-making responsibilities for risk management activities. Committee membership generally consists of senior managers from both our first and second lines of defense. We have established procedures for these committees to ensure that appropriate information barriers are in place. Our primary risk committees, most of which also have additional sub-committees or working groups, are described below. In addition to these committees, we have other risk committees that provide oversight for different businesses, activities, products, regions and entities. All of our committees have responsibility for considering the impact of transactions and activities, which they oversee, on our reputation.

Membership of our risk committees is reviewed regularly and updated to reflect changes in the responsibilities of the committee members. Accordingly, the length of time that members serve on the respective committees varies as determined by the committee chairs and based on the responsibilities of the members.

The chart below presents an overview of our risk management governance structure.

Management Committee. The Management Committee oversees our global activities. It provides this oversight directly and through authority delegated to committees it has established. This committee consists of our most senior leaders, and is chaired by our chief executive officer. Most members of the Management Committee are also members of other committees. The following are the committees that are principally involved in firmwide risk management.

Firmwide Enterprise Risk Committee. The Firmwide Enterprise Risk Committee is responsible for overseeing all of our financial and nonfinancial risks. As a part of such oversight, the committee is responsible for the ongoing review, approval and monitoring of our enterprise risk management framework, as well as our risk limits framework. This committee is co-chaired by our chief financial officer and our chief risk officer, who are appointed as chairs by our chief executive officer, and reports to the Management Committee. The following are the primary committees that report to the Firmwide Enterprise Risk Committee:

- **Firmwide Risk Committee.** The Firmwide Risk Committee is responsible for the ongoing monitoring of relevant financial risks and related risk limits at the firmwide, business and product levels. This committee is co-chaired by the chairs of the Firmwide Enterprise Risk Committee.
- **Firmwide New Activity Committee.** The Firmwide New Activity Committee is responsible for reviewing new activities and for establishing a process to identify and review previously approved activities that are significant and that have changed in complexity and/or structure or present different reputational and suitability concerns over time to consider whether these activities remain appropriate. This committee is co-chaired by the controller and chief accounting officer, and the head of Operations and Platform Engineering for the Global Markets Division, who are appointed as chairs by the chairs of the Firmwide Enterprise Risk Committee.
- **Firmwide Operational Risk and Resilience Committee.** The Firmwide Operational Risk and Resilience Committee is responsible for overseeing operational risk, and for ensuring our business and operational resilience. To assist the Firmwide Operational Risk and Resilience Committee in carrying out its mandate, other risk committees with dedicated oversight for technology-related risks, including cyber security matters, report into the Firmwide Operational Risk and Resilience Committee. This committee is co-chaired by our chief administrative officer and deputy chief risk officer, who are appointed as chairs by the chairs of the Firmwide Enterprise Risk Committee.

- **Firmwide Conduct Committee.** The Firmwide Conduct Committee is responsible for the ongoing approval and monitoring of the frameworks and policies which govern our conduct risks. Conduct risk is the risk that our people fail to act in a manner consistent with our Business Principles and related core values, policies or codes, or applicable laws or regulations, thereby falling short in fulfilling their responsibilities to us, our clients, colleagues, other market participants or the broader community. This committee is chaired by the head of Regulatory Affairs, who is appointed as chair by the chairs of the Firmwide Enterprise Risk Committee.
- **Risk Governance Committee.** The Risk Governance Committee (through delegated authority from the Firmwide Enterprise Risk Committee) is responsible for the ongoing approval and monitoring of risk frameworks, policies and parameters related to our core risk management processes, as well as limits, at firmwide, business and product levels. In addition, this committee reviews the results of stress tests and scenario analyses. To assist the Risk Governance Committee in carrying out its mandate, a number of other risk committees with dedicated oversight for stress testing, model risks and Volcker Rule compliance report into the Risk Governance Committee. This committee is chaired by our chief risk officer, who is appointed as chair by the chairs of the Firmwide Enterprise Risk Committee.

Firmwide Client and Business Standards Committee. The Firmwide Client and Business Standards Committee is responsible for overseeing relationships with our clients, client service and experience, and related business standards, as well as client-related reputational matters. This committee is chaired by our president and chief operating officer, who is appointed as chair by the chief executive officer, and reports to the Management Committee. This committee periodically provides updates to, and receives guidance from, the Public Responsibilities Committee of the Board.

The following committees report jointly to the Firmwide Enterprise Risk Committee and the Firmwide Client and Business Standards Committee:

- **Firmwide Reputational Risk Committee.** The Firmwide Reputational Risk Committee is responsible for assessing reputational risks arising from transactions that have been identified as having potential heightened reputational risk pursuant to the criteria established by the Firmwide Reputational Risk Committee. This committee is chaired by our president and chief operating officer, who is appointed as chair by the chief executive officer, and the vice-chairs are the head of Regulatory Affairs and the head of Conflicts Resolution, who are appointed as vice-chairs by the chair of the Firmwide Reputational Risk Committee. This committee periodically provides updates to, and receives guidance from, the Public Responsibilities Committee of the Board.
- **Firmwide Suitability Committee.** The Firmwide Suitability Committee is responsible for setting standards and policies for product, transaction and client suitability and providing a forum for consistency across functions, regions and products on suitability assessments. This committee also reviews suitability matters escalated from other committees. This committee is co-chaired by our chief compliance officer, and the co-head of EMEA FICC sales, who are appointed as chairs by the chair of the Firmwide Client and Business Standards Committee.
- **Firmwide Investment Policy Committee.** The Firmwide Investment Policy Committee periodically reviews our investing and lending activities on a portfolio basis, including review of risk management and controls, and sets business standards and policies for these types of investments. This committee is co-chaired by a co-head of our Asset Management Division, a co-head of our Global Markets Division and the chief risk officer, who are appointed as chairs by our president and chief operating officer and our chief financial officer.
- **Firmwide Capital Committee.** The Firmwide Capital Committee provides approval and oversight of debt-related transactions, including principal commitments of our capital. This committee aims to ensure that business, reputational and suitability standards for underwritings and capital commitments are maintained on a global basis. This committee is co-chaired by the head of Credit Risk and Market Risk, and a co-head of the Financing Group, who are appointed as chairs by the chairs of the Firmwide Enterprise Risk Committee.

- **Firmwide Commitments Committee.** The Firmwide Commitments Committee reviews our underwriting and distribution activities with respect to equity and equity-related product offerings, and sets and maintains policies and procedures designed to ensure that legal, reputational, regulatory and business standards are maintained on a global basis. In addition to reviewing specific transactions, this committee periodically conducts general strategic reviews of sectors and products and establishes policies in connection with transaction practices. This committee is co-chaired by the co-head of the Industrials Group in our Investment Banking Division, the chief debt underwriting officer for EMEA, and a managing director in our Investment Banking Division, who are appointed as chairs by the chair of the Firmwide Client and Business Standards Committee.

Firmwide Asset Liability Committee. The Firmwide Asset Liability Committee reviews and approves the strategic direction for our financial resources, including capital, liquidity, funding and balance sheet. This committee has oversight responsibility for asset liability management, including interest rate and currency risk, funds transfer pricing, capital allocation and incentives, and credit ratings. This committee makes recommendations as to any adjustments to asset liability management and financial resource allocation in light of current events, risks, exposures, and regulatory requirements and approves related policies. This committee is co-chaired by our chief financial officer and our global treasurer, who are appointed as chairs by our chief executive officer, and reports to the Management Committee.

Conflicts Management

Conflicts of interest and our approach to dealing with them are fundamental to our client relationships, our reputation and our long-term success. The term "conflict of interest" does not have a universally accepted meaning, and conflicts can arise in many forms within a business or between businesses. The responsibility for identifying potential conflicts, as well as complying with our policies and procedures, is shared by all of our employees.

We have a multilayered approach to resolving conflicts and addressing reputational risk. Our senior management oversees policies related to conflicts resolution, and, in conjunction with Conflicts Resolution, Legal and Compliance, the Firmwide Client and Business Standards Committee, and other internal committees, formulates policies, standards and principles, and assists in making judgments regarding the appropriate resolution of particular conflicts. Resolving potential conflicts necessarily depends on the facts and circumstances of a particular situation and the application of experienced and informed judgment.

As a general matter, Conflicts Resolution reviews financing and advisory assignments in Investment Banking and certain of our investing, lending and other activities. In addition, we have various transaction oversight committees, such as the Firmwide Capital, Commitments and Suitability Committees and other committees that also review new underwritings, loans, investments and structured products. These groups and committees work with internal and external counsel and Compliance to evaluate and address any actual or potential conflicts. Conflicts Resolution reports to our president and chief operating officer.

We regularly assess our policies and procedures that address conflicts of interest in an effort to conduct our business in accordance with the highest ethical standards and in compliance with all applicable laws, rules and regulations.

Compliance Risk Management

Compliance risk is the risk of legal or regulatory sanctions, material financial loss or damage to our reputation arising from our failure to comply with the requirements of applicable laws, rules and regulations, and our internal policies and procedures. Compliance risk is inherent in all activities through which we conduct our businesses. Our Compliance Risk Management Program, administered by Compliance, assesses our compliance, regulatory and reputational risk; monitors for compliance with new or amended laws, rules and regulations; designs and implements controls, policies, procedures and training; conducts independent testing; investigates, surveils and monitors for compliance risks and breaches; and leads our responses to regulatory examinations, audits and inquiries. We monitor and review business practices to assess whether they meet or exceed minimum regulatory and legal standards in all markets and jurisdictions in which we conduct business.

Liquidity Risk Management

Overview

Liquidity risk is the risk that we will be unable to fund ourselves or meet our liquidity needs in the event of firm-specific, broader industry or market liquidity stress events. We have in place a comprehensive and conservative set of liquidity and funding policies. Our principal objective is to be able to fund ourselves and to enable our core businesses to continue to serve clients and generate revenues, even under adverse circumstances.

Treasury, which reports to our chief financial officer, has primary responsibility for developing, managing and executing our liquidity and funding strategy within our risk appetite.

Liquidity Risk, which is independent of our revenue-producing units and Treasury, and reports to our chief risk officer, has primary responsibility for assessing, monitoring and managing our liquidity risk through firmwide oversight across our global businesses and the establishment of stress testing and limits frameworks.

Liquidity Risk Management Principles

We manage liquidity risk according to three principles: (i) hold sufficient excess liquidity in the form of GCLA to cover outflows during a stressed period, (ii) maintain appropriate Asset-Liability Management and (iii) maintain a viable Contingency Funding Plan.

GCLA. GCLA is liquidity that we maintain to meet a broad range of potential cash outflows and collateral needs in a stressed environment. A primary liquidity principle is to pre-fund our estimated potential cash and collateral needs during a liquidity crisis and hold this liquidity in the form of unencumbered, highly liquid securities and cash. We believe that the securities held in our GCLA would be readily convertible to cash in a matter of days, through liquidation, by entering into repurchase agreements or from maturities of resale agreements, and that this cash would allow us to meet immediate obligations without needing to sell other assets or depend on additional funding from credit-sensitive markets.

Our GCLA reflects the following principles:

- The first days or weeks of a liquidity crisis are the most critical to a company's survival;
- Focus must be maintained on all potential cash and collateral outflows, not just disruptions to financing flows. Our businesses are diverse, and our liquidity needs are determined by many factors, including market movements, collateral requirements and client commitments, all of which can change dramatically in a difficult funding environment;
- During a liquidity crisis, credit-sensitive funding, including unsecured debt, certain deposits and some types of secured financing agreements, may be unavailable, and the terms (e.g., interest rates, collateral provisions and tenor) or availability of other types of secured financing may change and certain deposits may be withdrawn; and
- As a result of our policy to pre-fund liquidity that we estimate may be needed in a crisis, we hold more unencumbered securities and have larger funding balances than our businesses would otherwise require. We believe that our liquidity is stronger with greater balances of highly liquid unencumbered securities, even though it increases our total assets and our funding costs.

We maintain our GCLA across Group Inc., Goldman Sachs Funding LLC (Funding IHC) and Group Inc.'s major broker-dealer and bank subsidiaries, asset types and clearing agents to provide us with sufficient operating liquidity to ensure timely settlement in all major markets, even in a difficult funding environment. In addition to the GCLA, we maintain cash balances and securities in several of our other entities, primarily for use in specific currencies, entities or jurisdictions where we do not have immediate access to parent company liquidity.

Asset-Liability Management. Our liquidity risk management policies are designed to ensure we have a sufficient amount of financing, even when funding markets experience persistent stress. We manage the maturities and diversity of our funding across markets, products and counterparties, and seek to maintain a diversified funding profile with an appropriate tenor, taking into consideration the characteristics and liquidity profile of our assets.

Our approach to asset-liability management includes:

- Conservatively managing the overall characteristics of our funding book, with a focus on maintaining long-term, diversified sources of funding in excess of our current requirements. See "Balance Sheet and Funding Sources — Funding Sources" for further information;
- Actively managing and monitoring our asset base, with particular focus on the liquidity, holding period and ability to fund assets on a secured basis. We assess our funding requirements and our ability to liquidate assets in a stressed environment while appropriately managing risk. This enables us to determine the most appropriate funding products and tenors. See "Balance Sheet and Funding Sources — Balance Sheet Management" for further information about our balance sheet management process and "— Funding Sources — Secured Funding" for further information about asset classes that may be harder to fund on a secured basis; and

- Raising secured and unsecured financing that has a long tenor relative to the liquidity profile of our assets. This reduces the risk that our liabilities will come due in advance of our ability to generate liquidity from the sale of our assets. Because we maintain a highly liquid balance sheet, the holding period of certain of our assets may be materially shorter than their contractual maturity dates.

Our goal is to ensure that we maintain sufficient liquidity to fund our assets and meet our contractual and contingent obligations in normal times, as well as during periods of market stress. Through our dynamic balance sheet management process, we use actual and projected asset balances to determine secured and unsecured funding requirements. Funding plans are reviewed and approved by the Firmwide Asset Liability Committee. In addition, our independent risk oversight and control functions analyze, and the Firmwide Asset Liability Committee reviews, our consolidated total capital position (unsecured long-term borrowings plus total shareholders' equity) so that we maintain a level of long-term funding that is sufficient to meet our long-term financing requirements. In a liquidity crisis, we would first use our GCLA in order to avoid reliance on asset sales (other than our GCLA). However, we recognize that orderly asset sales may be prudent or necessary in a severe or persistent liquidity crisis.

Subsidiary Funding Policies

The majority of our unsecured funding is raised by Group Inc., which provides the necessary funds to Funding IHC and other subsidiaries, some of which are regulated, to meet their asset financing, liquidity and capital requirements. In addition, Group Inc. provides its regulated subsidiaries with the necessary capital to meet their regulatory requirements. The benefits of this approach to subsidiary funding are enhanced control and greater flexibility to meet the funding requirements of our subsidiaries. Funding is also raised at the subsidiary level through a variety of products, including deposits, secured funding and unsecured borrowings.

Our intercompany funding policies assume that a subsidiary's funds or securities are not freely available to its parent, Funding IHC or other subsidiaries unless (i) legally provided for and (ii) there are no additional regulatory, tax or other restrictions. In particular, many of our subsidiaries are subject to laws that authorize regulatory bodies to block or reduce the flow of funds from those subsidiaries to Group Inc. or Funding IHC. Regulatory action of that kind could impede access to funds that Group Inc. needs to make payments on its obligations. Accordingly, we assume that the capital provided to our regulated subsidiaries is not available to Group Inc. or other subsidiaries and any other financing provided to our regulated subsidiaries is not available to Group Inc. or Funding IHC until the maturity of such financing.

Group Inc. has provided substantial amounts of equity and subordinated indebtedness, directly or indirectly, to its regulated subsidiaries. For example, as of December 2020, Group Inc. had $34.54 billion of equity and subordinated indebtedness invested in GS&Co., its principal U.S. registered broker-dealer; $42.12 billion invested in GSI, a regulated U.K. broker-dealer; $3.32 billion invested in GSJCL, a regulated Japanese broker-dealer; $34.30 billion invested in GS Bank USA, a regulated New York State-chartered bank; $4.13 billion invested in GSIB, a regulated U.K. bank; and $4.06 billion invested in GSBE, a regulated German bank. Group Inc. also provided, directly or indirectly, $111.96 billion of unsubordinated loans (including secured loans of $47.98 billion) and $16.65 billion of collateral and cash deposits to these entities, substantially all of which was to GS&Co., GSI and GSJCL, as of December 2020. In addition, as of December 2020, Group Inc. had significant amounts of capital invested in and loans to its other regulated subsidiaries.

Contingency Funding Plan. We maintain a contingency funding plan to provide a framework for analyzing and responding to a liquidity crisis situation or periods of market stress. Our contingency funding plan outlines a list of potential risk factors, key reports and metrics that are reviewed on an ongoing basis to assist in assessing the severity of, and managing through, a liquidity crisis and/or market dislocation. The contingency funding plan also describes in detail our potential responses if our assessments indicate that we have entered a liquidity crisis, which include pre-funding for what we estimate will be our potential cash and collateral needs, as well as utilizing secondary sources of liquidity. Mitigants and action items to address specific risks which may arise are also described and assigned to individuals responsible for execution.

The contingency funding plan identifies key groups of individuals and their responsibilities, which include fostering effective coordination, control and distribution of information, implementing liquidity maintenance activities and managing internal and external communication, all of which are critical in the management of a crisis or period of market stress.

Stress Tests

In order to determine the appropriate size of our GCLA, we model liquidity outflows over a range of scenarios and time horizons. One of our primary internal liquidity risk models, referred to as the Modeled Liquidity Outflow, quantifies our liquidity risks over a 30-day stress scenario. We also consider other factors, including, but not limited to, an assessment of our potential intraday liquidity needs through an additional internal liquidity risk model, referred to as the Intraday Liquidity Model, the results of our long-term stress testing models, our resolution liquidity models and other applicable regulatory requirements and a qualitative assessment of our condition, as well as the financial markets. The results of the Modeled Liquidity Outflow, the Intraday Liquidity Model, the long-term stress testing models and the resolution liquidity models are reported to senior management on a regular basis. We also perform firmwide stress tests. See "Overview and Structure of Risk Management" for information about firmwide stress tests.

Modeled Liquidity Outflow. Our Modeled Liquidity Outflow is based on conducting multiple scenarios that include combinations of market-wide and firm-specific stress. These scenarios are characterized by the following qualitative elements:

- Severely challenged market environments, which includes low consumer and corporate confidence, financial and political instability, and adverse changes in market values, including potential declines in equity markets and widening of credit spreads; and
- A firm-specific crisis potentially triggered by material losses, reputational damage, litigation and/or a ratings downgrade.

The following are key modeling elements of our Modeled Liquidity Outflow:

- Liquidity needs over a 30-day scenario;
- A two-notch downgrade of our long-term senior unsecured credit ratings;
- Changing conditions in funding markets, which limit our access to unsecured and secured funding;
- No support from additional government funding facilities. Although we have access to various central bank funding programs, we do not assume reliance on additional sources of funding in a liquidity crisis; and
- A combination of contractual outflows, such as upcoming maturities of unsecured debt, and contingent outflows, including, but not limited to, the withdrawal of customer credit balances in our prime brokerage business, increase in variation margin requirements due to adverse changes in the value of our exchange-traded and OTC-cleared derivatives, and withdrawals of deposits that have no contractual maturity.

Intraday Liquidity Model. Our Intraday Liquidity Model measures our intraday liquidity needs using a scenario analysis characterized by the same qualitative elements as our Modeled Liquidity Outflow. The model assesses the risk of increased intraday liquidity requirements during a scenario where access to sources of intraday liquidity may become constrained.

Long-Term Stress Testing. We utilize longer-term stress tests to take a forward view on our liquidity position through prolonged stress periods in which we experience a severe liquidity stress and recover in an environment that continues to be challenging. We are focused on ensuring conservative asset-liability management to prepare for a prolonged period of potential stress, seeking to maintain a diversified funding profile with an appropriate tenor, taking into consideration the characteristics and liquidity profile of our assets.

Resolution Liquidity Models. In connection with our resolution planning efforts, we have established our Resolution Liquidity Adequacy and Positioning framework, which estimates liquidity needs of our major subsidiaries in a stressed environment. The liquidity needs are measured using our Modeled Liquidity Outflow assumptions and include certain additional inter-affiliate exposures. We have also established our Resolution Liquidity Execution Need framework, which measures the liquidity needs of our major subsidiaries to stabilize and wind-down following a Group Inc. bankruptcy filing in accordance with our preferred resolution strategy.

In addition, we have established a triggers and alerts framework, which is designed to provide the Board with information needed to make an informed decision on whether and when to commence bankruptcy proceedings for Group Inc.

Limits

We use liquidity risk limits at various levels and across liquidity risk types to manage the size of our liquidity exposures. Limits are measured relative to acceptable levels of risk given our liquidity risk tolerance. See "Overview and Structure of Risk Management" for information about the limit approval process.

Limits are monitored by Treasury and Liquidity Risk. Liquidity Risk is responsible for identifying and escalating to senior management and/or the appropriate risk committee, on a timely basis, instances where limits have been exceeded.

GCLA and Unencumbered Metrics

GCLA. Based on the results of our internal liquidity risk models, described above, as well as our consideration of other factors, including, but not limited to, a qualitative assessment of our condition, as well as the financial markets, we believe our liquidity position as of both December 2020 and December 2019 was appropriate. We strictly limit our GCLA to a narrowly defined list of securities and cash because they are highly liquid, even in a difficult funding environment. We do not include other potential sources of excess liquidity in our GCLA, such as less liquid unencumbered securities or committed credit facilities.

The table below presents information about our GCLA.

	Average for the			
	Three Months Ended December		Year Ended December	
$ in millions	**2020**	2019	**2020**	2019
Denomination				
U.S. dollar	**$190,735**	$150,455	**$181,949**	$146,751
Non-U.S. dollar	**107,106**	86,661	**101,182**	86,899
Total	**$297,841**	$237,116	**$283,131**	$233,650
Asset Class				
Overnight cash deposits	**$108,345**	$ 66,327	**$100,489**	$ 68,733
U.S. government obligations	**125,060**	99,798	**113,531**	94,500
U.S. agency obligations	**7,059**	14,081	**12,017**	14,005
Non-U.S. government obligations	**57,377**	56,910	**57,094**	56,412
Total	**$297,841**	$237,116	**$283,131**	$233,650
Entity Type				
Group Inc. and Funding IHC	**$ 36,737**	$ 39,104	**$ 41,705**	$ 40,043
Major broker-dealer subsidiaries	**100,891**	92,835	**99,798**	95,281
Major bank subsidiaries	**160,213**	105,177	**141,628**	98,326
Total	**$297,841**	$237,116	**$283,131**	$233,650

In the table above:

- The U.S. dollar-denominated GCLA consists of (i) unencumbered U.S. government and agency obligations (including highly liquid U.S. agency mortgage-backed obligations), all of which are eligible as collateral in Federal Reserve open market operations and (ii) certain overnight U.S. dollar cash deposits.
- The non-U.S. dollar-denominated GCLA consists of non-U.S. government obligations (only unencumbered German, French, Japanese and U.K. government obligations) and certain overnight cash deposits in highly liquid currencies.

We maintain our GCLA to enable us to meet current and potential liquidity requirements of our parent company, Group Inc., and its subsidiaries. Our Modeled Liquidity Outflow and Intraday Liquidity Model incorporate a requirement for Group Inc., as well as a standalone requirement for each of our major broker-dealer and bank subsidiaries. Funding IHC is required to provide the necessary liquidity to Group Inc. during the ordinary course of business, and is also obligated to provide capital and liquidity support to major subsidiaries in the event of our material financial distress or failure. Liquidity held directly in each of our major broker-dealer and bank subsidiaries is intended for use only by that subsidiary to meet its liquidity requirements and is assumed not to be available to Group Inc. or Funding IHC unless (i) legally provided for and (ii) there are no additional regulatory, tax or other restrictions. In addition, the Modeled Liquidity Outflow and Intraday Liquidity Model also incorporate a broader assessment of standalone liquidity requirements for other subsidiaries and we hold a portion of our GCLA directly at Group Inc. or Funding IHC to support such requirements.

Other Unencumbered Assets. In addition to our GCLA, we have a significant amount of other unencumbered cash and financial instruments, including other government obligations, high-grade money market securities, corporate obligations, marginable equities, loans and cash deposits not included in our GCLA. The fair value of our unencumbered assets averaged $214.06 billion for the three months ended December 2020, $206.01 billion for the three months ended December 2019, $207.60 billion for the year ended December 2020 and $202.03 billion for the year ended December 2019. We do not consider these assets liquid enough to be eligible for our GCLA.

Liquidity Regulatory Framework

As a BHC, we are subject to a minimum Liquidity Coverage Ratio (LCR) under the LCR rule approved by the U.S. federal bank regulatory agencies. The LCR rule requires organizations to maintain an adequate ratio of eligible high-quality liquid assets (HQLA) to expected net cash outflows under an acute short-term liquidity stress scenario. Eligible HQLA excludes HQLA held by subsidiaries that is in excess of their minimum requirement and is subject to transfer restrictions. We are required to maintain a minimum LCR of 100%. We expect that fluctuations in client activity, business mix and the market environment will impact our LCR.

The table below presents information about our average daily LCR.

	Average for the Three Months Ended		
$ in millions	**December 2020**	September 2020	December 2019
Total HQLA	**$291,393**	$299,050	$229,029
Eligible HQLA	**$212,614**	$213,689	$170,371
Net cash outflows	**$166,551**	$165,109	$134,436
LCR	**128%**	130%	127%

In October 2020, the U.S. federal bank regulatory agencies issued a final rule that establishes a net stable funding ratio (NSFR) requirement for large U.S. banking organizations. This rule will become effective on July 1, 2021 and requires banking organizations to ensure they have access to stable funding over a one-year time horizon. The rule also requires disclosure of the ratio on a semi-annual basis and a description of the banking organization's stable funding sources beginning in 2023.

The following provides information about our subsidiary liquidity regulatory requirements:

- **GS Bank USA.** GS Bank USA is subject to a minimum LCR of 100% under the LCR rule approved by the U.S. federal bank regulatory agencies. As of December 2020, GS Bank USA's LCR exceeded the minimum requirement. The NSFR requirement described above will also apply to GS Bank USA.
- **GSI.** GSI is subject to a minimum LCR of 100% under the LCR rule approved by the U.K. regulatory authorities. GSI's average monthly LCR for the trailing twelve-month period ended December 2020 exceeded the minimum requirement.
- **Other Subsidiaries.** We monitor local regulatory liquidity requirements of our subsidiaries to ensure compliance. For many of our subsidiaries, these requirements either have changed or are likely to change in the future due to the implementation of the Basel Committee's framework for liquidity risk measurement, standards and monitoring, as well as other regulatory developments.

The implementation of these rules and any amendments adopted by the regulatory authorities could impact our liquidity and funding requirements and practices in the future.

Credit Ratings

We rely on the short- and long-term debt capital markets to fund a significant portion of our day-to-day operations and the cost and availability of debt financing is influenced by our credit ratings. Credit ratings are also important when we are competing in certain markets, such as OTC derivatives, and when we seek to engage in longer-term transactions. See "Risk Factors" in Part I, Item 1A of this Form 10-K for information about the risks associated with a reduction in our credit ratings.

The table below presents the unsecured credit ratings and outlook of Group Inc.

	As of December 2020				
	DBRS	**Fitch**	**Moody's**	**R&I**	**S&P**
Short-term debt	**R-1 (middle)**	**F1**	**P-2**	**a-1**	**A-2**
Long-term debt	**A (high)**	**A**	**A3**	**A**	**BBB+**
Subordinated debt	**A**	**BBB+**	**Baa2**	**A-**	**BBB-**
Trust preferred	**A**	**BBB-**	**Baa3**	**N/A**	**BB**
Preferred stock	**BBB (high)**	**BBB-**	**Ba1**	**N/A**	**BB**
Ratings outlook	**Stable**	**Negative**	**Under Review**	**Stable**	**Stable**

In the table above:

- The ratings and outlook are by DBRS, Inc. (DBRS), Fitch, Inc. (Fitch), Moody's Investors Service (Moody's), Rating and Investment Information, Inc. (R&I), and Standard & Poor's Ratings Services (S&P).
- The ratings for trust preferred relate to the guaranteed preferred beneficial interests issued by Goldman Sachs Capital I.
- The DBRS, Fitch, Moody's and S&P ratings for preferred stock include the APEX issued by Goldman Sachs Capital II and Goldman Sachs Capital III.

In January 2021, Moody's upgraded Group Inc.'s long-term debt ratings (from A3 to A2) and short-term debt ratings (from P-2 to P-1), and has returned the outlook from ratings under review to stable.

The table below presents the unsecured credit ratings and outlook of GS Bank USA, GSIB, GSBE, GS&Co. and GSI.

	As of December 2020		
	Fitch	Moody's	S&P
GS Bank USA			
Short-term debt	**F1**	**P-1**	**A-1**
Long-term debt	**A+**	**A1**	**A+**
Short-term bank deposits	**F1+**	**P-1**	**N/A**
Long-term bank deposits	**AA-**	**A1**	**N/A**
Ratings outlook	**Negative**	**Stable**	**Stable**
GSIB			
Short-term debt	**F1**	**P-1**	**A-1**
Long-term debt	**A+**	**A1**	**A+**
Short-term bank deposits	**F1**	**P-1**	**N/A**
Long-term bank deposits	**A+**	**A1**	**N/A**
Ratings outlook	**Negative**	**Stable**	**Stable**
GSBE			
Short-term debt	**F1**	**P-1**	**A-1**
Long-term debt	**A**	**A1**	**A+**
Short-term bank deposits	**N/A**	**P-1**	**N/A**
Long-term bank deposits	**N/A**	**A1**	**N/A**
Ratings outlook	**Negative**	**Stable**	**Stable**
GS&Co.			
Short-term debt	**F1**	**N/A**	**A-1**
Long-term debt	**A+**	**N/A**	**A+**
Ratings outlook	**Negative**	**N/A**	**Stable**
GSI			
Short-term debt	**F1**	**P-1**	**A-1**
Long-term debt	**A+**	**A1**	**A+**
Ratings outlook	**Negative**	**Stable**	**Stable**

We believe our credit ratings are primarily based on the credit rating agencies' assessment of:

- Our liquidity, market, credit and operational risk management practices;
- Our level and variability of earnings;
- Our capital base;
- Our franchise, reputation and management;
- Our corporate governance; and
- The external operating and economic environment, including, in some cases, the assumed level of government support or other systemic considerations, such as potential resolution.

Certain of our derivatives have been transacted under bilateral agreements with counterparties who may require us to post collateral or terminate the transactions based on changes in our credit ratings. We manage our GCLA to ensure we would, among other potential requirements, be able to make the additional collateral or termination payments that may be required in the event of a two-notch reduction in our long-term credit ratings, as well as collateral that has not been called by counterparties, but is available to them.

See Note 7 to the consolidated financial statements for further information about derivatives with credit-related contingent features and the additional collateral or termination payments related to our net derivative liabilities under bilateral agreements that could have been called by counterparties in the event of a one- or two-notch downgrade in our credit ratings.

Cash Flows

As a global financial institution, our cash flows are complex and bear little relation to our net earnings and net assets. Consequently, we believe that traditional cash flow analysis is less meaningful in evaluating our liquidity position than the liquidity and asset-liability management policies described above. Cash flow analysis may, however, be helpful in highlighting certain macro trends and strategic initiatives in our businesses.

Year Ended December 2020. Our cash and cash equivalents increased by $22.30 billion to $155.84 billion at the end of 2020, primarily due to net cash provided by financing activities, partially offset by net cash used for investing activities and operating activities. The net cash provided by financing activities primarily reflected an increase in net deposits, reflecting increases in consumer, transaction banking and private bank deposits. The net cash used for investing activities primarily reflected an increase in net purchases of investments, reflecting an increase in U.S. government obligations accounted for as available-for-sale and an increase in net lending activities. The net cash used for operating activities primarily reflected an increase in trading assets, net customer and other receivables and payables, and collateralized transactions (an increase in collateralized agreements, partially offset by an increase in collateralized financings), partially offset by an increase in trading liabilities as a result of our and our clients' activities.

Year Ended December 2019. Our cash and cash equivalents increased by $3.00 billion to $133.55 billion at the end of 2019, primarily due to net cash provided by operating activities and financing activities, partially offset by net cash used for investing activities. The net cash provided by operating activities primarily reflected cash provided by collateralized transactions (a decrease in collateralized agreements and an increase in collateralized financings) as a result of our and our clients' activities, partially offset by an increase in trading assets, as a result of client activity. The net cash provided by financing activities primarily reflected an increase in consumer deposits, partially offset by net repayments of unsecured long-term borrowings and common stock repurchases. The net cash used for investing activities primarily reflected net purchases of investments and an increase in loans.

For an analysis of cash flows for the year ended December 2018, see Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2019.

Market Risk Management

Overview

Market risk is the risk of loss in the value of our inventory, investments, loans and other financial assets and liabilities accounted for at fair value due to changes in market conditions. We hold such positions primarily for market making for our clients and for our investing and financing activities, and therefore, these positions change based on client demands and our investment opportunities. Since these positions are accounted for at fair value, they fluctuate on a daily basis, with the related gains and losses included in the consolidated statements of earnings. We employ a variety of risk measures, each described in the respective sections below, to monitor market risk. Categories of market risk include the following:

- Interest rate risk: results from exposures to changes in the level, slope and curvature of yield curves, the volatilities of interest rates, prepayment speeds and credit spreads;
- Equity price risk: results from exposures to changes in prices and volatilities of individual equities, baskets of equities and equity indices;
- Currency rate risk: results from exposures to changes in spot prices, forward prices and volatilities of currency rates; and
- Commodity price risk: results from exposures to changes in spot prices, forward prices and volatilities of commodities, such as crude oil, petroleum products, natural gas, electricity, and precious and base metals.

Market Risk, which is independent of our revenue-producing units and reports to our chief risk officer, has primary responsibility for assessing, monitoring and managing our market risk through firmwide oversight across our global businesses.

Managers in revenue-producing units and Market Risk discuss market information, positions and estimated loss scenarios on an ongoing basis. Managers in revenue-producing units are accountable for managing risk within prescribed limits. These managers have in-depth knowledge of their positions, markets and the instruments available to hedge their exposures.

Market Risk Management Process

Our process for managing market risk includes the critical components of our risk management framework described in the "Overview and Structure of Risk Management," as well as the following:

- Monitoring compliance with established market risk limits and reporting our exposures;
- Diversifying exposures;
- Controlling position sizes; and
- Evaluating mitigants, such as economic hedges in related securities or derivatives.

Our market risk management systems enable us to perform an independent calculation of VaR and stress measures, capture risk measures at individual position levels, attribute risk measures to individual risk factors of each position, report many different views of the risk measures (e.g., by desk, business, product type or entity) and produce ad hoc analyses in a timely manner.

Risk Measures

We produce risk measures and monitor them against established market risk limits. These measures reflect an extensive range of scenarios and the results are aggregated at product, business and firmwide levels.

We use a variety of risk measures to estimate the size of potential losses for both moderate and more extreme market moves over both short- and long-term time horizons. Our primary risk measures are VaR, which is used for shorter-term periods, and stress tests. Our risk reports detail key risks, drivers and changes for each desk and business, and are distributed daily to senior management of both our revenue-producing units and our independent risk oversight and control functions.

Value-at-Risk. VaR is the potential loss in value due to adverse market movements over a defined time horizon with a specified confidence level. For assets and liabilities included in VaR, see "Financial Statement Linkages to Market Risk Measures." We typically employ a one-day time horizon with a 95% confidence level. We use a single VaR model, which captures risks, including interest rates, equity prices, currency rates and commodity prices. As such, VaR facilitates comparison across portfolios of different risk characteristics. VaR also captures the diversification of aggregated risk at the firmwide level.

We are aware of the inherent limitations to VaR and therefore use a variety of risk measures in our market risk management process. Inherent limitations to VaR include:

- VaR does not estimate potential losses over longer time horizons where moves may be extreme;
- VaR does not take account of the relative liquidity of different risk positions; and
- Previous moves in market risk factors may not produce accurate predictions of all future market moves.

To comprehensively capture our exposures and relevant risks in our VaR calculation, we use historical simulations with full valuation of market factors at the position level by simultaneously shocking the relevant market factors for that position. These market factors include spot prices, credit spreads, funding spreads, yield curves, volatility and correlation, and are updated periodically based on changes in the composition of positions, as well as variations in market conditions. We sample from five years of historical data to generate the scenarios for our VaR calculation. The historical data is weighted so that the relative importance of the data reduces over time. This gives greater importance to more recent observations and reflects current asset volatilities, which improves the accuracy of our estimates of potential loss. As a result, even if our positions included in VaR were unchanged, our VaR would increase with increasing market volatility and vice versa.

Given its reliance on historical data, VaR is most effective in estimating risk exposures in markets in which there are no sudden fundamental changes or shifts in market conditions.

Our VaR measure does not include:

- Positions that are best measured and monitored using sensitivity measures; and
- The impact of changes in counterparty and our own credit spreads on derivatives, as well as changes in our own credit spreads on financial liabilities for which the fair value option was elected.

We perform daily backtesting of our VaR model (i.e., comparing daily net revenues for positions included in VaR to the VaR measure calculated as of the prior business day) at the firmwide level and for each of our businesses and major regulated subsidiaries.

Stress Testing. Stress testing is a method of determining the effect of various hypothetical stress scenarios. We use stress testing to examine risks of specific portfolios, as well as the potential impact of our significant risk exposures. We use a variety of stress testing techniques to calculate the potential loss from a wide range of market moves on our portfolios, including firmwide stress tests, sensitivity analysis and scenario analysis. The results of our various stress tests are analyzed together for risk management purposes. See "Overview and Structure of Risk Management" for information about firmwide stress tests.

Sensitivity analysis is used to quantify the impact of a market move in a single risk factor across all positions (e.g., equity prices or credit spreads) using a variety of defined market shocks, ranging from those that could be expected over a one-day time horizon up to those that could take many months to occur. We also use sensitivity analysis to quantify the impact of the default of any single entity, which captures the risk of large or concentrated exposures.

Scenario analysis is used to quantify the impact of a specified event, including how the event impacts multiple risk factors simultaneously. For example, for sovereign stress testing we calculate potential direct exposure associated with our sovereign positions, as well as the corresponding debt, equity and currency exposures associated with our non-sovereign positions that may be impacted by the sovereign distress. When conducting scenario analysis, we often consider a number of possible outcomes for each scenario, ranging from moderate to severely adverse market impacts. In addition, these stress tests are constructed using both historical events and forward-looking hypothetical scenarios.

Unlike VaR measures, which have an implied probability because they are calculated at a specified confidence level, there may not be an implied probability that our stress testing scenarios will occur. Instead, stress testing is used to model both moderate and more extreme moves in underlying market factors. When estimating potential loss, we generally assume that our positions cannot be reduced or hedged (although experience demonstrates that we are generally able to do so).

Limits

We use market risk limits at various levels to manage the size of our market exposures. These limits are set based on VaR and on a range of stress tests relevant to our exposures. See "Overview and Structure of Risk Management" for information about the limit approval process.

Market Risk is responsible for monitoring these limits, and identifying and escalating to senior management and/or the appropriate risk committee, on a timely basis, instances where limits have been exceeded (e.g., due to positional changes or changes in market conditions, such as increased volatilities or changes in correlations). Such instances are remediated by a reduction in the positions we hold and/or a temporary or permanent increase to the limit.

Metrics

We analyze VaR at the firmwide level and a variety of more detailed levels, including by risk category, business and region. Diversification effect in the tables below represents the difference between total VaR and the sum of the VaRs for the four risk categories. This effect arises because the four market risk categories are not perfectly correlated.

The table below presents our average daily VaR.

	Year Ended December	
$ in millions	**2020**	2019
Categories		
Interest rates	**$ 71**	$ 46
Equity prices	**55**	27
Currency rates	**23**	11
Commodity prices	**20**	12
Diversification effect	**(75)**	(40)
Total	**$ 94**	$ 56

Our average daily VaR increased to $94 million in 2020 from $56 million in 2019, due to increases in the equity prices, interest rates, currency rates and commodity prices categories, partially offset by an increase in the diversification effect. The overall increase was primarily due to higher levels of volatility.

The table below presents our period-end VaR.

	As of December	
$ in millions	**2020**	2019
Categories		
Interest rates	**$ 60**	$ 54
Equity prices	**50**	24
Currency rates	**11**	10
Commodity prices	**16**	10
Diversification effect	**(46)**	(28)
Total	**$ 91**	$ 70

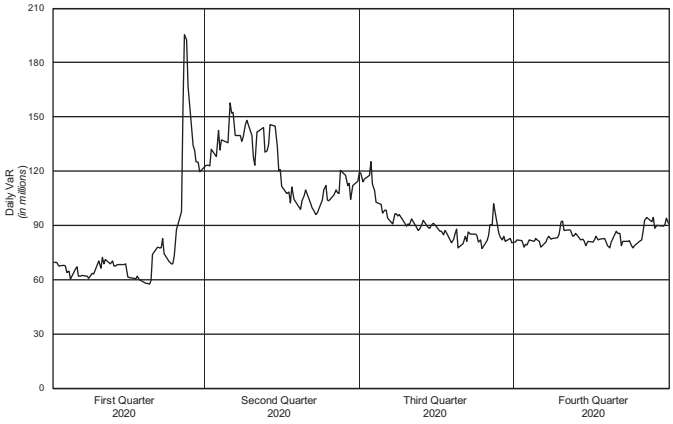
Our period-end VaR increased to $91 million as of December 2020 from $70 million as of December 2019, due to increases in the interest rates, equity prices, currency rates and commodity prices categories, partially offset by an increase in the diversification effect. The overall increase was primarily due to increased exposures.

During 2020, the firmwide VaR risk limit was exceeded on 16 occasions (all of which occurred during the first half of 2020), primarily due to higher levels of volatility. There were no permanent changes to the firmwide VaR risk limit during this period. However, there were temporary increases to the firmwide VaR risk limit as a result of the market environment. During 2019, the firmwide VaR risk limit was not exceeded, raised or reduced.

The table below presents our high and low VaR.

	Year Ended December			
	2020		2019	
$ in millions	**High**	**Low**	High	Low
Categories				
Interest rates	**$120**	**$46**	$64	$35
Equity prices	**$116**	**$23**	$38	$20
Currency rates	**$ 53**	**$ 8**	$22	$ 6
Commodity prices	**$ 54**	**$ 9**	$16	$ 9
Firmwide				
VaR	**$195**	**$58**	$77	$43

The chart below presents our daily VaR for 2020.



The table below presents, by number of business days, the frequency distribution of our daily net revenues for positions included in VaR.

	Year Ended December	
$ in millions	**2020**	2019
>$100	**50**	16
$75 - $100	**37**	17
$50 - $75	**48**	45
$25 - $50	**51**	71
$0 - $25	**43**	72
$(25) - $0	**11**	26
$(50) - $(25)	**8**	5
$(75) - $(50)	**3**	–
$(100) - $(75)	**2**	–
Total	**253**	252

Daily net revenues for positions included in VaR are compared with VaR calculated as of the end of the prior business day. Net losses incurred on a single day for such positions exceeded our 95% one-day VaR (i.e., a VaR exception) on two occasions during 2020 and did not exceed our 95% one-day VaR during 2019.

During periods in which we have significantly more positive net revenue days than net revenue loss days, we expect to have fewer VaR exceptions because, under normal conditions, our business model generally produces positive net revenues. In periods in which our franchise revenues are adversely affected, we generally have more loss days, resulting in more VaR exceptions. The daily net revenues for positions included in VaR used to determine VaR exceptions reflect the impact of any intraday activity, including bid/offer net revenues, which are more likely than not to be positive by their nature.

Sensitivity Measures

Certain portfolios and individual positions are not included in VaR because VaR is not the most appropriate risk measure. Other sensitivity measures we use to analyze market risk are described below.

10% Sensitivity Measures. The table below presents our market risk by asset category for positions accounted for at fair value, that are not included in VaR.

	As of December	
$ in millions	**2020**	2019
Equity	**$1,854**	$1,865
Debt	**2,516**	2,368
Total	**$4,370**	$4,233

In the table above:

- The market risk of these positions is determined by estimating the potential reduction in net revenues of a 10% decline in the value of these positions.
- Equity positions relate to private and restricted public equity securities, including interests in funds that invest in corporate equities and real estate and interests in hedge funds.
- Debt positions include interests in funds that invest in corporate mezzanine and senior debt instruments, loans backed by commercial and residential real estate, corporate bank loans and other corporate debt, including acquired portfolios of distressed loans.
- Funded equity and debt positions are included in our consolidated balance sheets in investments and loans. See Note 8 to the consolidated financial statements for further information about investments and Note 9 to the consolidated financial statements for further information about loans.
- These measures do not reflect the diversification effect across asset categories or across other market risk measures.

Credit and Funding Spread Sensitivity on Derivatives and Financial Liabilities. VaR excludes the impact of changes in counterparty credit spreads, our own credit spreads and unsecured funding spreads on derivatives, as well as changes in our own credit spreads (debt valuation adjustment) on financial liabilities for which the fair value option was elected. The estimated sensitivity to a one basis point increase in credit spreads (counterparty and our own) and unsecured funding spreads on derivatives (including hedges) was a loss of $3 million as of December 2020 and $2 million as of December 2019. In addition, the estimated sensitivity to a one basis point increase in our own credit spreads on financial liabilities for which the fair value option was elected was a gain of $22 million as of December 2020 and $29 million as of December 2019. However, the actual net impact of a change in our own credit spreads is also affected by the liquidity, duration and convexity (as the sensitivity is not linear to changes in yields) of those financial liabilities for which the fair value option was elected, as well as the relative performance of any hedges undertaken.

Interest Rate Sensitivity. Loans accounted for at amortized cost were $99.69 billion as of December 2020 and $89.20 billion as of December 2019, substantially all of which had floating interest rates. The estimated sensitivity to a 100 basis point increase in interest rates on such loans was $737 million as of December 2020 and $681 million as of December 2019 of additional interest income over a twelve-month period, which does not take into account the potential impact of an increase in costs to fund such loans. See Note 9 to the consolidated financial statements for further information about loans accounted for at amortized cost.

Other Market Risk Considerations

We make investments in securities that are accounted for as available-for-sale, held-to-maturity or under the equity method which are included in investments in the consolidated balance sheets. See Note 8 to the consolidated financial statements for further information.

Direct investments in real estate are accounted for at cost less accumulated depreciation. See Note 12 to the consolidated financial statements for further information about other assets.

Financial Statement Linkages to Market Risk Measures

We employ a variety of risk measures, each described in the respective sections above, to monitor market risk across the consolidated balance sheets and consolidated statements of earnings. The related gains and losses on these positions are included in market making, other principal transactions, interest income and interest expense in the consolidated statements of earnings, and debt valuation adjustment in the consolidated statements of comprehensive income.

The table below presents certain assets and liabilities in our consolidated balance sheets and the market risk measures used to assess those assets and liabilities.

Assets or Liabilities	Market Risk Measures
Collateralized agreements, at fair value	VaR
Customer and other receivables, at fair value	10% Sensitivity Measures
Trading assets	VaR Credit Spread Sensitivity
Investments, at fair value	VaR 10% Sensitivity Measures
Loans	VaR 10% Sensitivity Measures Interest Rate Sensitivity
Deposits, at fair value	VaR Credit Spread Sensitivity
Collateralized financings, at fair value	VaR
Trading liabilities	VaR Credit Spread Sensitivity
Unsecured borrowings, at fair value	VaR Credit Spread Sensitivity

Credit Risk Management

Overview

Credit risk represents the potential for loss due to the default or deterioration in credit quality of a counterparty (e.g., an OTC derivatives counterparty or a borrower) or an issuer of securities or other instruments we hold. Our exposure to credit risk comes mostly from client transactions in OTC derivatives and loans and lending commitments. Credit risk also comes from cash placed with banks, securities financing transactions (i.e., resale and repurchase agreements and securities borrowing and lending activities) and customer and other receivables.

Credit Risk, which is independent of our revenue-producing units and reports to our chief risk officer, has primary responsibility for assessing, monitoring and managing our credit risk through firmwide oversight across our global businesses. In addition, we hold other positions that give rise to credit risk (e.g., bonds and secondary bank loans). These credit risks are captured as a component of market risk measures, which are monitored and managed by Market Risk. We also enter into derivatives to manage market risk exposures. Such derivatives also give rise to credit risk, which is monitored and managed by Credit Risk.

Credit Risk Management Process

Our process for managing credit risk includes the critical components of our risk management framework described in the "Overview and Structure of Risk Management," as well as the following:

- Monitoring compliance with established credit risk limits and reporting our credit exposures and credit concentrations;
- Establishing or approving underwriting standards;
- Assessing the likelihood that a counterparty will default on its payment obligations;
- Measuring our current and potential credit exposure and losses resulting from a counterparty default;
- Using credit risk mitigants, including collateral and hedging; and
- Maximizing recovery through active workout and restructuring of claims.

We also perform credit reviews, which include initial and ongoing analyses of our counterparties. For substantially all of our credit exposures, the core of our process is an annual counterparty credit review. A credit review is an independent analysis of the capacity and willingness of a counterparty 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 counterparty's industry, and the economic environment. Senior personnel, with expertise in specific industries, inspect and approve credit reviews and internal credit ratings.

Our risk assessment process may also include, where applicable, reviewing certain key metrics, including, but not limited to, delinquency status, collateral values, FICO credit scores and other risk factors.

Our credit risk management systems capture credit exposure to individual counterparties and on an aggregate basis to counterparties and their subsidiaries. These systems also provide management with comprehensive information about our aggregate credit risk by product, internal credit rating, industry, country and region.

Risk Measures

We measure our credit risk based on the potential loss in the event of non-payment by a counterparty using current and potential exposure. For derivatives and securities financing transactions, current exposure represents the amount presently owed to us after taking into account applicable netting and collateral arrangements, while potential exposure represents our estimate of the future exposure that could arise over the life of a transaction based on market movements within a specified confidence level. Potential exposure also takes into account netting and collateral arrangements. For loans and lending commitments, the primary measure is a function of the notional amount of the position.

Stress Tests

We conduct regular stress tests to calculate the credit exposures, including potential concentrations that would result from applying shocks to counterparty credit ratings or credit risk factors (e.g., currency rates, interest rates, equity prices). These shocks cover a wide range of moderate and more extreme market movements, including shocks to multiple risk factors, consistent with the occurrence of a severe market or economic event. In the case of sovereign default, we estimate the direct impact of the default on our sovereign credit exposures, changes to our credit exposures arising from potential market moves in response to the default, and the impact of credit market deterioration on corporate borrowers and counterparties that may result from the sovereign default. Unlike potential exposure, which is calculated within a specified confidence level, stress testing does not generally assume a probability of these events occurring. We also perform firmwide stress tests. See "Overview and Structure of Risk Management" for information about firmwide stress tests.

To supplement these regular stress tests, as described above, we also conduct tailored stress tests on an ad hoc basis in response to specific market events that we deem significant. We also utilize these stress tests to estimate the indirect impact of certain hypothetical events on our country exposures, such as the impact of credit market deterioration on corporate borrowers and counterparties along with the shocks to the risk factors described above. The parameters of these shocks vary based on the scenario reflected in each stress test. We review estimated losses produced by the stress tests in order to understand their magnitude, highlight potential loss concentrations, and assess and mitigate our exposures where necessary.

Limits

We use credit risk limits at various levels, as well as underwriting standards to manage the size and nature of our credit exposures. Limits for industries and countries are based on our risk appetite and are designed to allow for regular monitoring, review, escalation and management of credit risk concentrations. See "Overview and Structure of Risk Management" for information about the limit approval process.

Credit Risk is responsible for monitoring these limits, and identifying and escalating to senior management and/or the appropriate risk committee, on a timely basis, instances where limits have been exceeded.

Risk Mitigants

To reduce our credit exposures on derivatives and securities financing transactions, we may enter into netting agreements with counterparties that permit us to offset receivables and payables with such counterparties. We may also reduce credit risk with counterparties by entering into agreements that enable us to obtain collateral from them on an upfront or contingent basis and/or to terminate transactions if the counterparty's credit rating falls below a specified level. We monitor the fair value of the collateral to ensure that our credit exposures are appropriately collateralized. We seek to minimize exposures where there is a significant positive correlation between the creditworthiness of our counterparties and the market value of collateral we receive.

For loans and lending commitments, depending on the credit quality of the borrower and other characteristics of the transaction, we employ a variety of potential risk mitigants. Risk mitigants include collateral provisions, guarantees, covenants, structural seniority of the bank loan claims and, for certain lending commitments, provisions in the legal documentation that allow us to adjust loan amounts, pricing, structure and other terms as market conditions change. The type and structure of risk mitigants employed can significantly influence the degree of credit risk involved in a loan or lending commitment.

When we do not have sufficient visibility into a counterparty's financial strength or when we believe a counterparty requires support from its parent, we may obtain third-party guarantees of the counterparty's obligations. We may also mitigate our credit risk using credit derivatives or participation agreements.

Credit Exposures

As of December 2020, our aggregate credit exposure increased as compared with December 2019, primarily reflecting increases in cash deposits with central banks and OTC derivatives. The percentage of our credit exposures arising from non-investment-grade counterparties (based on our internally determined public rating agency equivalents) increased as compared with December 2019, primarily reflecting an increase in non-investment-grade credit exposure related to OTC derivatives and loans and lending commitments. Our credit exposure to counterparties that defaulted during 2020 was higher as compared with our credit exposure to counterparties that defaulted during 2019, and such exposure was primarily related to loans and lending commitments. Our credit exposure to counterparties that defaulted during 2020 remained low, representing approximately 1% of our total credit exposure. Estimated losses associated with these defaults have been recognized in earnings. Our credit exposures are described further below.

Cash and Cash Equivalents. Our credit exposure on cash and cash equivalents arises from our unrestricted cash, and includes both interest-bearing and non-interest-bearing deposits. To mitigate the risk of credit loss, we place substantially all of our deposits with highly rated banks and central banks.

The table below presents our credit exposure from unrestricted cash and cash equivalents, and the concentration by industry, region and internally determined public rating agency equivalents.

	As of December	
$ in millions	**2020**	2019
Cash and Cash Equivalents	**$131,324**	$110,774
Industry		
Financial Institutions	**11%**	12%
Sovereign	**89%**	88%
Total	**100%**	100%
Region		
Americas	**45%**	50%
EMEA	**41%**	31%
Asia	**14%**	19%
Total	**100%**	100%
Credit Quality (Credit Rating Equivalent)		
AAA	**44%**	66%
AA	**38%**	11%
A	**17%**	22%
BBB	**1%**	1%
Total	**100%**	100%

The table above excludes cash segregated for regulatory and other purposes of $24.52 billion as of December 2020 and $22.78 billion as of December 2019.

OTC Derivatives. Our credit exposure on OTC derivatives arises primarily from our market-making activities. As a market maker, we enter into derivative transactions to provide liquidity to clients and to facilitate the transfer and hedging of their risks. We also enter into derivatives to manage market risk exposures. We manage our credit exposure on OTC derivatives using the credit risk process, measures, limits and risk mitigants described above.

We generally enter into OTC derivatives transactions under bilateral collateral arrangements that require the daily exchange of collateral. As credit risk is an essential component of fair value, we include a credit valuation adjustment (CVA) in the fair value of derivatives to reflect counterparty credit risk, as described in Note 7 to the consolidated financial statements. CVA is a function of the present value of expected exposure, the probability of counterparty default and the assumed recovery upon default.

The table below presents our net credit exposure from OTC derivatives and the concentration by industry and region.

	As of December	
$ in millions	**2020**	2019
OTC derivative assets	**$ 64,850**	$ 43,011
Collateral (not netted under U.S. GAAP)	**(18,990)**	(15,420)
Net credit exposure	**$ 45,860**	$ 27,591
Industry		
Consumer, Retail & Healthcare	**6%**	4%
Diversified Industrials	**23%**	7%
Financial Institutions	**12%**	13%
Funds	**12%**	11%
Municipalities & Nonprofit	**6%**	8%
Natural Resources & Utilities	**11%**	15%
Sovereign	**14%**	25%
Technology, Media & Telecommunications	**12%**	9%
Other (including Special Purpose Vehicles)	**4%**	8%
Total	**100%**	100%
Region		
Americas	**62%**	44%
EMEA	**30%**	48%
Asia	**8%**	8%
Total	**100%**	100%

In the table above:

- OTC derivative assets, included in the consolidated balance sheets, are reported on a net-by-counterparty basis (i.e., the net receivable for a given counterparty) when a legal right of setoff exists under an enforceable netting agreement (counterparty netting) and are accounted for at fair value, net of cash collateral received under enforceable credit support agreements (cash collateral netting).
- Collateral represents cash collateral and the fair value of securities collateral, primarily U.S. and non-U.S. government and agency obligations, received under credit support agreements, that we consider when determining credit risk, but such collateral is not eligible for netting under U.S. GAAP.

The table below presents the distribution of our net credit exposure from OTC derivatives by tenor.

$ in millions	Investment-Grade	Non-Investment-Grade / Unrated	Total
As of December 2020			
Less than 1 year	**$ 22,332**	**$ 12,507**	**$ 34,839**
1 - 5 years	**23,927**	**16,486**	**40,413**
Greater than 5 years	**77,653**	**8,958**	**86,611**
Total	**123,912**	**37,951**	**161,863**
Netting	**(101,691)**	**(14,312)**	**(116,003)**
Net credit exposure	**$ 22,221**	**$ 23,639**	**$ 45,860**
As of December 2019			
Less than 1 year	$ 18,764	$ 4,247	$ 23,011
1 - 5 years	18,674	6,879	25,553
Greater than 5 years	60,190	5,896	66,086
Total	97,628	17,022	114,650
Netting	(78,081)	(8,978)	(87,059)
Net credit exposure	$ 19,547	$ 8,044	$ 27,591

In the table above:

- Tenor is based on remaining contractual maturity.
- Netting includes counterparty netting across tenor categories and collateral that we consider when determining credit risk (including collateral that is not eligible for netting under U.S. GAAP). Counterparty netting within the same tenor category is included within such tenor category.

The tables below present the distribution of our net credit exposure from OTC derivatives by tenor and internally determined public rating agency equivalents.

	Investment-Grade				
$ in millions	AAA	AA	A	BBB	Total
As of December 2020					
Less than 1 year	**$ 532**	**$ 4,146**	**$ 11,440**	**$ 6,214**	**$ 22,332**
1 - 5 years	**1,069**	**4,189**	**10,976**	**7,693**	**23,927**
Greater than 5 years	**16,550**	**7,403**	**28,410**	**25,290**	**77,653**
Total	**18,151**	**15,738**	**50,826**	**39,197**	**123,912**
Netting	**(14,364)**	**(11,230)**	**(44,529)**	**(31,568)**	**(101,691)**
Net credit exposure	**$ 3,787**	**$ 4,508**	**$ 6,297**	**$ 7,629**	**$ 22,221**
As of December 2019					
Less than 1 year	$ 326	$ 2,022	$ 10,002	$ 6,414	$ 18,764
1 - 5 years	669	3,196	8,635	6,174	18,674
Greater than 5 years	12,381	5,770	22,324	19,715	60,190
Total	13,376	10,988	40,961	32,303	97,628
Netting	(8,146)	(8,273)	(35,932)	(25,730)	(78,081)
Net credit exposure	$ 5,230	$ 2,715	$ 5,029	$ 6,573	$ 19,547

	Non-Investment-Grade / Unrated		
$ in millions	BB or lower	Unrated	Total
As of December 2020			
Less than 1 year	**$ 11,541**	**$ 966**	**$ 12,507**
1 - 5 years	**16,274**	**212**	**16,486**
Greater than 5 years	**8,844**	**114**	**8,958**
Total	**36,659**	**1,292**	**37,951**
Netting	**(14,114)**	**(198)**	**(14,312)**
Net credit exposure	**$ 22,545**	**$ 1,094**	**$ 23,639**
As of December 2019			
Less than 1 year	$ 3,964	$ 283	$ 4,247
1 - 5 years	6,772	107	6,879
Greater than 5 years	5,835	61	5,896
Total	16,571	451	17,022
Netting	(8,811)	(167)	(8,978)
Net credit exposure	$ 7,760	$ 284	$ 8,044

Lending Activities. We manage our lending activities using the credit risk process, measures, limits and risk mitigants described above. Other lending positions, including secondary trading positions, are risk-managed as a component of market risk.

In the fourth quarter of 2020, we conformed the classification of our lending portfolio with Note 9 of the consolidated financial statements. Prior period amounts have been conformed to the current presentation.

The table below presents our loans and lending commitments.

$ in millions	Loans	Lending Commitments	Total
As of December 2020			
Corporate	**$ 48,659**	**$135,818**	**$184,477**
Wealth management	**33,023**	**3,103**	**36,126**
Commercial real estate	**20,290**	**4,268**	**24,558**
Residential real estate	**5,750**	**1,900**	**7,650**
Consumer:			
Installment	**3,823**	**4**	**3,827**
Credit cards	**4,270**	**21,640**	**25,910**
Other	**4,174**	**4,842**	**9,016**
Total, gross	**119,989**	**171,575**	**291,564**
Allowance for loan losses	**(3,874)**	**(557)**	**(4,431)**
Total	**$116,115**	**$171,018**	**$287,133**
As of December 2019			
Corporate	$ 46,307	$136,122	$182,429
Wealth management	27,940	2,728	30,668
Commercial real estate	17,743	3,530	21,273
Residential real estate	6,958	885	7,843
Consumer:			
Installment	4,747	12	4,759
Credit cards	1,858	13,669	15,527
Other	4,792	3,144	7,936
Total, gross	110,345	160,090	270,435
Allowance for loan losses	(1,441)	(361)	(1,802)
Total	$108,904	$159,729	$268,633

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

The table below presents our credit exposure from corporate loans and lending commitments, and the concentration by industry, region, internally determined public rating agency equivalents and other credit metrics.

$ in millions	Loans	Lending Commitments	Total
As of December 2020			
Corporate	**$48,659**	**$135,818**	**$184,477**
Industry			
Consumer & Retail	**7%**	**14%**	**12%**
Diversified Industrials	**17%**	**17%**	**17%**
Financial Institutions	**10%**	**6%**	**7%**
Funds	**13%**	**3%**	**6%**
Healthcare	**7%**	**12%**	**11%**
Natural Resources & Utilities	**12%**	**18%**	**16%**
Real Estate	**8%**	**6%**	**6%**
Technology, Media & Telecommunications	**17%**	**19%**	**19%**
Other (including Special Purpose Vehicles)	**9%**	**5%**	**6%**
Total	**100%**	**100%**	**100%**
Region			
Americas	**60%**	**70%**	**67%**
EMEA	**31%**	**28%**	**29%**
Asia	**9%**	**2%**	**4%**
Total	**100%**	**100%**	**100%**
Credit Quality (Credit Rating Equivalent)			
AAA	**–**	**1%**	**1%**
AA	**–**	**5%**	**4%**
A	**6%**	**19%**	**15%**
BBB	**13%**	**36%**	**30%**
BB or lower	**80%**	**38%**	**49%**
Other/unrated	**1%**	**1%**	**1%**
Total	**100%**	**100%**	**100%**
As of December 2019			
Corporate	$46,307	$136,122	$182,429
Industry			
Consumer & Retail	7%	12%	11%
Diversified Industrials	17%	17%	17%
Financial Institutions	10%	6%	7%
Funds	9%	2%	4%
Healthcare	8%	13%	12%
Natural Resources & Utilities	12%	21%	19%
Real Estate	7%	5%	5%
Technology, Media & Telecommunications	17%	20%	19%
Other (including Special Purpose Vehicles)	13%	4%	6%
Total	100%	100%	100%
Region			
Americas	60%	78%	73%
EMEA	31%	20%	23%
Asia	9%	2%	4%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
AAA	–	1%	1%
AA	1%	7%	6%
A	6%	17%	14%
BBB	16%	35%	30%
BB or lower	77%	40%	49%
Total	100%	100%	100%

In the table above, credit exposure excludes $3.20 billion as of December 2020 and $4.10 billion as of December 2019 relating to issued letters of credit which are classified as guarantees in our consolidated financial statements. See Note 18 to the consolidated financial statements for further information about guarantees.

Wealth Management. Wealth management loans and lending commitments are extended to private bank clients, including wealth management and other clients. These loans are used to finance investments in both financial and nonfinancial assets, bridge cash flow timing gaps or provide liquidity for other needs. Substantially all of such loans are secured by securities, residential real estate, commercial real estate or other assets.

The table below presents our credit exposure from wealth management loans and lending commitments, and the concentration by region, internally determined public rating agency equivalents and other credit metrics.

$ in millions	Loans	Lending Commitments	Total
As of December 2020			
Wealth Management	**$33,023**	**$3,103**	**$36,126**
Region			
Americas	**88%**	**99%**	**89%**
EMEA	**10%**	**1%**	**9%**
Asia	**2%**	**–**	**2%**
Total	**100%**	**100%**	**100%**
Credit Quality (Credit Rating Equivalent)			
Investment-grade	**67%**	**58%**	**66%**
Non-investment-grade	**16%**	**21%**	**17%**
Other/unrated	**17%**	**21%**	**17%**
Total	**100%**	**100%**	**100%**
As of December 2019			
Wealth Management	$27,940	$2,728	$30,668
Region			
Americas	88%	96%	89%
EMEA	9%	3%	9%
Asia	3%	1%	2%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
Investment-grade	71%	68%	71%
Non-investment-grade	13%	17%	13%
Other/unrated	16%	15%	16%
Total	100%	100%	100%

In the table above, other/unrated loans primarily include loans backed by residential real estate. Our risk assessment process for such loans include reviewing certain key metrics, such as loan-to-value ratio and delinquency status.

Commercial Real Estate. Commercial real estate loans and lending commitments include originated loans and lending commitments (other than those extended to private bank clients) that are directly or indirectly secured by hotels, retail stores, multifamily housing complexes and commercial and industrial properties. Commercial real estate loans and lending commitments also includes loans and lending commitments extended to clients who warehouse assets that are directly or indirectly backed by commercial real estate. In addition, commercial real estate includes loans purchased by us.

The table below presents our credit exposure from commercial real estate loans and lending commitments, and the concentration by region, internally determined public rating agency equivalents and other credit metrics.

$ in millions	Loans	Lending Commitments	Total
As of December 2020			
Commercial Real Estate	**$20,290**	**$4,268**	**$24,558**
Region			
Americas	**71%**	**65%**	**70%**
EMEA	**19%**	**10%**	**18%**
Asia	**10%**	**25%**	**12%**
Total	**100%**	**100%**	**100%**
Credit Quality (Credit Rating Equivalent)			
Investment-grade	**9%**	**13%**	**10%**
Non-investment-grade	**86%**	**87%**	**86%**
Other/unrated	**5%**	**–**	**4%**
Total	**100%**	**100%**	**100%**
As of December 2019			
Commercial Real Estate	$17,743	$3,530	$21,273
Region			
Americas	69%	60%	67%
EMEA	21%	11%	20%
Asia	10%	29%	13%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
Investment-grade	2%	2%	2%
Non-investment-grade	90%	94%	91%
Other/unrated	8%	4%	7%
Total	100%	100%	100%

In the table above, credit exposure includes loans and lending commitments of $7.88 billion as of December 2020 and $5.41 billion as of December 2019 which are extended to clients who warehouse assets that are directly or indirectly backed by commercial real estate.

In addition, we also have credit exposure to certain commercial real estate loans held for securitization of $503 million as of December 2020 and $1.55 billion as of December 2019. Such loans are included in trading assets in our consolidated balance sheets.

Residential Real Estate. Residential real estate loans and lending commitments are extended to clients (other than those extended to private bank clients) who warehouse assets that are directly or indirectly secured by residential real estate and also includes loans purchased by us.

The table below presents our credit exposure from residential real estate loans and lending commitments, and the concentration by region, internally determined public rating agency equivalents and other credit metrics.

$ in millions	Loans	Lending Commitments	Total
As of December 2020			
Residential Real Estate	**$5,750**	**$1,900**	**$7,650**
Region			
Americas	**88%**	**98%**	**91%**
EMEA	**9%**	**2%**	**7%**
Asia	**3%**	**–**	**2%**
Total	**100%**	**100%**	**100%**
Credit Quality (Credit Rating Equivalent)			
Investment-grade	**11%**	**2%**	**9%**
Non-investment-grade	**67%**	**93%**	**73%**
Other/unrated	**22%**	**5%**	**18%**
Total	**100%**	**100%**	**100%**
As of December 2019			
Residential Real Estate	$6,958	$ 885	$7,843
Region			
Americas	90%	96%	90%
EMEA	9%	3%	9%
Asia	1%	1%	1%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
Investment-grade	4%	–	3%
Non-investment-grade	66%	86%	68%
Other/unrated	30%	14%	29%
Total	100%	100%	100%

In the table above:

- Credit exposure includes loans and lending commitments of $5.71 billion as of December 2020 and $4.17 billion as of December 2019 which are extended to clients who warehouse assets that are directly or indirectly secured by residential real estate.
- Other/unrated primarily includes loans purchased by us. Our risk assessment process for such loans includes reviewing certain key metrics, such as loan-to-value ratio, delinquency status, collateral values, expected cash flows and other risk factors.

In addition, we also have exposure to residential real estate loans held for securitization of $5.57 billion as of December 2020 and $4.70 billion as of December 2019. Such loans are included in trading assets in our consolidated balance sheets.

Installment and Credit Card Lending. We originate unsecured installment loans and credit card loans (pursuant to revolving lines of credit) to consumers in the Americas. The credit card lines are cancellable by us and therefore do not result in credit exposure.

The table below presents our credit exposure from originated installment and credit card funded loans, and the concentration by the five most concentrated U.S. states.

	As of December	
$ in millions	**2020**	2019
Installment	**$3,823**	$4,747
California	**11%**	12%
Texas	**9%**	9%
New York	**7%**	7%
Florida	**7%**	7%
Illinois	**4%**	4%
Other	**62%**	61%
Total	**100%**	100%
Credit Cards	**$4,270**	$1,858
California	**19%**	21%
Texas	**9%**	9%
New York	**8%**	8%
Florida	**8%**	8%
Illinois	**4%**	4%
Other	**52%**	50%
Total	**100%**	100%

See Note 9 to the consolidated financial statements for further information about the credit quality indicators of installment and credit card loans.

Other. Other loans and lending commitments are extended to clients who warehouse assets that are directly or indirectly secured by consumer loans, including auto loans and private student loans. Other loans also includes unsecured consumer and credit card loans purchased by us.

The table below presents our credit exposure from other loans and lending commitments, and the concentration by region internally determined public rating agency equivalents and other credit metrics.

$ in millions	Loans	Lending Commitments	Total
As of December 2020			
Other	**$4,174**	**$4,842**	**$9,016**
Region			
Americas	**81%**	**98%**	**90%**
EMEA	**17%**	**–**	**8%**
Asia	**2%**	**2%**	**2%**
Total	**100%**	**100%**	**100%**
Credit Quality (Credit Rating Equivalent)			
Investment-grade	**44%**	**94%**	**71%**
Non-investment-grade	**23%**	**6%**	**14%**
Other/unrated	**33%**	**–**	**15%**
Total	**100%**	**100%**	**100%**
As of December 2019			
Other	$4,792	$3,144	$7,936
Region			
Americas	87%	96%	90%
EMEA	12%	3%	9%
Asia	1%	1%	1%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
Investment-grade	49%	76%	60%
Non-investment-grade	23%	16%	20%
Other/unrated	28%	8%	20%
Total	100%	100%	100%

In the table above:

- Credit exposure includes loans and lending commitments extended to clients who warehouse assets of $7.28 billion as of December 2020 and $6.09 billion as of December 2019.
- Other/unrated primarily includes consumer and credit card loans purchased by us. Our risk assessment process for such loans includes reviewing certain key metrics, such as expected cash flows, delinquency status and other risk factors.

In addition, we also have exposure to other loans held for securitization of $420 million as of December 2020 and $347 million as of December 2019. Such loans are included in trading assets in our consolidated balance sheets.

Credit Hedges

To mitigate the credit risk associated with our lending activities, we obtain credit protection on certain loans and lending commitments through credit default swaps, both single-name and index-based contracts, and through the issuance of credit-linked notes. In addition, Sumitomo Mitsui Financial Group, Inc. provides us with credit loss protection on certain approved loan commitments.

Securities Financing Transactions. We enter into securities financing transactions in order to, among other things, facilitate client activities, invest excess cash, acquire securities to cover short positions and finance certain activities. We bear credit risk related to resale agreements and securities borrowed only to the extent that cash advanced or the value of securities pledged or delivered to the counterparty exceeds the value of the collateral received. We also have credit exposure on repurchase agreements and securities loaned to the extent that the value of securities pledged or delivered to the counterparty for these transactions exceeds the amount of cash or collateral received. Securities collateral for these transactions primarily includes U.S. and non-U.S. government and agency obligations.

The table below presents our credit exposure from securities financing transactions and the concentration by industry, region and internally determined public rating agency equivalents.

	As of December	
$ in millions	**2020**	2019
Securities Financing Transactions	**$30,190**	$26,958
Industry		
Financial Institutions	**39%**	37%
Funds	**24%**	27%
Municipalities & Nonprofit	**5%**	5%
Sovereign	**30%**	28%
Other (including Special Purpose Vehicles)	**2%**	3%
Total	**100%**	100%
Region		
Americas	**33%**	38%
EMEA	**46%**	39%
Asia	**21%**	23%
Total	**100%**	100%
Credit Quality (Credit Rating Equivalent)		
AAA	**15%**	15%
AA	**28%**	27%
A	**40%**	39%
BBB	**10%**	9%
BB or lower	**5%**	6%
Unrated	**2%**	4%
Total	**100%**	100%

The table above reflects both netting agreements and collateral that we consider when determining credit risk.

Other Credit Exposures. We are exposed to credit risk from our receivables from brokers, dealers and clearing organizations and customers and counterparties. Receivables from brokers, dealers and clearing organizations primarily consist of initial margin placed with clearing organizations and receivables related to sales of securities which have traded, but not yet settled. These receivables generally have minimal credit risk due to the low probability of clearing organization default and the short-term nature of receivables related to securities settlements. Receivables from customers and counterparties generally consist of collateralized receivables related to customer securities transactions and generally have minimal credit risk due to both the value of the collateral received and the short-term nature of these receivables.

The table below presents our other credit exposures and the concentration by industry, region and internally determined public rating agency equivalents.

	As of December	
$ in millions	**2020**	2019
Other Credit Exposures	**$56,429**	$44,931
Industry		
Financial Institutions	**85%**	86%
Funds	**9%**	8%
Natural Resources & Utilities	**2%**	1%
Other (including Special Purpose Vehicles)	**4%**	5%
Total	**100%**	100%
Region		
Americas	**54%**	49%
EMEA	**35%**	41%
Asia	**11%**	10%
Total	**100%**	100%
Credit Quality (Credit Rating Equivalent)		
AAA	**5%**	2%
AA	**48%**	56%
A	**27%**	23%
BBB	**8%**	7%
BB or lower	**11%**	11%
Unrated	**1%**	1%
Total	**100%**	100%

The table above reflects collateral that we consider when determining credit risk.

Selected Exposures

We have credit and market exposures, as described below, that have had heightened focus given recent events and broad market concerns. Credit exposure represents the potential for loss due to the default or deterioration in credit quality of a counterparty or borrower. Market exposure represents the potential for loss in value of our long and short positions due to changes in market prices.

Country Exposures. Liquidity pressures prompted the Argentine government to default and restructure local and foreign obligations in 2020. Economic challenges persist and the country still needs to secure new financial terms with the IMF. As of December 2020, our total credit exposure to Argentina was $164 million, which was with non-sovereign counterparties or borrowers, and was primarily related to loans and lending commitments. Our total market exposure to Argentina as of December 2020 was not material.

The restructuring of Lebanon's sovereign debt and sharp currency depreciation have led to concerns about its financial and political stability. As of December 2020, our total credit exposure to Lebanon was $196 million, all of which related to loans and lending commitments with non-sovereign borrowers. Our total market exposure to Lebanon as of December 2020 was not material.

Zambia's sovereign debt default and ongoing liquidity pressures aggravated by the COVID-19 pandemic have led to concerns about Zambia's financial stability. As of December 2020, our total credit and market exposure for Zambia was not material.

Venezuela has delayed payments on its sovereign debt and its political situation remains unclear. As of December 2020, our total credit and market exposure for Venezuela was not material.

We have a comprehensive framework to monitor, measure and assess our country exposures and to determine our risk appetite. We determine the country of risk by the location of the counterparty, issuer or underlier's assets, where they generate revenue, the country in which they are headquartered, the jurisdiction where a claim against them could be enforced, and/or the government whose policies affect their ability to repay their obligations. We monitor our credit exposure to a specific country both at the individual counterparty level, as well as at the aggregate country level. See "Stress Tests" for information about stress tests that are designed to estimate the direct and indirect impact of events involving the above countries.

Industry Exposures. The decline in oil prices has led to market concerns regarding the creditworthiness of certain companies in the oil and gas industry. As of December 2020, our credit exposure to oil and gas companies related to loans and lending commitments was $11.30 billion ($2.98 billion of loans and $8.32 billion of lending commitments). Such exposure included $4.96 billion of exposure to non-investment-grade counterparties ($2.11 billion related to loans and $2.85 billion related to lending commitments), of which 76% was secured. In addition, we have exposure to our clients in the oil and gas industry arising from derivatives. As of December 2020, our credit exposure related to derivatives and receivables with oil and gas companies was $2.22 billion ($455 million with investment-grade counterparties and $1.77 billion with non-investment-grade counterparties). After taking into consideration the benefit of $800 million of hedges, our net credit exposure was $12.72 billion. As of December 2020, our market exposure related to oil and gas companies was $(1.37) billion, which was primarily to investment-grade issuers or underliers. Such exposure consisted of $317 million related to debt, $(1.71) billion related to credit derivatives and $24 million related to equities.

The sharp decline in economic activity as a result of the COVID-19 pandemic has resulted in a significant impact to the gaming and lodging industry. As of December 2020, our credit exposure to gaming and lodging companies (including hotel owners and operators) related to loans and lending commitments was $2.14 billion ($863 million of loans and $1.28 billion of lending commitments). Such exposure included $1.69 billion of exposure to non-investment-grade counterparties ($709 million related to loans and $977 million related to lending commitments), of which 84% was secured. In addition, we extend loans that are secured by hotel properties. As of December 2020, our exposure related to such loans and lending commitments was $1.31 billion and was to non-investment-grade counterparties. In addition, we have exposure to our clients in the gaming and lodging industry arising from derivatives. As of December 2020, our credit exposure related to derivatives and receivables with gaming and lodging companies was $232 million, with non-investment-grade counterparties. As of December 2020, our market exposure related to gaming and lodging companies was $95 million, which was primarily to non-investment-grade issuers or underliers. Such exposure consisted of $103 million related to debt, $(175) million related to credit derivatives and $167 million related to equities.

Concerns surrounding the COVID-19 pandemic have resulted in a sharp decline in travel which has significantly impacted the airline industry. As of December 2020, our credit exposure to airline companies related to loans and lending commitments was $1.54 billion ($1.12 billion of loans and $416 million of lending commitments) to non-investment-grade counterparties, of which 84% was secured. In addition, we have exposure to our clients in the airline industry arising from derivatives. As of December 2020, our credit exposure related to derivatives and receivables with airline companies was $401 million ($152 million with investment-grade counterparties and $249 million with non-investment-grade counterparties). After taking into consideration the benefit of $278 million of hedges, our net credit exposure was $1.66 billion. As of December 2020, our market exposure related to airline companies was $(210) million, which was substantially all to non-investment-grade issuers or underliers. Such exposure consisted of $114 million related to debt, $(307) million related to credit derivatives and $(17) million related to equities.

Operational Risk Management

Overview

Operational risk is the risk of an adverse outcome resulting from inadequate or failed internal processes, people, systems or from external events. Our exposure to operational risk arises from routine processing errors, as well as extraordinary incidents, such as major systems failures or legal and regulatory matters.

Potential types of loss events related to internal and external operational risk include:

- Clients, products and business practices;
- Execution, delivery and process management;
- Business disruption and system failures;
- Employment practices and workplace safety;
- Damage to physical assets;
- Internal fraud; and
- External fraud.

Operational Risk, which is independent of our revenue-producing units and reports to our chief risk officer, has primary responsibility for developing and implementing a formalized framework for assessing, monitoring and managing operational risk with the goal of maintaining our exposure to operational risk at levels that are within our risk appetite.

Operational Risk Management Process

Our process for managing operational risk includes the critical components of our risk management framework described in the "Overview and Structure of Risk Management," including a comprehensive data collection process, as well as firmwide policies and procedures, for operational risk events.

We combine top-down and bottom-up approaches to manage and measure operational risk. From a top-down perspective, our senior management assesses firmwide and business-level operational risk profiles. From a bottom-up perspective, our first and second lines of defense are responsible for risk identification and risk management on a day-to-day basis, including escalating operational risks to senior management.

We maintain a comprehensive control framework designed to provide a well-controlled environment to minimize operational risks. The Firmwide Operational Risk and Resilience Committee is responsible for overseeing operational risk, and for ensuring our business and operational resilience.

Our operational risk management framework is in part designed to comply with the operational risk measurement rules under the Capital Framework and has evolved based on the changing needs of our businesses and regulatory guidance.

We have established policies that require all employees to report and escalate operational risk events. When operational risk events are identified, our policies require that the events be documented and analyzed to determine whether changes are required in our systems and/or processes to further mitigate the risk of future events.

We use operational risk management applications to capture and organize operational risk event data and key metrics. One of our key risk identification and assessment tools is an operational risk and control self-assessment process, which is performed by our managers. This process consists of the identification and rating of operational risks, on a forward-looking basis, and the related controls. The results from this process are analyzed to evaluate operational risk exposures and identify businesses, activities or products with heightened levels of operational risk.

Risk Measurement

We measure our operational risk exposure using both statistical modeling and scenario analyses, which involve qualitative and quantitative assessments of internal and external operational risk event data and internal control factors for each of our businesses. Operational risk measurement also incorporates an assessment of business environment factors, including:

- Evaluations of the complexity of our business activities;
- The degree of automation in our processes;
- New activity information;
- The legal and regulatory environment; and
- Changes in the markets for our products and services, including the diversity and sophistication of our customers and counterparties.

The results from these scenario analyses are used to monitor changes in operational risk and to determine business lines that may have heightened exposure to operational risk. These analyses are used in the determination of the appropriate level of operational risk capital to hold. We also perform firmwide stress tests. See "Overview and Structure of Risk Management" for information about firmwide stress tests.

Types of Operational Risks

Increased reliance on technology and third-party relationships has resulted in increased operational risks, such as information and cyber security risk, third-party risk and business resilience risk. We manage those risks as follows:

Information and Cyber Security Risk. Information and cyber security risk is the risk of compromising the confidentiality, integrity or availability of our data and systems, leading to an adverse impact to us, our reputation, our clients and/or the broader financial system. We seek to minimize the occurrence and impact of unauthorized access, disruption or use of information and/or information systems. We deploy and operate preventive and detective controls and processes to mitigate emerging and evolving information security and cyber security threats, including monitoring our network for known vulnerabilities and signs of unauthorized attempts to access our data and systems. There is increased information risk through diversification of our data across external service providers, including use of a variety of cloud-provided or -hosted services and applications. See "Risk Factors" in Part I, Item 1A of this Form 10-K for further information about information and cyber security risk.

Third-Party Risk. Third-party risk, including vendor risk, is the risk of an adverse impact due to reliance on third parties performing services or activities on our behalf. These risks may include legal, regulatory, information security, reputational, operational or any other risks inherent in engaging a third party. We identify, manage and report key third-party risks and conduct due diligence across multiple risk domains, including information security and cyber security, resilience and additional third-party dependencies. The Third-Party Risk Program monitors, reviews and reassesses third-party risks on an ongoing basis. See "Risk Factors" in Part I, Item 1A of this Form 10-K for further information about third-party risk.

Business Resilience Risk. Business resilience risk is the risk of disruption to our critical processes. We monitor threats and assess risks and seek to ensure our state of readiness in the event of a significant operational disruption to the normal operations of our critical functions or their dependencies, such as critical facilities, systems, third parties, data and/or personnel. We approach BCP through the lens of business and operational resilience. The resilience framework defines the fundamental principles for BCP and crisis management to ensure that critical functions can continue to operate in the event of a disruption. The business continuity program is comprehensive, consistent firmwide and up-to-date, incorporating new information, techniques and technologies as and when they become available, and our resilience recovery plans incorporate and test specific and measurable recovery time objectives in accordance with local market best practices and regulatory requirements, and under specific scenarios. See "Regulatory and Other Matters — Other Matters" for information about the impact of the COVID-19 pandemic. See "Business — Business Continuity and Information Security" in Part I, Item 1 of this Form 10-K for further information about business continuity.

Model Risk Management

Overview

Model risk is the potential for adverse consequences from decisions made based on model outputs that may be incorrect or used inappropriately. We rely on quantitative models across our business activities primarily to value certain financial assets and liabilities, to monitor and manage our risk, and to measure and monitor our regulatory capital.

Model Risk, which is independent of our revenue-producing units, model developers, model owners and model users, and reports to our chief risk officer, has primary responsibility for assessing, monitoring and managing our model risk through firmwide oversight across our global businesses, and provides periodic updates to senior management, risk committees and the Risk Committee of the Board.

Our model risk management framework is managed through a governance structure and risk management controls, which encompass standards designed to ensure we maintain a comprehensive model inventory, including risk assessment and classification, sound model development practices, independent review and model-specific usage controls. The Firmwide Model Risk Control Committee oversees our model risk management framework.

Model Review and Validation Process

Model Risk consists of quantitative professionals who perform an independent review, validation and approval of our models. This review includes an analysis of the model documentation, independent testing, an assessment of the appropriateness of the methodology used, and verification of compliance with model development and implementation standards.

We regularly refine and enhance our models to reflect changes in market or economic conditions and our business mix. All models are reviewed on an annual basis, and new models or significant changes to existing models and their assumptions are approved prior to implementation.

The model validation process incorporates a review of models and trade and risk parameters across a broad range of scenarios (including extreme conditions) in order to critically evaluate and verify:

- The model's conceptual soundness, including the reasonableness of model assumptions, and suitability for intended use;
- The testing strategy utilized by the model developers to ensure that the models function as intended;
- The suitability of the calculation techniques incorporated in the model;
- The model's accuracy in reflecting the characteristics of the related product and its significant risks;
- The model's consistency with models for similar products; and
- The model's sensitivity to input parameters and assumptions.

See "Critical Accounting Policies — Fair Value — Review of Valuation Models," "Liquidity Risk Management," "Market Risk Management," "Credit Risk Management" and "Operational Risk Management" for further information about our use of models within these areas.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Quantitative and qualitative disclosures about market risk are set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management" in Part II, Item 7 of this Form 10-K.

Item 8. Financial Statements and Supplementary Data

Management's Report on Internal Control over Financial Reporting

Management of The Goldman Sachs Group, Inc., together with its consolidated subsidiaries (the firm), is responsible for establishing and maintaining adequate internal control over financial reporting. The firm's internal control over financial reporting is a process designed under the supervision of the firm's principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the firm's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

As of December 31, 2020, management conducted an assessment of the firm's internal control over financial reporting based on the framework established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined that the firm's internal control over financial reporting as of December 31, 2020 was effective.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the firm; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the firm's assets that could have a material effect on our financial statements.

The firm's internal control over financial reporting as of December 31, 2020 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing on pages 113 to 115, which expresses an unqualified opinion on the effectiveness of the firm's internal control over financial reporting as of December 31, 2020.

Report of Independent Registered Public Accounting Firm

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of The Goldman Sachs Group, Inc. and its subsidiaries (the Company) as of December 31, 2020 and 2019, and the related consolidated statements of earnings, of comprehensive income, of changes in shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2020, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the COSO.

Change in Accounting Principle

As discussed in Note 3 to the consolidated financial statements, the Company changed the manner in which it accounts for credit losses on certain financial instruments in 2020.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing on page 112. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of Certain Level 3 Financial Instruments

As described in Notes 4 through 10 to the consolidated financial statements, as of December 31, 2020, the Company carries financial instruments at fair value, which includes $26.3 billion of financial assets and $32.9 billion of financial liabilities classified in Level 3 of the fair value hierarchy as one or more inputs to the financial instrument's valuation technique are significant and unobservable. Significant unobservable inputs used by management to value certain of these Level 3 financial instruments included (i) industry multiples and public comparables, (ii) credit spreads and (iii) correlation.

The principal considerations for our determination that performing procedures relating to the valuation of certain Level 3 financial instruments is a critical audit matter are (i) the significant judgment by management in valuing the financial instruments, which in turn led to a high degree of auditor judgment and subjectivity in performing procedures related to the valuation of certain Level 3 financial instruments, (ii) a high degree of auditor judgment and effort to evaluate the audit evidence obtained related to the aforementioned significant unobservable inputs used in the valuation of certain Level 3 financial instruments, and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the valuation of financial instruments, including controls over the methods and significant unobservable inputs used in the valuation of certain Level 3 financial instruments. These procedures also included, among others, for a sample of financial instruments, the involvement of professionals with specialized skill and knowledge to assist in (i) developing an independent estimate of fair value or (ii) testing management's process to determine the fair value of these financial instruments. Developing the independent estimate involved (i) testing the completeness and accuracy of data provided by management, (ii) evaluating and utilizing management's significant unobservable inputs or developing independent significant unobservable inputs, and (iii) comparing management's estimate to the independently developed estimate of fair value. Testing management's process included evaluating the reasonableness of the aforementioned significant unobservable inputs, evaluating the appropriateness of the methods used, and testing the completeness and accuracy of data provided by management to determine the fair value of these instruments.

Allowance for Loan Losses — Wholesale Loan Portfolio

As described in Note 9 to the consolidated financial statements, the Company's allowance for loan losses related to wholesale loans reflects management's estimate of loan losses over the remaining expected life of the loans and also considers forecasts of future economic conditions. As of December 31, 2020, $2.6 billion of the allowance for loan losses and $95.5 billion of the loans accounted for at amortized cost related to the wholesale loan portfolio. The allowance for wholesale loan losses is measured on a collective basis for loans that exhibit similar risk characteristics using a modeled approach and asset-specific basis for loans that do not share similar risk characteristics. In addition, it includes qualitative components to reflect the uncertain nature of economic forecasting, capture uncertainty regarding model inputs, and account for model imprecision and concentration risk. The wholesale models determine the probability of default and loss given default based on various risk factors, including internal credit ratings, industry default and loss data, expected life, macroeconomic indicators, the borrower's capacity to meet its financial obligations, the borrower's country of risk and industry, loan seniority and collateral type. The most significant inputs to the forecast model for wholesale loans include forecasted U.S. unemployment rates, GDP, credit spreads, commercial and industrial delinquency rates, short- and long-term interest rates, and oil prices.

The principal considerations for our determination that performing procedures relating to the allowance for loan losses for the wholesale loan portfolio is a critical audit matter are (i) the significant judgment and estimation by management in the determinations of internal credit ratings and the forecasted U.S. unemployment rates, which in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence related to management's determinations, and (ii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the Company's allowance for loan losses for the wholesale loan portfolio, including controls over the model, certain data, and significant assumptions. These procedures also included, among others, testing management's process for estimating the allowance for loan losses for wholesale loans using a modeled approach, which involved evaluating the appropriateness of the model and methodology and testing the completeness and accuracy of certain data used in estimating the allowance for loan losses. The procedures also included the use of professionals with specialized skill and knowledge to assist in evaluating (i) the appropriateness of the model and methodology and (ii) the reasonableness of the internal credit ratings and the forecasted U.S. unemployment rates used in estimating the allowance for wholesale loan losses.

/s/ PricewaterhouseCoopers LLP

New York, New York
February 19, 2021

We have served as the Company's auditor since 1922.

Consolidated Statements of Earnings

in millions, except per share amounts	Year Ended December **2020**	2019	2018
Revenues			
Investment banking	**$ 9,141**	$ 6,798	$ 7,430
Investment management	**6,923**	6,189	6,590
Commissions and fees	**3,548**	2,988	3,199
Market making	**15,546**	10,157	9,724
Other principal transactions	**4,651**	6,052	5,906
Total non-interest revenues	**39,809**	32,184	32,849
Interest income	**13,689**	21,738	19,679
Interest expense	**8,938**	17,376	15,912
Net interest income	**4,751**	4,362	3,767
Total net revenues	**44,560**	36,546	36,616
Provision for credit losses	**3,098**	1,065	674
Operating expenses			
Compensation and benefits	**13,309**	12,353	12,328
Transaction based	**4,141**	3,513	3,492
Market development	**401**	739	740
Communications and technology	**1,347**	1,167	1,023
Depreciation and amortization	**1,902**	1,704	1,328
Occupancy	**960**	1,029	809
Professional fees	**1,306**	1,316	1,214
Other expenses	**5,617**	3,077	2,527
Total operating expenses	**28,983**	24,898	23,461
Pre-tax earnings	**12,479**	10,583	12,481
Provision for taxes	**3,020**	2,117	2,022
Net earnings	**9,459**	8,466	10,459
Preferred stock dividends	**544**	569	599
Net earnings applicable to common shareholders	**$ 8,915**	$ 7,897	$ 9,860
Earnings per common share			
Basic	**$ 24.94**	$ 21.18	$ 25.53
Diluted	**$ 24.74**	$ 21.03	$ 25.27
Average common shares			
Basic	**356.4**	371.6	385.4
Diluted	**360.3**	375.5	390.2

Consolidated Statements of Comprehensive Income

$ in millions	Year Ended December **2020**	2019	2018
Net earnings	**$ 9,459**	$ 8,466	$10,459
Other comprehensive income/(loss) adjustments, net of tax:			
Currency translation	**(80)**	5	4
Debt valuation adjustment	**(261)**	(2,079)	2,553
Pension and postretirement liabilities	**(26)**	(261)	119
Available-for-sale securities	**417**	158	(103)
Other comprehensive income/(loss)	**50**	(2,177)	2,573
Comprehensive income	**$ 9,509**	$ 6,289	$13,032

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

Consolidated Balance Sheets

$ in millions	As of December **2020**	2019
Assets		
Cash and cash equivalents	**$ 155,842**	$133,546
Collateralized agreements:		
Securities purchased under agreements to resell (at fair value)	**108,060**	85,691
Securities borrowed (includes **$28,898** and $26,279 at fair value)	**142,160**	136,071
Customer and other receivables (includes **$82** and $53 at fair value)	**121,331**	74,605
Trading assets (at fair value and includes **$69,031** and $66,605 pledged as collateral)	**393,630**	355,332
Investments (includes **$82,778** and $57,827 at fair value, and **$13,375** and $10,968 pledged as collateral)	**88,445**	63,937
Loans (net of allowance of **$3,874** and $1,441, and includes **$13,625** and $14,386 at fair value)	**116,115**	108,904
Other assets	**37,445**	34,882
Total assets	**$1,163,028**	$992,968
Liabilities and shareholders' equity		
Deposits (includes **$16,176** and $17,765 at fair value)	**$ 259,962**	$190,019
Collateralized financings:		
Securities sold under agreements to repurchase (at fair value)	**126,571**	117,756
Securities loaned (includes **$1,053** and $714 at fair value)	**21,621**	14,985
Other secured financings (includes **$24,126** and $18,071 at fair value)	**25,755**	19,277
Customer and other payables	**190,658**	174,817
Trading liabilities (at fair value)	**153,727**	108,835
Unsecured short-term borrowings (includes **$26,750** and $26,007 at fair value)	**52,870**	48,287
Unsecured long-term borrowings (includes **$40,911** and $43,661 at fair value)	**213,481**	207,076
Other liabilities (includes **$263** and $150 at fair value)	**22,451**	21,651
Total liabilities	**1,067,096**	902,703
Commitments, contingencies and guarantees		
Shareholders' equity		
Preferred stock; aggregate liquidation preference of **$11,203** and $11,203	**11,203**	11,203
Common stock; **901,692,039** and 896,782,650 shares issued, and **344,088,725** and 347,343,184 shares outstanding	**9**	9
Share-based awards	**3,468**	3,195
Nonvoting common stock; no shares issued and outstanding	**–**	–
Additional paid-in capital	**55,679**	54,883
Retained earnings	**112,947**	106,465
Accumulated other comprehensive loss	**(1,434)**	(1,484)
Stock held in treasury, at cost; **557,603,316** and 549,439,468 shares	**(85,940)**	(84,006)
Total shareholders' equity	**95,932**	90,265
Total liabilities and shareholders' equity	**$1,163,028**	$992,968

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

Consolidated Statements of Changes in Shareholders' Equity

	Year Ended December		
$ in millions	**2020**	2019	2018
Preferred stock			
Beginning balance	**$ 11,203**	$ 11,203	$ 11,853
Issued	**350**	1,100	–
Redeemed	**(350)**	(1,100)	(650)
Ending balance	**11,203**	11,203	11,203
Common stock			
Beginning balance	**9**	9	9
Issued	**–**	–	–
Ending balance	**9**	9	9
Share-based awards			
Beginning balance	**3,195**	2,845	2,777
Issuance and amortization of share-based awards	**1,967**	2,073	1,355
Delivery of common stock underlying share-based awards	**(1,601)**	(1,623)	(1,175)
Forfeiture of share-based awards	**(93)**	(100)	(80)
Exercise of share-based awards	**–**	–	(32)
Ending balance	**3,468**	3,195	2,845
Additional paid-in capital			
Beginning balance	**54,883**	54,005	53,357
Delivery of common stock underlying share-based awards	**1,619**	1,617	1,751
Cancellation of share-based awards in satisfaction of withholding tax requirements	**(829)**	(743)	(1,118)
Preferred stock issuance costs, net of reversals upon redemption	**–**	4	15
Other	**6**	–	–
Ending balance	**55,679**	54,883	54,005
Retained earnings			
Beginning balance, as previously reported	**106,465**	100,100	91,519
Cumulative effect of change in accounting principle for:			
Current expected credit losses, net of tax	**(638)**	–	–
Leases, net of tax	**–**	12	–
Revenue recognition from contracts with clients, net of tax	**–**	–	(53)
Beginning balance, adjusted	**105,827**	100,112	91,466
Net earnings	**9,459**	8,466	10,459
Dividends and dividend equivalents declared on common stock and share-based awards	**(1,795)**	(1,544)	(1,226)
Dividends declared on preferred stock	**(543)**	(560)	(584)
Preferred stock redemption premium	**(1)**	(9)	(15)
Ending balance	**112,947**	106,465	100,100
Accumulated other comprehensive income/(loss)			
Beginning balance	**(1,484)**	693	(1,880)
Other comprehensive income/(loss)	**50**	(2,177)	2,573
Ending balance	**(1,434)**	(1,484)	693
Stock held in treasury, at cost			
Beginning balance	**(84,006)**	(78,670)	(75,392)
Repurchased	**(1,928)**	(5,335)	(3,294)
Reissued	**11**	12	21
Other	**(17)**	(13)	(5)
Ending balance	**(85,940)**	(84,006)	(78,670)
Total shareholders' equity	**$ 95,932**	$ 90,265	$ 90,185

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

Consolidated Statements of Cash Flows

	Year Ended December		
$ in millions	**2020**	2019	2018
Cash flows from operating activities			
Net earnings	**$ 9,459**	$ 8,466	$ 10,459
Adjustments to reconcile net earnings to net cash provided by/(used for) operating activities:			
Depreciation and amortization	**1,902**	1,704	1,328
Deferred income taxes	**(833)**	(334)	(2,645)
Share-based compensation	**1,920**	2,018	1,831
Gain related to extinguishment of unsecured borrowings	**(1)**	(20)	(160)
Provision for credit losses	**3,098**	1,065	674
Changes in operating assets and liabilities:			
Customer and other receivables and payables, net	**(30,895)**	(7,693)	6,416
Collateralized transactions (excluding other secured financings), net	**(13,007)**	94,991	28,147
Trading assets	**(33,405)**	(68,682)	(23,652)
Trading liabilities	**44,892**	(231)	(3,670)
Loans held for sale, net	**1,820**	(1,458)	442
Other, net	**1,322**	(5,958)	(2,606)
Net cash provided by/(used for) operating activities	**(13,728)**	23,868	16,564
Cash flows from investing activities			
Purchase of property, leasehold improvements and equipment	**(6,309)**	(8,443)	(7,982)
Proceeds from sales of property, leasehold improvements and equipment	**2,970**	6,632	3,711
Net cash used for business acquisitions	**(231)**	(803)	(162)
Purchase of investments	**(48,670)**	(29,773)	(9,418)
Proceeds from sales and paydowns of investments	**29,057**	17,812	8,095
Loans (excluding loans held for sale), net	**(11,173)**	(9,661)	(13,064)
Net cash used for investing activities	**(34,356)**	(24,236)	(18,820)
Cash flows from financing activities			
Unsecured short-term borrowings, net	**7,707**	14	2,337
Other secured financings (short-term), net	**2,861**	(2,050)	586
Proceeds from issuance of other secured financings (long-term)	**8,073**	7,257	4,996
Repayment of other secured financings (long-term), including the current portion	**(4,137)**	(7,468)	(9,482)
Purchase of Trust Preferred securities	**(11)**	(206)	(35)
Proceeds from issuance of unsecured long-term borrowings	**47,250**	22,381	45,927
Repayment of unsecured long-term borrowings, including the current portion	**(55,040)**	(43,936)	(37,243)
Derivative contracts with a financing element, net	**1,037**	3,952	2,294
Deposits, net	**67,343**	31,214	20,206
Preferred stock redemption	**(350)**	(1,100)	(650)
Common stock repurchased	**(1,928)**	(5,335)	(3,294)
Settlement of share-based awards in satisfaction of withholding tax requirements	**(830)**	(745)	(1,118)
Dividends and dividend equivalents paid on common stock, preferred stock and share-based awards	**(2,336)**	(2,104)	(1,810)
Proceeds from issuance of preferred stock, net of issuance costs	**349**	1,098	–
Proceeds from issuance of common stock, including exercise of share-based awards	**–**	–	38
Other financing, net	**392**	395	–
Net cash provided by financing activities	**70,380**	3,367	22,752
Net increase in cash and cash equivalents	**22,296**	2,999	20,496
Cash and cash equivalents, beginning balance	**133,546**	130,547	110,051
Cash and cash equivalents, ending balance	**$155,842**	$133,546	$130,547
Supplemental disclosures:			
Cash payments for interest, net of capitalized interest	**$ 9,091**	$ 18,645	$ 16,721
Cash payments for income taxes, net	**$ 2,754**	$ 1,266	$ 1,271

See Notes 12, 14 and 16 for information about non-cash activities.

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

Note 1.

Description of Business

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

The firm reports its activities in 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 and spin-offs, and equity and debt underwriting of public offerings and private placements. The firm also provides lending to corporate clients, including relationship lending, middle-market lending and acquisition financing. The firm also provides transaction banking services to certain corporate clients.

Global Markets

The firm facilitates client transactions and makes markets in fixed income, equity, currency and commodity products with institutional clients, such as corporations, financial institutions, investment funds and governments. The firm also makes markets in and clears institutional client transactions on major stock, options and futures exchanges worldwide and provides prime brokerage and other equities financing activities, including securities lending, margin lending and swaps. The firm also provides financing to clients through securities purchased under agreements to resell (resale agreements), as well as through structured credit, warehouse and asset-backed lending.

Asset Management

The firm manages assets 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 clients and a network of third-party distributors around the world. The firm makes equity investments, which include alternative investing activities related to public and private equity investments in corporate, real estate and infrastructure assets, as well as investments through consolidated investment entities, substantially all of which are engaged in real estate investment activities. The firm also invests in corporate debt and provides financing for real estate and other assets.

Consumer & Wealth Management

The firm provides investing and wealth advisory solutions, including financial planning and counseling, executing brokerage transactions and managing assets for individuals in its wealth management business. The firm also provides loans and accepts deposits through its consumer banking digital platform, *Marcus by Goldman Sachs*, and through its private bank, as well as issues credit cards to consumers.

Note 2.

Basis of Presentation

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

All references to 2020, 2019 and 2018 refer to the firm's years ended, or the dates, as the context requires, December 31, 2020, December 31, 2019 and December 31, 2018, respectively. Any reference to a future year refers to a year ending on December 31 of that year.

In the fourth quarter of 2020, brokerage, clearing, exchange and distribution fees was renamed transaction based and additionally includes expenses resulting from completed transactions, which are directly related to client revenues. Such expenses were previously reported in other expenses. Previously reported amounts have been conformed to the current presentation.

Note 3.

Significant Accounting Policies

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

Fair Value Measurements	Note 4
Trading Assets and Liabilities	Note 5
Trading Cash Instruments	Note 6
Derivatives and Hedging Activities	Note 7
Investments	Note 8
Loans	Note 9
Fair Value Option	Note 10
Collateralized Agreements and Financings	Note 11
Other Assets	Note 12
Deposits	Note 13
Unsecured Borrowings	Note 14
Other Liabilities	Note 15
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Shareholders' Equity	Note 19
Regulation and Capital Adequacy	Note 20
Earnings Per Common Share	Note 21
Transactions with Affiliated Funds	Note 22
Interest Income and Interest Expense	Note 23
Income Taxes	Note 24
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Credit Concentrations	Note 26
Legal Proceedings	Note 27
Employee Benefit Plans	Note 28
Employee Incentive Plans	Note 29
Parent Company	Note 30

Consolidation

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

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

Variable Interest Entities. A VIE is an entity that lacks one or more of the characteristics of a voting interest entity. The firm has a controlling financial interest in a VIE when the firm has a variable interest or interests that provide it with (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. See Note 17 for further information about VIEs.

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

In certain cases, the firm applies the equity method of accounting to new investments that are strategic in nature or closely related to the firm's principal business activities, when the firm has a significant degree of involvement in the cash flows or operations of the investee or when cost-benefit considerations are less significant. See Note 8 for further information about equity-method investments.

Investment Funds. The firm has formed investment funds with third-party investors. These funds are typically organized as limited partnerships or limited liability companies for which the firm acts as general partner or manager. Generally, the firm does not hold a majority of the economic interests in these funds. These funds are usually voting interest entities and generally are not consolidated because third-party investors typically have rights to terminate the funds or to remove the firm as general partner or manager. Investments in these funds are generally measured at net asset value (NAV) and are included in investments. See Notes 8, 18 and 22 for further information about investments in funds.

Use of Estimates

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

Revenue Recognition

Financial Assets and Liabilities at Fair Value. Trading assets and liabilities and certain investments 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 loans and other financial assets and liabilities at fair value by electing the fair value option. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. Fair value gains or losses are generally included in market making or other principal transactions. See Note 4 for further information about fair value measurements.

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

Revenues from contracts with clients represent approximately 45% of total non-interest revenues for 2020 (including approximately 90% of investment banking revenues, approximately 95% of investment management revenues and all commissions and fees), and approximately 45% of total non-interest revenues for 2019 (including approximately 85% of investment banking revenues, approximately 95% of investment management revenues and all commissions and fees). See Note 25 for information about net revenues by business segment.

Investment Banking

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

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

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

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

Investment Management

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

Management Fees. Management fees for mutual funds are calculated as a percentage of daily net asset value and are received monthly. Management fees for hedge funds and separately managed accounts are calculated as a percentage of month-end net asset value and are generally received quarterly. Management fees for private equity funds are calculated as a percentage of monthly invested capital or committed capital and are received quarterly, semi-annually or annually, depending on the fund. Management fees are recognized over time in the period the services are provided.

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

Incentive Fees. Incentive fees are calculated as a percentage of a fund's or separately managed account's return, or excess return above a specified benchmark or other performance target. Incentive fees are generally based on investment performance over a twelve-month period or over the life of a fund. Fees that are based on performance over a twelve-month period are subject to adjustment prior to the end of the measurement period. For fees that are based on investment performance over the life of the fund, future investment underperformance may require fees previously distributed to the firm to be returned to the fund.

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

Commissions and Fees

The firm earns commissions and fees from executing and clearing client transactions on stock, options and futures markets, as well as over-the-counter (OTC) transactions. Commissions and fees are recognized on the day the trade is executed. The firm also provides third-party research services to clients in connection with certain soft-dollar arrangements. Third-party research costs incurred by the firm in connection with such arrangements are presented net within commissions and fees.

Remaining Performance Obligations

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

The firm is able to determine the future revenues associated with management fees calculated based on committed capital. As of December 2020, substantially all future net revenues associated with such remaining performance obligations will be recognized through 2028. Annual revenues associated with such performance obligations average less than $250 million through 2028.

Transfers of Financial Assets

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

Cash and Cash Equivalents

The firm defines cash equivalents as highly liquid overnight deposits held in the ordinary course of business. Cash and cash equivalents included cash and due from banks of $11.95 billion as of December 2020 and $12.57 billion as of December 2019. Cash and cash equivalents also included interest-bearing deposits with banks of $143.89 billion as of December 2020 and $120.98 billion as of December 2019.

The firm segregates cash for regulatory and other purposes related to client activity. Cash and cash equivalents segregated for regulatory and other purposes were $24.52 billion as of December 2020 and $22.78 billion as of December 2019. In addition, the firm segregates securities for regulatory and other purposes related to client activity. See Note 11 for further information about segregated securities.

Customer and Other Receivables

Customer and other receivables included receivables from customers and counterparties of $82.39 billion as of December 2020 and $50.90 billion as of December 2019, and receivables from brokers, dealers and clearing organizations of $38.94 billion as of December 2020 and $23.71 billion as of December 2019. Such receivables primarily consist of customer margin loans, receivables resulting from unsettled transactions and collateral posted in connection with certain derivative transactions.

Substantially all of these receivables are accounted for at amortized cost net of any allowance for credit losses, which generally approximates fair value. As these receivables are not accounted for at fair value, they are not included in the firm's fair value hierarchy in Notes 4 through 10. Had these receivables been included in the firm's fair value hierarchy, substantially all would have been classified in level 2 as of both December 2020 and December 2019. See Note 10 for further information about customer and other receivables accounted for at fair value under the fair value option. Interest on customer and other receivables is recognized over the life of the transaction and included in interest income.

Customer and other receivables includes receivables from contracts with clients and contract assets. Contract assets represent the firm's right to receive consideration for services provided in connection with its contracts with clients for which collection is conditional and not merely subject to the passage of time. The firm's receivables from contracts with clients were $2.60 billion as of December 2020 and $2.27 billion as of December 2019. As of both December 2020 and December 2019 contract assets were not material.

Customer and Other Payables

Customer and other payables included payables to customers and counterparties of $183.57 billion as of December 2020 and $170.21 billion as of December 2019, and payables to brokers, dealers and clearing organizations of $7.09 billion as of December 2020 and $4.61 billion as of December 2019. Such payables primarily consist of customer credit balances related to the firm's prime brokerage activities. Customer and other payables are accounted for at cost plus accrued interest, which generally approximates fair value. As these payables are not accounted for at fair value, they are not included in the firm's fair value hierarchy in Notes 4 through 10. Had these payables been included in the firm's fair value hierarchy, substantially all would have been classified in level 2 as of both December 2020 and December 2019. Interest on customer and other payables is recognized over the life of the transaction and included in interest expense.

Offsetting Assets and Liabilities

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

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

In the consolidated balance sheets, derivatives are reported net of cash collateral received and posted under enforceable credit support agreements, when transacted under an enforceable netting agreement. In the consolidated balance sheets, resale and repurchase agreements, and securities borrowed and loaned, are not reported net of the related cash and securities received or posted as collateral. See Note 11 for further information about collateral received and pledged, including rights to deliver or repledge collateral. See Notes 7 and 11 for further information about offsetting assets and liabilities.

Foreign Currency Translation

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

Recent Accounting Developments

Leases (ASC 842). In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." This ASU requires that, for leases longer than one year, a lessee recognize in the balance sheet 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. It 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. It also requires that for qualifying sale-leaseback transactions the seller recognize any gain or loss (based on the estimated fair value of the asset at the time of sale) when control of the asset is transferred instead of amortizing it over the lease period. In addition, this ASU requires expanded disclosures about the nature and terms of lease agreements.

The firm adopted this ASU in January 2019 under a modified retrospective approach. Upon adoption, in accordance with the ASU, the firm elected to not reassess the lease classification or initial direct costs of existing leases, and to not reassess whether existing contracts contain a lease. In addition, the firm has elected to account for each contract's lease and non-lease components as a single lease component. The impact of adoption was a gross up of $1.77 billion on the firm's consolidated balance sheet and an increase to retained earnings of $12 million (net of tax) as of January 1, 2019.

Measurement of Credit Losses on Financial Instruments (ASC 326). In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments — Credit Losses (Topic 326) — Measurement of Credit Losses on Financial Instruments." This ASU amends several aspects of the measurement of credit losses on certain financial instruments, including replacing the existing incurred credit loss model and other models with the Current Expected Credit Losses (CECL) model and amending certain aspects of accounting for purchased financial assets with deterioration in credit quality since origination.

The firm adopted this ASU in January 2020 under a modified retrospective approach. As a result of adopting this ASU, the firm's allowance for credit losses on financial assets and commitments that are measured at amortized cost reflects management's estimate of credit losses over the remaining expected life of such assets. Expected credit losses for newly recognized financial assets and commitments, as well as changes to expected credit losses during the period, are recognized in earnings. These expected credit losses are measured based on historical experience, current conditions and forecasts that affect the collectability of the reported amount.

The cumulative effect of measuring the allowance under CECL as a result of adopting this ASU as of January 1, 2020 was an increase in the allowance for credit losses of $848 million. The increase in the allowance is driven by the fact that the allowance under CECL covers expected credit losses over the full expected life of the loan portfolios and also takes into account forecasts of expected future economic conditions. In addition, in accordance with the ASU, the firm elected the fair value option for loans that were previously accounted for as Purchased Credit Impaired (PCI), which resulted in a decrease to the allowance for PCI loans of $169 million. The cumulative effect of adopting this ASU was a decrease to retained earnings of $638 million (net of tax).

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

Note 4.

Fair Value Measurements

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

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

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

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

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

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

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

The valuation techniques and nature of significant inputs used to determine the fair value of the firm's financial instruments are described below. See Notes 5 through 10 for further information about significant unobservable inputs used to value level 3 financial instruments.

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

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

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

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

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

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

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

Loans and Securities Backed by Commercial Real Estate

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

- Market yields implied by transactions of similar or related assets and/or current levels and changes in market indices, such as the CMBX (an index that tracks the performance of commercial mortgage bonds);
- Transaction prices in both the underlying collateral and instruments with the same or similar underlying collateral;
- A measure of expected future cash flows in a default scenario (recovery rates) implied by the value of the underlying collateral, which is mainly driven by current performance of the underlying collateral and capitalization rates. Recovery rates are expressed as a percentage of notional or face value of the instrument and reflect the benefit of credit enhancements on certain instruments; and
- Timing of expected future cash flows (duration) which, in certain cases, may incorporate the impact of any loan forbearances and other unobservable inputs (e.g., prepayment speeds).

Loans and Securities Backed by Residential Real Estate

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

- Market yields implied by transactions of similar or related assets;
- Transaction prices in both the underlying collateral and instruments with the same or similar underlying collateral;
- Cumulative loss expectations, driven by default rates, home price projections, residential property liquidation timelines, related costs and subsequent recoveries; and
- Duration, driven by underlying loan prepayment speeds and residential property liquidation timelines.

Corporate Debt Instruments

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

- Market yields implied by transactions of similar or related assets and/or current levels and trends of market indices, such as the CDX (an index that tracks the performance of corporate credit);
- Current performance and recovery assumptions and, where the firm uses credit default swaps to value the related instrument, the cost of borrowing the underlying reference obligation;
- Duration; and
- Market and transaction multiples for corporate debt instruments with convertibility or participation options.

Equity Securities

Equity securities consists of private equities. Recent third-party completed or pending transactions (e.g., merger proposals, debt restructurings, tender offers) are considered the best evidence for any change in fair value. When these are not available, the following valuation methodologies are used, as appropriate:

- Industry multiples (primarily EBITDA and revenue multiples) and public comparables;
- Transactions in similar instruments;

- Discounted cash flow techniques; and
- Third-party appraisals.

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

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

Other Trading Cash Instruments, Investments and Loans

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

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

Valuation Techniques and Significant Inputs for Derivatives

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

- **Interest Rate.** In general, the key inputs used to value interest rate derivatives are transparent, even for most long-dated contracts. Interest rate swaps and options denominated in the currencies of leading industrialized nations are characterized by high trading volumes and tight bid/offer spreads. Interest rate derivatives that reference indices, such as an inflation index, or the shape of the yield curve (e.g., 10-year swap rate vs. 2-year swap rate) are more complex, but the key inputs are generally observable.
- **Credit.** Price transparency for credit default swaps, including both single names and baskets of credits, varies by market and underlying reference entity or obligation. Credit default swaps that reference indices, large corporates and major sovereigns generally exhibit the most price transparency. For credit default swaps with other underliers, price transparency varies based on credit rating, the cost of borrowing the underlying reference obligations, and the availability of the underlying reference obligations for delivery upon the default of the issuer. Credit default swaps that reference loans, asset-backed securities and emerging market debt instruments tend to have less price transparency than those that reference corporate bonds. In addition, more complex credit derivatives, such as those sensitive to the correlation between two or more underlying reference obligations, generally have less price transparency.
- **Currency.** Prices for currency derivatives based on the exchange rates of leading industrialized nations, including those with longer tenors, are generally transparent. The primary difference between the price transparency of developed and emerging market currency derivatives is that emerging markets tend to be only observable for contracts with shorter tenors.
- **Commodity.** Commodity derivatives include transactions referenced to energy (e.g., oil 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.

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

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

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

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

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

- For level 3 interest rate and currency derivatives, significant unobservable inputs include correlations of certain currencies and interest rates (e.g., the correlation between Euro inflation and Euro interest rates) and specific interest rate and currency volatilities.
- For level 3 credit derivatives, significant unobservable inputs include illiquid credit spreads and upfront credit points, which are unique to specific reference obligations and reference entities, and recovery rates.
- For level 3 commodity derivatives, significant unobservable inputs include volatilities for options with strike prices that differ significantly from current market prices and prices or spreads for certain products for which the product quality or physical location of the commodity is not aligned with benchmark indices.
- For level 3 equity derivatives, significant unobservable inputs generally include equity volatility inputs for options that are long-dated and/or have strike prices that differ significantly from current market prices. In addition, the valuation of certain structured trades requires the use of level 3 correlation inputs, such as the correlation of the price performance of two or more individual stocks or the correlation of the price performance for a basket of stocks to another asset class, such as commodities.

Subsequent to the initial valuation of a level 3 derivative, the firm updates the level 1 and level 2 inputs to reflect observable market changes and any resulting gains and losses are classified in level 3. Level 3 inputs are changed when corroborated by evidence, such as similar market transactions, third-party pricing services and/or broker or dealer quotations or other empirical market data. In circumstances where the firm cannot verify the model value by reference to market transactions, it is possible that a different valuation model could produce a materially different estimate of fair value. See Note 7 for further information about significant unobservable inputs used in the valuation of level 3 derivatives.

Valuation Adjustments. Valuation adjustments are integral to determining the fair value of derivative portfolios and are used to adjust the mid-market valuations produced by derivative pricing models to the exit price valuation. These adjustments incorporate bid/offer spreads, the cost of liquidity, 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.

Valuation Techniques and Significant Inputs for Other Financial Instruments at Fair Value

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

Resale and Repurchase Agreements and Securities Borrowed and Loaned. The significant inputs to the valuation of resale and repurchase agreements and securities borrowed and loaned are funding spreads, the amount and timing of expected future cash flows and interest rates.

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

Deposits. The significant inputs to the valuation of time deposits are interest rates and the amount and timing of future cash flows. The inputs used to value the embedded derivative component of hybrid financial instruments are consistent with the inputs used to value the firm's other derivative instruments described above. See Note 7 for further information about derivatives and Note 13 for further information about deposits.

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

Unsecured Short- and Long-Term Borrowings. The significant inputs to the valuation of unsecured short- and long-term borrowings are the amount and timing of expected future cash flows, interest rates, the credit spreads of the firm and commodity prices for prepaid commodity transactions. The inputs used to value the embedded derivative component of hybrid financial instruments are consistent with the inputs used to value the firm's other derivative instruments described above. See Note 7 for further information about derivatives and Note 14 for further information about borrowings.

Other Liabilities. The significant inputs to the valuation of other liabilities are the amount and timing of expected future cash flows and equity volatility and correlation inputs. The inputs used to value the embedded derivative component of hybrid financial instruments are consistent with the inputs used to value the firm's other derivative instruments described above. See Note 7 for further information about derivatives.

Financial Assets and Liabilities at Fair Value

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

	As of December	
$ in millions	**2020**	2019
Total level 1 financial assets	**$ 263,999**	$242,562
Total level 2 financial assets	**410,275**	325,259
Total level 3 financial assets	**26,305**	23,068
Investments in funds at NAV	**3,664**	4,206
Counterparty and cash collateral netting	**(77,170)**	(55,527)
Total financial assets at fair value	**$ 627,073**	$539,568
Total assets	**$1,163,028**	$992,968
Total level 3 financial assets divided by:		
Total assets	**2.3%**	2.3%
Total financial assets at fair value	**4.2%**	4.3%
Total level 1 financial liabilities	**$ 85,120**	$ 54,790
Total level 2 financial liabilities	**331,824**	293,902
Total level 3 financial liabilities	**32,930**	25,938
Counterparty and cash collateral netting	**(60,297)**	(41,671)
Total financial liabilities at fair value	**$ 389,577**	$332,959
Total liabilities	**$1,067,096**	$902,703
Total level 3 financial liabilities divided by:		
Total liabilities	**3.1%**	2.9%
Total financial liabilities at fair value	**8.5%**	7.8%

In the table above:

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

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

	As of December	
$ in millions	**2020**	2019
Trading assets:		
Trading cash instruments	**$ 1,237**	$ 1,242
Derivatives	**5,967**	4,654
Investments	**16,423**	15,282
Loans	**2,678**	1,890
Total	**$ 26,305**	$ 23,068

Level 3 financial assets as of December 2020 increased compared with December 2019, primarily reflecting an increase in level 3 derivatives, investments and loans. See Notes 5 through 10 for further information about level 3 financial assets (including information about unrealized gains and losses related to level 3 financial assets and transfers in and out of level 3).

Note 5.

Trading Assets and Liabilities

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

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

$ in millions	Trading Assets	Trading Liabilities
As of December 2020		
Trading cash instruments	**$324,049**	**$ 95,136**
Derivatives	**69,581**	**58,591**
Total	**$393,630**	**$153,727**
As of December 2019		
Trading cash instruments	$310,080	$ 65,033
Derivatives	45,252	43,802
Total	$355,332	$108,835

See Note 6 for further information about trading cash instruments and Note 7 for further information about derivatives.

Gains and Losses from Market Making

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

	Year Ended December		
$ in millions	**2020**	2019	2018
Interest rates	**$ 6,191**	$ 3,272	$(1,917)
Credit	**3,250**	682	1,268
Currencies	**(3,257)**	2,902	4,646
Equities	**6,757**	2,946	5,264
Commodities	**2,605**	355	463
Total	**$15,546**	$10,157	$ 9,724

In the table above:

- Gains/(losses) include both realized and unrealized gains and losses. Gains/(losses) exclude related interest income and interest expense. See Note 23 for further information about interest income and interest expense.
- Gains and losses included in market making are primarily related to the firm's trading assets and liabilities, including both derivative and non-derivative financial instruments.
- Gains/(losses) are not representative of the manner in which the firm manages its business activities because many of the firm's market-making and client facilitation strategies utilize financial instruments across various product types. Accordingly, gains or losses in one product type frequently offset gains or losses in other product types. For example, most of the firm's longer-term derivatives across product types are sensitive to changes in interest rates and may be economically hedged with interest rate swaps. Similarly, a significant portion of the firm's trading cash instruments and derivatives across product types has exposure to foreign currencies and may be economically hedged with foreign currency contracts.

Note 6.

Trading Cash Instruments

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

Fair Value of Trading Cash Instruments by Level

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

$ in millions	Level 1	Level 2	Level 3	Total
As of December 2020				
Assets				
Government and agency obligations:				
U.S.	**$ 93,670**	**$ 44,863**	**$ –**	**$138,533**
Non-U.S.	**46,147**	**11,261**	**15**	**57,423**
Loans and securities backed by:				
Commercial real estate	**–**	**597**	**203**	**800**
Residential real estate	**–**	**6,948**	**131**	**7,079**
Corporate debt instruments	**915**	**29,639**	**797**	**31,351**
State and municipal obligations	**–**	**200**	**–**	**200**
Other debt obligations	**338**	**1,055**	**19**	**1,412**
Equity securities	**75,300**	**2,505**	**72**	**77,877**
Commodities	**–**	**9,374**	**–**	**9,374**
Total	**$216,370**	**$106,442**	**$1,237**	**$324,049**
Liabilities				
Government and agency obligations:				
U.S.	**$ (16,880)**	**$ (13)**	**$ –**	**$ (16,893)**
Non-U.S.	**(22,092)**	**(1,792)**	**–**	**(23,884)**
Loans and securities backed by:				
Commercial real estate	**–**	**(17)**	**(1)**	**(18)**
Residential real estate	**–**	**(1)**	**–**	**(1)**
Corporate debt instruments	**(2)**	**(7,970)**	**(50)**	**(8,022)**
State and municipal obligations	**–**	**(5)**	**–**	**(5)**
Other debt obligations	**–**	**–**	**(2)**	**(2)**
Equity securities	**(45,734)**	**(550)**	**(27)**	**(46,311)**
Total	**$ (84,708)**	**$ (10,348)**	**$ (80)**	**$ (95,136)**
As of December 2019				
Assets				
Government and agency obligations:				
U.S.	$108,200	$ 34,714	$ 21	$142,935
Non-U.S.	33,709	11,108	22	44,839
Loans and securities backed by:				
Commercial real estate	–	2,031	191	2,222
Residential real estate	–	5,794	231	6,025
Corporate debt instruments	1,313	26,768	692	28,773
State and municipal obligations	–	680	–	680
Other debt obligations	409	1,074	10	1,493
Equity securities	78,782	489	75	79,346
Commodities	–	3,767	–	3,767
Total	$222,413	$ 86,425	$1,242	$310,080
Liabilities				
Government and agency obligations:				
U.S.	$ (9,914)	$ (47)	$ –	$ (9,961)
Non-U.S.	(21,213)	(2,205)	(6)	(23,424)
Loans and securities backed by:				
Commercial real estate	–	(31)	(1)	(32)
Residential real estate	–	(2)	–	(2)
Corporate debt instruments	(115)	(7,494)	(253)	(7,862)
State and municipal obligations	–	(2)	–	(2)
Equity securities	(23,519)	(212)	(13)	(23,744)
Commodities	–	(6)	–	(6)
Total	$ (54,761)	$ (9,999)	$ (273)	$ (65,033)

In the table above:

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

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

Significant Unobservable Inputs

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

	As of December 2020		As of December 2019	
$ in millions	**Amount or Range**	**Weighted Average**	Amount or Range	Weighted Average
Loans and securities backed by commercial real estate				
Level 3 assets	**$203**		$191	
Yield	**1.7% to 22.0%**	**9.0%**	2.7% to 21.7%	13.5%
Recovery rate	**5.1% to 94.9%**	**57.7%**	11.4% to 81.1%	55.6%
Duration (years)	**1.1 to 9.1**	**5.0**	0.3 to 6.6	2.8
Loans and securities backed by residential real estate				
Level 3 assets	**$131**		$231	
Yield	**0.6% to 15.7%**	**6.3%**	1.2% to 12.0%	5.8%
Cumulative loss rate	**3.4% to 45.6%**	**20.8%**	5.4% to 30.4%	16.3%
Duration (years)	**0.9 to 16.1**	**6.5**	2.3 to 12.4	5.7
Corporate debt instruments				
Level 3 assets	**$797**		$692	
Yield	**0.6% to 30.6%**	**9.5%**	0.1% to 20.4%	7.2%
Recovery rate	**0.0% to 73.6%**	**58.7%**	0.0% to 69.7%	54.9%
Duration (years)	**0.3 to 25.5**	**4.0**	1.7 to 16.6	5.1

Level 3 government and agency obligations, other debt obligations and equity securities were not material as of both December 2020 and December 2019, and therefore are not included in the table above.

In the table above:

- Ranges represent the significant unobservable inputs that were used in the valuation of each type of trading cash instrument.
- Weighted averages are calculated by weighting each input by the relative fair value of the trading cash instruments.
- The ranges and weighted averages of these inputs are not representative of the appropriate inputs to use when calculating the fair value of any one trading cash instrument. For example, the highest recovery rate for corporate debt instruments is appropriate for valuing a specific corporate debt instrument, but may not be appropriate for valuing any other corporate debt instrument. Accordingly, the ranges of inputs do not represent uncertainty in, or possible ranges of, fair value measurements of level 3 trading cash instruments.
- Increases in yield, duration or cumulative loss rate used in the valuation of level 3 trading cash instruments would have resulted in a lower fair value measurement, while increases in recovery rate would have resulted in a higher fair value measurement as of both December 2020 and December 2019. Due to the distinctive nature of each level 3 trading cash instrument, the interrelationship of inputs is not necessarily uniform within each product type.
- Trading cash instruments are valued using discounted cash flows.

Level 3 Rollforward

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

	Year Ended December	
$ in millions	**2020**	2019
Total trading cash instrument assets		
Beginning balance	**$1,242**	$1,689
Net realized gains/(losses)	**66**	89
Net unrealized gains/(losses)	**(143)**	(35)
Purchases	**796**	522
Sales	**(411)**	(885)
Settlements	**(266)**	(252)
Transfers into level 3	**156**	256
Transfers out of level 3	**(203)**	(142)
Ending balance	**$1,237**	$1,242
Total trading cash instrument liabilities		
Beginning balance	**$ (273)**	$ (49)
Net realized gains/(losses)	**–**	10
Net unrealized gains/(losses)	**(15)**	(236)
Purchases	**34**	56
Sales	**(38)**	(35)
Settlements	**9**	–
Transfers into level 3	**(27)**	(24)
Transfers out of level 3	**230**	5
Ending balance	**$ (80)**	$ (273)

In the table above:

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

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

	Year Ended December	
$ in millions	**2020**	2019
Loans and securities backed by commercial real estate		
Beginning balance	**$ 191**	$ 332
Net realized gains/(losses)	**11**	5
Net unrealized gains/(losses)	**(33)**	(17)
Purchases	**110**	49
Sales	**(19)**	(153)
Settlements	**(64)**	(48)
Transfers into level 3	**25**	37
Transfers out of level 3	**(18)**	(14)
Ending balance	**$ 203**	$ 191
Loans and securities backed by residential real estate		
Beginning balance	**$ 231**	$ 348
Net realized gains/(losses)	**11**	14
Net unrealized gains/(losses)	**23**	28
Purchases	**69**	111
Sales	**(80)**	(223)
Settlements	**(40)**	(37)
Transfers into level 3	**5**	19
Transfers out of level 3	**(88)**	(29)
Ending balance	**$ 131**	$ 231
Corporate debt instruments		
Beginning balance	**$ 692**	$ 912
Net realized gains/(losses)	**47**	58
Net unrealized gains/(losses)	**(118)**	(27)
Purchases	**551**	291
Sales	**(233)**	(458)
Settlements	**(146)**	(134)
Transfers into level 3	**96**	142
Transfers out of level 3	**(92)**	(92)
Ending balance	**$ 797**	$ 692
Other		
Beginning balance	**$ 128**	$ 97
Net realized gains/(losses)	**(3)**	12
Net unrealized gains/(losses)	**(15)**	(19)
Purchases	**66**	71
Sales	**(79)**	(51)
Settlements	**(16)**	(33)
Transfers into level 3	**30**	58
Transfers out of level 3	**(5)**	(7)
Ending balance	**$ 106**	$ 128

In the table above, other includes U.S. and non-U.S. government and agency obligations, other debt obligations and equity securities.

Level 3 Rollforward Commentary

Year Ended December 2020. The net realized and unrealized losses on level 3 trading cash instrument assets of $77 million (reflecting $66 million of net realized gains and $143 million of net unrealized losses) for 2020 included gains/(losses) of $(193) million reported in market making and $116 million reported in interest income.

The net unrealized losses on level 3 trading cash instrument assets for 2020 primarily reflected losses on certain corporate debt instruments, principally driven by wider credit spreads.

Transfers into level 3 trading cash instrument assets during 2020 primarily reflected transfers of certain corporate debt instruments from level 2, principally due to reduced price transparency as a result of a lack of market evidence, including fewer market transactions in these instruments.

Transfers out of level 3 trading cash instrument assets during 2020 primarily reflected transfers of certain corporate debt instruments, 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.

Year Ended December 2019. The net realized and unrealized gains on level 3 trading cash instrument assets of $54 million (reflecting $89 million of net realized gains and $35 million of net unrealized losses) for 2019 included gains/(losses) of $(56) million reported in market making and $110 million reported in interest income.

The drivers of net unrealized losses on level 3 trading cash instrument assets for 2019 were not material.

Transfers into level 3 trading cash instrument assets during 2019 primarily reflected transfers of certain corporate debt instruments from level 2, principally due to reduced price transparency as a result of a lack of market evidence, including fewer market transactions in these instruments.

The drivers of transfers out of level 3 trading cash instrument assets during 2019 were not material.

Note 7.

Derivatives and Hedging Activities

Derivative Activities

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

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

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

The firm enters into various types of derivatives, including:

- **Futures and Forwards.** Contracts that commit counterparties to purchase or sell financial instruments, commodities or currencies in the future.
- **Swaps.** Contracts that require counterparties to exchange cash flows, such as currency or interest payment streams. The amounts exchanged are based on the specific terms of the contract with reference to specified rates, financial instruments, commodities, currencies or indices.
- **Options.** Contracts in which the option purchaser has the right, but not the obligation, to purchase from or sell to the option writer financial instruments, commodities or currencies within a defined time period for a specified price.

Derivatives are reported on a net-by-counterparty basis (i.e., the net payable or receivable for derivative assets and liabilities for a given counterparty) when a legal right of setoff exists under an enforceable netting agreement (counterparty netting). Derivatives are accounted for at fair value, net of cash collateral received or posted under enforceable credit support agreements (cash collateral netting). Derivative assets are included in trading assets and derivative liabilities are included in trading liabilities. Realized and unrealized gains and losses on derivatives not designated as hedges are included in market making (for derivatives included in the Global Markets segment), and other principal transactions (for derivatives included in the remaining business segments) in the consolidated statements of earnings. For both the years ended December 2020 and December 2019, substantially all of the firm's derivatives were included in the Global Markets segment.

The tables below present the gross fair value and the notional amounts of derivative contracts by major product type, the amounts of counterparty and cash collateral netting in the consolidated balance sheets, as well as cash and securities collateral posted and received under enforceable credit support agreements that do not meet the criteria for netting under U.S. GAAP.

	As of December 2020		As of December 2019	
$ in millions	**Derivative Assets**	**Derivative Liabilities**	Derivative Assets	Derivative Liabilities
Not accounted for as hedges				
Exchange-traded	**$ 665**	**$ 660**	$ 476	$ 856
OTC-cleared	**18,832**	**16,809**	9,958	8,618
Bilateral OTC	**337,998**	**304,370**	266,387	242,046
Total interest rates	**357,495**	**321,839**	276,821	251,520
OTC-cleared	**4,137**	**4,517**	6,551	6,929
Bilateral OTC	**12,418**	**11,551**	14,178	13,860
Total credit	**16,555**	**16,068**	20,729	20,789
Exchange-traded	**133**	**22**	35	10
OTC-cleared	**401**	**631**	411	391
Bilateral OTC	**101,830**	**102,676**	79,887	81,613
Total currencies	**102,364**	**103,329**	80,333	82,014
Exchange-traded	**4,476**	**4,177**	2,390	2,272
OTC-cleared	**195**	**187**	180	243
Bilateral OTC	**9,320**	**13,691**	8,568	13,034
Total commodities	**13,991**	**18,055**	11,138	15,549
Exchange-traded	**29,006**	**31,944**	13,499	16,976
Bilateral OTC	**47,867**	**49,072**	36,162	39,531
Total equities	**76,873**	**81,016**	49,661	56,507
Subtotal	**567,278**	**540,307**	438,682	426,379
Accounted for as hedges				
OTC-cleared	**1**	**–**	–	–
Bilateral OTC	**1,346**	**–**	3,182	1
Total interest rates	**1,347**	**–**	3,182	1
OTC-cleared	**–**	**87**	16	57
Bilateral OTC	**4**	**372**	16	153
Total currencies	**4**	**459**	32	210
Subtotal	**1,351**	**459**	3,214	211
Total gross fair value	**$ 568,629**	**$ 540,766**	$ 441,896	$ 426,590
Offset in the consolidated balance sheets				
Exchange-traded	**$ (29,549)**	**$ (29,549)**	$ (14,159)	$ (14,159)
OTC-cleared	**(21,315)**	**(21,315)**	(15,565)	(15,565)
Bilateral OTC	**(372,142)**	**(372,142)**	(310,920)	(310,920)
Counterparty netting	**(423,006)**	**(423,006)**	(340,644)	(340,644)
OTC-cleared	**(1,926)**	**(720)**	(1,302)	(526)
Bilateral OTC	**(74,116)**	**(58,449)**	(54,698)	(41,618)
Cash collateral netting	**(76,042)**	**(59,169)**	(56,000)	(42,144)
Total amounts offset	**$(499,048)**	**$(482,175)**	$(396,644)	$(382,788)
Included in the consolidated balance sheets				
Exchange-traded	**$ 4,731**	**$ 7,254**	$ 2,241	$ 5,955
OTC-cleared	**325**	**196**	249	147
Bilateral OTC	**64,525**	**51,141**	42,762	37,700
Total	**$ 69,581**	**$ 58,591**	$ 45,252	$ 43,802
Not offset in the consolidated balance sheets				
Cash collateral	**$ (979)**	**$ (2,427)**	$ (604)	$ (1,603)
Securities collateral	**(17,297)**	**(9,943)**	(14,196)	(9,252)
Total	**$ 51,305**	**$ 46,221**	$ 30,452	$ 32,947

	Notional Amounts as of December	
$ in millions	**2020**	2019
Not accounted for as hedges		
Exchange-traded	**$ 3,722,558**	$ 4,757,300
OTC-cleared	**13,789,571**	13,440,376
Bilateral OTC	**11,076,460**	11,668,171
Total interest rates	**28,588,589**	29,865,847
OTC-cleared	**515,197**	396,342
Bilateral OTC	**558,813**	707,935
Total credit	**1,074,010**	1,104,277
Exchange-traded	**7,413**	4,566
OTC-cleared	**157,687**	134,060
Bilateral OTC	**6,041,663**	5,926,602
Total currencies	**6,206,763**	6,065,228
Exchange-traded	**242,193**	230,018
OTC-cleared	**2,315**	2,639
Bilateral OTC	**206,253**	243,228
Total commodities	**450,761**	475,885
Exchange-traded	**948,937**	910,099
Bilateral OTC	**1,126,572**	1,182,335
Total equities	**2,075,509**	2,092,434
Subtotal	**38,395,632**	39,603,671
Accounted for as hedges		
OTC-cleared	**182,311**	123,531
Bilateral OTC	**6,641**	9,714
Total interest rates	**188,952**	133,245
OTC-cleared	**1,767**	4,152
Bilateral OTC	**14,055**	9,247
Total currencies	**15,822**	13,399
Subtotal	**204,774**	146,644
Total notional amounts	**$38,600,406**	$39,750,315

In the tables above:

- Gross fair values exclude the effects of both counterparty netting and collateral, and therefore are not representative of the firm's exposure.
- Where the firm has received or posted collateral under credit support agreements, but has not yet determined such agreements are enforceable, the related collateral has not been netted.
- Notional amounts, which represent the sum of gross long and short derivative contracts, provide an indication of the volume of the firm's derivative activity and do not represent anticipated losses.
- Total gross fair value of derivatives included derivative assets of $20.60 billion as of December 2020 and $9.15 billion as of December 2019, and derivative liabilities of $22.98 billion as of December 2020 and $14.88 billion as of December 2019, 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.
- During the first quarter of 2020, consistent with the rules of a clearing organization, the firm elected to consider its transactions with that clearing organization as settled each day. The impact of this change would have been a reduction in gross credit derivative assets of $3.97 billion and liabilities of $4.15 billion as of December 2019, and a corresponding decrease in counterparty and cash collateral netting, with no impact to the consolidated balance sheets.

Fair Value of Derivatives by Level

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

$ in millions	Level 1	Level 2	Level 3	Total
As of December 2020				
Assets				
Interest rates	**$ 297**	**$ 357,568**	**$ 977**	**$ 358,842**
Credit	**–**	**13,104**	**3,451**	**16,555**
Currencies	**–**	**102,221**	**147**	**102,368**
Commodities	**–**	**13,285**	**706**	**13,991**
Equities	**75**	**75,054**	**1,744**	**76,873**
Gross fair value	**372**	**561,232**	**7,025**	**568,629**
Counterparty netting in levels	**(135)**	**(420,685)**	**(1,058)**	**(421,878)**
Subtotal	**$ 237**	**$ 140,547**	**$ 5,967**	**$ 146,751**
Cross-level counterparty netting				**(1,128)**
Cash collateral netting				**(76,042)**
Net fair value				**$ 69,581**
Liabilities				
Interest rates	**$(229)**	**$(320,900)**	**$ (710)**	**$(321,839)**
Credit	**–**	**(14,395)**	**(1,673)**	**(16,068)**
Currencies	**–**	**(103,303)**	**(485)**	**(103,788)**
Commodities	**–**	**(17,649)**	**(406)**	**(18,055)**
Equities	**(318)**	**(78,122)**	**(2,576)**	**(81,016)**
Gross fair value	**(547)**	**(534,369)**	**(5,850)**	**(540,766)**
Counterparty netting in levels	**135**	**420,685**	**1,058**	**421,878**
Subtotal	**$(412)**	**$(113,684)**	**$(4,792)**	**$(118,888)**
Cross-level counterparty netting				**1,128**
Cash collateral netting				**59,169**
Net fair value				**$ (58,591)**
As of December 2019				
Assets				
Interest rates	$ 3	$ 279,443	$ 557	$ 280,003
Credit	–	17,204	3,525	20,729
Currencies	–	80,178	187	80,365
Commodities	–	10,648	490	11,138
Equities	21	48,953	687	49,661
Gross fair value	24	436,426	5,446	441,896
Counterparty netting in levels	–	(340,325)	(792)	(341,117)
Subtotal	$ 24	$ 96,101	$ 4,654	$ 100,779
Cross-level counterparty netting				473
Cash collateral netting				(56,000)
Net fair value				$ 45,252
Liabilities				
Interest rates	$ (3)	$(251,050)	$ (468)	$(251,521)
Credit	–	(19,141)	(1,648)	(20,789)
Currencies	–	(81,826)	(398)	(82,224)
Commodities	–	(15,306)	(243)	(15,549)
Equities	(26)	(53,817)	(2,664)	(56,507)
Gross fair value	(29)	(421,140)	(5,421)	(426,590)
Counterparty netting in levels	–	340,325	792	341,117
Subtotal	$ (29)	$ (80,815)	$(4,629)	$ (85,473)
Cross-level counterparty netting				(473)
Cash collateral netting				42,144
Net fair value				$ (43,802)

In the table above:

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

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

Significant Unobservable Inputs

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

	As of December 2020		As of December 2019	
$ in millions, except inputs	**Amount or Range**	**Average/ Median**	Amount or Range	Average/ Median
Interest rates, net	**$267**		$89	
Correlation	**(8)% to 81%**	**56%/60%**	(42)% to 81%	52%/60%
Volatility (bps)	**31 to 150**	**65/53**	31 to 150	70/61
Credit, net	**$1,778**		$1,877	
Credit spreads (bps)	**2 to 699**	**109/74**	1 to 559	96/53
Upfront credit points	**7 to 90**	**40/30**	2 to 90	38/32
Recovery rates	**25% to 90%**	**46%/40%**	10% to 60%	31%/25%
Currencies, net	**$(338)**		$(211)	
Correlation	**20% to 70%**	**39%/41%**	20% to 70%	37%/36%
Volatility	**18% to 18%**	**18%/18%**	N/A	N/A
Commodities, net	**$300**		$247	
Volatility	**15% to 87%**	**32%/30%**	9% to 57%	26%/25%
Natural gas spread	**$(1.00) to $2.13**	**$(0.13)/ $(0.09)**	$(1.93) to $1.69	$(0.16)/ $(0.17)
Oil spread	**$8.30 to $11.20**	**$9.73/ $9.55**	$(4.86) to $19.77	$9.82/ $11.15
Equities, net	**$(832)**		$(1,977)	
Correlation	**(70)% to 100%**	**52%/55%**	(70)% to 99%	42%/45%
Volatility	**3% to 129%**	**14%/7%**	2% to 72%	14%/7%

In the table above:

- Derivative assets are shown as positive amounts and derivative liabilities are shown as negative amounts.
- Ranges represent the significant unobservable inputs that were used in the valuation of each type of derivative.
- Averages represent the arithmetic average of the inputs and are not weighted by the relative fair value or notional of the respective financial instruments. An average greater than the median indicates that the majority of inputs are below the average. For example, the difference between the average and the median for credit spreads indicates that the majority of the inputs fall in the lower end of the range.
- The ranges, averages and medians of these inputs are not representative of the appropriate inputs to use when calculating the fair value of any one derivative. For example, the highest correlation for interest rate derivatives is appropriate for valuing a specific interest rate derivative but may not be appropriate for valuing any other interest rate derivative. Accordingly, the ranges of inputs do not represent uncertainty in, or possible ranges of, fair value measurements of level 3 derivatives.
- Interest rates, currencies and equities derivatives are valued using option pricing models, credit derivatives are valued using option pricing, correlation and discounted cash flow models, and commodities derivatives are valued using option pricing and discounted cash flow models.
- The fair value of any one instrument may be determined using multiple valuation techniques. For example, option pricing models and discounted cash 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 type correlation.
- Volatility was not significant to the valuation of level 3 currency derivatives as of December 2019.
- Natural gas spread represents the spread per million British thermal units of natural gas.
- Oil spread represents the spread per barrel of oil and refined products.

Range of Significant Unobservable Inputs

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

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

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

Sensitivity of Fair Value Measurement to Changes in Significant Unobservable Inputs

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

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

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

Level 3 Rollforward

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

	Year Ended December	
$ in millions	**2020**	2019
Total level 3 derivatives, net		
Beginning balance	**$ 25**	$ 590
Net realized gains/(losses)	**226**	118
Net unrealized gains/(losses)	**612**	(454)
Purchases	**319**	444
Sales	**(724)**	(668)
Settlements	**750**	236
Transfers into level 3	**(40)**	7
Transfers out of level 3	**7**	(248)
Ending balance	**$1,175**	$ 25

In the table above:

- Changes in fair value are presented for all derivative assets and liabilities that are classified in level 3 as of the end of the period.
- Net unrealized gains/(losses) relates to instruments that were still held at period-end.
- Transfers between levels of the fair value hierarchy are reported at the beginning of the reporting period in which they occur. If a derivative was transferred into level 3 during a reporting period, its entire gain or loss for the period is classified in level 3.
- Positive amounts for transfers into level 3 and negative amounts for transfers out of level 3 represent net transfers of derivative assets. Negative amounts for transfers into level 3 and positive amounts for transfers out of level 3 represent net transfers of derivative liabilities.
- A derivative with level 1 and/or level 2 inputs is classified in level 3 in its entirety if it has at least one significant level 3 input.
- If there is one significant level 3 input, the entire gain or loss from adjusting only observable inputs (i.e., level 1 and level 2 inputs) is classified in level 3.
- Gains or losses that have been classified in level 3 resulting from changes in level 1 or level 2 inputs are frequently offset by gains or losses attributable to level 1 or level 2 derivatives and/or level 1, level 2 and level 3 trading cash instruments. As a result, gains/(losses) included in the level 3 rollforward below do not necessarily represent the overall impact on the firm's results of operations, liquidity or capital resources.

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

	Year Ended December	
$ in millions	**2020**	2019
Interest rates, net		
Beginning balance	**$ 89**	$ (109)
Net realized gains/(losses)	**12**	(24)
Net unrealized gains/(losses)	**226**	199
Purchases	**12**	8
Sales	**(28)**	(13)
Settlements	**(34)**	40
Transfers into level 3	**(13)**	–
Transfers out of level 3	**3**	(12)
Ending balance	**$ 267**	$ 89
Credit, net		
Beginning balance	**$ 1,877**	$ 1,672
Net realized gains/(losses)	**28**	42
Net unrealized gains/(losses)	**110**	273
Purchases	**39**	146
Sales	**(50)**	(114)
Settlements	**(229)**	(251)
Transfers into level 3	**47**	108
Transfers out of level 3	**(44)**	1
Ending balance	**$ 1,778**	$ 1,877
Currencies, net		
Beginning balance	**$ (211)**	$ 461
Net realized gains/(losses)	**(8)**	(32)
Net unrealized gains/(losses)	**(210)**	(327)
Purchases	**1**	11
Sales	**(20)**	(1)
Settlements	**117**	(306)
Transfers into level 3	**(2)**	(14)
Transfers out of level 3	**(5)**	(3)
Ending balance	**$ (338)**	$ (211)
Commodities, net		
Beginning balance	**$ 247**	$ 112
Net realized gains/(losses)	**(12)**	(34)
Net unrealized gains/(losses)	**159**	219
Purchases	**37**	25
Sales	**(22)**	(81)
Settlements	**(60)**	(6)
Transfers into level 3	**(27)**	8
Transfers out of level 3	**(22)**	4
Ending balance	**$ 300**	$ 247
Equities, net		
Beginning balance	**$(1,977)**	$(1,546)
Net realized gains/(losses)	**206**	166
Net unrealized gains/(losses)	**327**	(818)
Purchases	**230**	254
Sales	**(604)**	(459)
Settlements	**956**	759
Transfers into level 3	**(45)**	(95)
Transfers out of level 3	**75**	(238)
Ending balance	**$ (832)**	$(1,977)

Level 3 Rollforward Commentary

Year Ended December 2020. The net realized and unrealized gains on level 3 derivatives of $838 million (reflecting $226 million of net realized gains and $612 million of net unrealized gains) for 2020 included gains of $900 million reported in market making and losses of $62 million reported in other principal transactions.

The net unrealized gains on level 3 derivatives for 2020 were primarily attributable to gains on certain equity derivatives (primarily reflecting the impact of an increase in equity prices), gains on certain interest rate derivatives (primarily reflecting the impact of a decrease in interest rates and changes in foreign exchange rates), gains on certain commodity derivatives (primarily reflecting the impact of changes in commodity prices), and gains on certain credit derivatives (primarily reflecting the impact of a decrease in interest rates), partially offset by losses on certain currency derivatives (primarily reflecting the impact of changes in foreign exchange rates and a decrease in interest rates).

The drivers of both transfers into level 3 derivatives and transfers out of level 3 derivatives during 2020 were not material.

Year Ended December 2019. The net realized and unrealized losses on level 3 derivatives of $336 million (reflecting $118 million of net realized gains and $454 million of net unrealized losses) for 2019 included losses of $305 million reported in market making and $31 million reported in other principal transactions.

The net unrealized losses on level 3 derivatives for 2019 were primarily attributable to losses on certain equity derivatives (primarily reflecting the impact of an increase in equity prices), and losses on certain currency derivatives (primarily reflecting the impact of a decrease in interest rates and changes in foreign exchange rates), partially offset by gains on certain credit derivatives (primarily reflecting the impact of a decrease in interest rates), gains on certain commodity derivatives (primarily reflecting the impact of changes in commodity prices), and gains on certain interest rate derivatives (primarily reflecting the impact of a decrease in interest rates).

The drivers of transfers into level 3 derivatives during 2019 were not material.

Transfers out of level 3 derivatives during 2019 primarily reflected transfers of certain equity derivative assets to level 2, principally due to certain unobservable inputs no longer being significant to the valuation of these derivatives.

OTC Derivatives

The table below presents 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 December 2020				
Assets				
Interest rates	**$ 8,913**	**$20,145**	**$74,893**	**$103,951**
Credit	**822**	**3,270**	**3,302**	**7,394**
Currencies	**13,887**	**7,400**	**9,303**	**30,590**
Commodities	**2,998**	**1,466**	**488**	**4,952**
Equities	**12,182**	**12,590**	**1,807**	**26,579**
Counterparty netting in tenors	**(3,963)**	**(4,458)**	**(3,182)**	**(11,603)**
Subtotal	**$34,839**	**$40,413**	**$86,611**	**$161,863**
Cross-tenor counterparty netting				**(20,971)**
Cash collateral netting				**(76,042)**
Total OTC derivative assets				**$ 64,850**
Liabilities				
Interest rates	**$ 5,687**	**$11,967**	**$49,301**	**$ 66,955**
Credit	**1,268**	**3,462**	**2,177**	**6,907**
Currencies	**18,770**	**7,575**	**5,775**	**32,120**
Commodities	**3,455**	**1,545**	**4,315**	**9,315**
Equities	**9,702**	**14,095**	**3,986**	**27,783**
Counterparty netting in tenors	**(3,963)**	**(4,458)**	**(3,182)**	**(11,603)**
Subtotal	**$34,919**	**$34,186**	**$62,372**	**$131,477**
Cross-tenor counterparty netting				**(20,971)**
Cash collateral netting				**(59,169)**
Total OTC derivative liabilities				**$ 51,337**
As of December 2019				
Assets				
Interest rates	$ 5,521	$15,183	$57,394	$ 78,098
Credit	678	3,259	3,183	7,120
Currencies	10,236	5,063	6,245	21,544
Commodities	2,507	1,212	302	4,021
Equities	7,332	4,509	1,294	13,135
Counterparty netting in tenors	(3,263)	(3,673)	(2,332)	(9,268)
Subtotal	$23,011	$25,553	$66,086	$114,650
Cross-tenor counterparty netting				(15,639)
Cash collateral netting				(56,000)
Total OTC derivative assets				$ 43,011
Liabilities				
Interest rates	$ 3,654	$ 9,113	$36,470	$ 49,237
Credit	1,368	4,052	1,760	7,180
Currencies	12,486	6,906	4,036	23,428
Commodities	2,796	1,950	3,804	8,550
Equities	5,755	7,381	3,367	16,503
Counterparty netting in tenors	(3,263)	(3,673)	(2,332)	(9,268)
Subtotal	$22,796	$25,729	$47,105	$ 95,630
Cross-tenor counterparty netting				(15,639)
Cash collateral netting				(42,144)
Total OTC derivative liabilities				$ 37,847

In the table above:

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

Credit Derivatives

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

The firm enters into the following types of credit derivatives:

- **Credit Default Swaps.** Single-name credit default swaps protect the buyer against the loss of principal on one or more bonds, loans or mortgages (reference obligations) in the event the issuer of the reference obligations suffers a credit event. The buyer of protection pays an initial or periodic premium to the seller and receives protection for the period of the contract. If there is no credit event, as defined in the contract, the seller of protection makes no payments to the buyer. If a credit event occurs, the seller of protection is required to make a payment to the buyer, calculated according to the terms of the contract.
- **Credit Options.** In a credit option, the option writer assumes the obligation to purchase or sell a reference obligation at a specified price or credit spread. The option purchaser buys the right, but does not assume the obligation, to sell the reference obligation to, or purchase it from, the option writer. The payments on credit options depend either on a particular credit spread or the price of the reference obligation.

- **Credit Indices, Baskets and Tranches.** Credit derivatives may reference a basket of single-name credit default swaps or a broad-based index. If a credit event occurs in one of the underlying reference obligations, the protection seller pays the protection buyer. The payment is typically a pro-rata portion of the transaction's total notional amount based on the underlying defaulted reference obligation. In certain transactions, the credit risk of a basket or index is separated into various portions (tranches), each having different levels of subordination. The most junior tranches cover initial defaults and once losses exceed the notional amount of these junior tranches, any excess loss is covered by the next most senior tranche.
- **Total Return Swaps.** A total return swap transfers the risks relating to economic performance of a reference obligation from the protection buyer to the protection seller. Typically, the protection buyer receives a floating rate of interest and protection against any reduction in fair value of the reference obligation, and the protection seller receives the cash flows associated with the reference obligation, plus any increase in the fair value of the reference obligation.

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

As of December 2020, written credit derivatives had a total gross notional amount of $515.85 billion and purchased credit derivatives had a total gross notional amount of $558.18 billion, for total net notional purchased protection of $42.33 billion. As of December 2019, written credit derivatives had a total gross notional amount of $522.57 billion and purchased credit derivatives had a total gross notional amount of $581.76 billion, for total net notional purchased protection of $59.19 billion. The firm's written and purchased credit derivatives primarily consist of credit default swaps.

The table below presents information about credit derivatives.

	Credit Spread on Underlier (basis points)				
$ in millions	0 - 250	251 - 500	501 - 1,000	Greater than 1,000	Total
As of December 2020					
Maximum Payout/Notional Amount of Written Credit Derivatives by Tenor					
Less than 1 year	**$ 96,049**	**$ 5,826**	**$ 450**	**$ 2,403**	**$104,728**
1 – 5 years	**331,145**	**17,913**	**8,801**	**4,932**	**362,791**
Greater than 5 years	**44,132**	**3,839**	**272**	**88**	**48,331**
Total	**$471,326**	**$27,578**	**$9,523**	**$ 7,423**	**$515,850**
Maximum Payout/Notional Amount of Purchased Credit Derivatives					
Offsetting	**$407,315**	**$19,822**	**$8,679**	**$ 7,091**	**$442,907**
Other	**$103,604**	**$ 7,272**	**$3,619**	**$ 776**	**$115,271**
Fair Value of Written Credit Derivatives					
Asset	**$ 10,302**	**$ 638**	**$ 256**	**$ 118**	**$ 11,314**
Liability	**1,112**	**1,119**	**387**	**2,001**	**4,619**
Net asset/(liability)	**$ 9,190**	**$ (481)**	**$ (131)**	**$ (1,883)**	**$ 6,695**
As of December 2019					
Maximum Payout/Notional Amount of Written Credit Derivatives by Tenor					
Less than 1 year	$143,566	$ 7,155	$ 759	$ 2,953	$154,433
1 – 5 years	292,444	10,125	5,482	8,735	316,786
Greater than 5 years	48,109	2,260	427	554	51,350
Total	$484,119	$19,540	$6,668	$12,242	$522,569
Maximum Payout/Notional Amount of Purchased Credit Derivatives					
Offsetting	$395,127	$14,492	$5,938	$10,543	$426,100
Other	$149,092	$ 2,617	$1,599	$ 2,354	$155,662
Fair Value of Written Credit Derivatives					
Asset	$ 13,103	$ 446	$ 160	$ 202	$ 13,911
Liability	1,239	448	372	3,490	5,549
Net asset/(liability)	$ 11,864	$ (2)	$ (212)	$ (3,288)	$ 8,362

In the table above:

- Fair values exclude the effects of both netting of receivable balances with payable balances under enforceable netting agreements, and netting of cash received or posted under enforceable credit support agreements, and therefore are not representative of the firm's credit exposure.
- Tenor is based on remaining contractual maturity.
- The credit spread on the underlier, together with the tenor of the contract, are indicators of payment/performance risk. The firm is less likely to pay or otherwise be required to perform where the credit spread and the tenor are lower.
- Offsetting purchased credit derivatives represent the notional amount of purchased credit derivatives that economically hedge written credit derivatives with identical underliers.
- Other purchased credit derivatives represent the notional amount of all other purchased credit derivatives not included in offsetting.

Impact of Credit and Funding Spreads on Derivatives

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

The table below presents information about CVA and FVA.

	Year Ended December		
$ in millions	**2020**	2019	2018
CVA, net of hedges	**$(143)**	$(289)	$ 371
FVA, net of hedges	**173**	485	(194)
Total	**$ 30**	$ 196	$ 177

Bifurcated Embedded Derivatives

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

	As of December	
$ in millions	**2020**	2019
Fair value of assets	**$ 1,450**	$ 1,148
Fair value of liabilities	**(1,220)**	(1,717)
Net asset/(liability)	**$ 230**	$ (569)
Notional amount	**$12,548**	$11,003

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

Derivatives with Credit-Related Contingent Features

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

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

	As of December	
$ in millions	**2020**	2019
Net derivative liabilities under bilateral agreements	**$43,368**	$32,800
Collateral posted	**$35,296**	$28,510
Additional collateral or termination payments:		
One-notch downgrade	**$ 481**	$ 358
Two-notch downgrade	**$ 1,388**	$ 1,268

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- and short-term borrowings and certain fixed-rate certificates of deposit, (ii) foreign exchange forward contracts used to manage the foreign exchange risk of certain available-for-sale securities and (iii) 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 assess the hedging relationship at least on a quarterly basis to ensure the hedging instrument continues to be highly effective over the life of the hedging relationship.

Fair Value Hedges

The firm designates certain interest rate swaps as fair value hedges of certain fixed-rate unsecured long- and short-term debt and fixed-rate certificates of deposit. These interest rate swaps hedge changes in fair value attributable to the designated benchmark interest rate (e.g., London Interbank Offered Rate (LIBOR), Secured Overnight Financing Rate or Overnight Index Swap Rate), 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 these hedging relationships in achieving offsetting changes in the fair values of the hedging instrument and the risk being hedged (i.e., interest rate risk). An interest rate swap is considered highly effective in offsetting changes in fair value attributable to changes in the hedged risk when the regression analysis results in a coefficient of determination of 80% or greater and a slope between 80% and 125%.

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 (hedging adjustment) and is also 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 and the related hedged borrowings and deposits, and total interest expense.

	Year Ended December		
$ in millions	**2020**	2019	2018
Interest rate hedges	**$ 3,862**	$ 3,196	$ (1,854)
Hedged borrowings and deposits	**$(4,557)**	$ (3,657)	$ 1,295
Interest expense	**$ 8,938**	$17,376	$15,912

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

$ in millions	Carrying Value	Cumulative Hedging Adjustment
As of December 2020		
Deposits	**$ 17,303**	**$ 649**
Unsecured short-term borrowings	**$ 5,976**	**$ 53**
Unsecured long-term borrowings	**$115,242**	**$11,624**
As of December 2019		
Deposits	$ 19,634	$ 200
Unsecured short-term borrowings	$ 6,008	$ 28
Unsecured long-term borrowings	$ 87,874	$ 7,292

In the table above, cumulative hedging adjustment included $6.34 billion as of December 2020 and $3.48 billion as of December 2019 of hedging adjustments from prior hedging relationships that were de-designated and substantially all were related to unsecured long-term borrowings.

In addition, cumulative hedging adjustments for items no longer designated in a hedging relationship were $489 million as of December 2020 and $425 million as of December 2019 and substantially all were related to unsecured long-term borrowings.

During 2020, the firm designated certain foreign exchange forward contracts as fair value hedges of the foreign exchange risk of certain available-for-sale securities included in investments. The carrying value of such securities was $2.09 billion as of December 2020. The effectiveness of such hedges is assessed based on changes in spot rates. The losses on the hedges (relating to both spot and forward points) were $112 million and the gains on the related available-for-sale securities were $110 million, and were included in market making for 2020.

Net Investment Hedges

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

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

	Year Ended December		
$ in millions	**2020**	2019	2018
Hedges:			
Foreign currency forward contract	**$(126)**	$ 6	$577
Foreign currency-denominated debt	**$(297)**	$(19)	$ (50)

Gains or losses on individual net investments in non-U.S. operations are reclassified to earnings from accumulated other comprehensive income/(loss) when such net investments are sold or substantially liquidated. The gross and net gains and losses on hedges and the related net investments in non-U.S. operations reclassified to earnings from accumulated other comprehensive income for 2020 was $61 million (reflecting a gain of $214 million related to hedges and a loss of $153 million on the related net investments in non-U.S. operations). The gross and net gains and losses reclassified to earnings from accumulated other comprehensive income were not material for both 2019 and 2018.

The firm had designated $4.97 billion as of December 2020 and $3.05 billion as of December 2019 of foreign currency-denominated debt, included in unsecured long- and short-term borrowings, as hedges of net investments in non-U.S. subsidiaries.

Note 8.

Investments

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

The table below presents information about investments.

	As of December	
$ in millions	**2020**	2019
Equity securities, at fair value	**$19,781**	$22,163
Debt instruments, at fair value	**16,981**	16,570
Available-for-sale securities, at fair value	**46,016**	19,094
Investments, at fair value	**82,778**	57,827
Held-to-maturity securities	**5,301**	5,825
Equity method investments	**366**	285
Total investments	**$88,445**	$63,937

Equity Securities and Debt Instruments, at Fair Value

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

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

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

	As of December	
$ in millions	**2020**	2019
Equity securities, at fair value	**$19,781**	$22,163
Equity Type		
Public equity	**15%**	11%
Private equity	**85%**	89%
Total	**100%**	100%
Asset Class		
Corporate	**83%**	79%
Real estate	**17%**	21%
Total	**100%**	100%

In the table above:

- Equity securities, at fair value included investments accounted for at fair value under the fair value option where the firm would otherwise apply the equity method of accounting of $7.14 billion as of December 2020 and $8.23 billion as of December 2019. Gains recognized as a result of changes in the fair value of equity securities for which the fair value option was elected were $573 million for 2020 and $1.29 billion for 2019. These gains are included in other principal transactions in the consolidated statements of earnings.
- Equity securities, at fair value included $2.35 billion as of December 2020 and $3.22 billion as of December 2019 of investments in funds that are measured at NAV.

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

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

	As of December	
$ in millions	**2020**	2019
Corporate debt securities	**$10,991**	$10,838
Securities backed by real estate	**1,940**	2,619
Money market instruments	**2,185**	1,681
Other	**1,865**	1,432
Total	**$16,981**	$16,570

In the table above:

- Money market instruments includes time deposits, investments in money market funds, commercial paper and certificates of deposit.
- Other included $1.31 billion as of December 2020 and $983 million as of December 2019 of investments in credit funds that are measured at NAV.

Investments in Funds at Net Asset Value Per Share. Equity securities and debt instruments, at fair value include investments in funds that are measured at NAV of the investment fund. The firm uses NAV to measure the fair value of fund investments when (i) the fund investment does not have a readily determinable fair value and (ii) the NAV of the investment fund is calculated in a manner consistent with the measurement principles of investment company accounting, including measurement of the investments at fair value.

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

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

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

Private equity, hedge and real estate funds described above are primarily "covered funds" as defined in the Volcker Rule of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The Board of Governors of the Federal Reserve System (FRB) extended the conformance period to July 2022 for the firm's investments in, and relationships with, certain legacy "illiquid funds" (as defined in the Volcker Rule) that were in place prior to December 2013. This extension is applicable to substantially all of the firm's remaining investments in, and relationships with, such covered funds. Substantially all of the credit funds described above are not covered funds.

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

$ in millions	Fair Value of Investments	Unfunded Commitments
As of December 2020		
Private equity funds	**$2,042**	**$ 557**
Credit funds	**1,312**	**680**
Hedge funds	**102**	**–**
Real estate funds	**208**	**213**
Total	**$3,664**	**$1,450**
As of December 2019		
Private equity funds	$2,767	$ 765
Credit funds	983	820
Hedge funds	125	–
Real estate funds	331	196
Total	$4,206	$1,781

Available-for-Sale Securities

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

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

$ in millions	Amortized Cost	Fair Value	Weighted Average Yield
As of December 2020			
Less than 1 year	**$ 25**	**$ 25**	**0.08%**
1 year to 5 years	**35,831**	**36,158**	**0.70%**
5 years to 10 years	**7,454**	**7,732**	**1.19%**
Total U.S. government obligations	**43,310**	**43,915**	**0.78%**
5 years to 10 years	**1,739**	**1,744**	**0.10%**
Greater than 10 years	**353**	**357**	**0.74%**
Total non-U.S. government obligations	**2,092**	**2,101**	**0.21%**
Total available-for-sale securities	**$45,402**	**$46,016**	**0.76%**
As of December 2019			
Less than 1 year	$ 25	$ 25	0.10%
1 year to 5 years	14,038	14,016	1.53%
5 years to 10 years	3,505	3,510	1.85%
Greater than 10 years	1,469	1,543	2.65%
Total U.S. government obligations	19,037	19,094	1.68%
Total available-for-sale securities	$19,037	$19,094	1.68%

In the table above:

- Available-for-sale securities were classified in level 1 of the fair value hierarchy as of both December 2020 and December 2019.
- The firm sold available-for-sale securities of $4.49 billion (realized gains of $319 million) during 2020 and $9.58 billion (realized gains of $181 million) during 2019. Such gains were included in the consolidated statements of earnings.

- The gross unrealized gains included in accumulated other comprehensive income/(loss) were $631 million as of December 2020 and $137 million as of December 2019. The gross unrealized losses included in accumulated other comprehensive income/(loss) were not material as of both December 2020 and December 2019.
- Beginning in January 2020, available-for-sale securities are reviewed to determine if an allowance for credit losses should be recorded in the consolidated statements of earnings. The firm considers various factors in such determination, including market conditions, changes in issuer credit ratings, severity of the unrealized losses, and the intent and ability to hold the security until recovery. See Note 3 for further information about the adoption of CECL. Prior to January 2020, such securities were reviewed for other-than-temporary impairment. The firm did not record any provision for credit losses on such securities during 2020 and there was no other-than-temporary impairment during 2019.

Fair Value of Investments by Level

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

$ in millions	Level 1	Level 2	Level 3	Total
As of December 2020				
Government and agency obligations:				
U.S.	**$43,915**	**$ –**	**$ –**	**$43,915**
Non-U.S.	**2,109**	**48**	**–**	**2,157**
Corporate debt securities	**70**	**5,635**	**5,286**	**10,991**
Securities backed by real estate	**–**	**942**	**998**	**1,940**
Money market instruments	**781**	**1,404**	**–**	**2,185**
Other debt obligations	**–**	**–**	**497**	**497**
Equity securities	**517**	**7,270**	**9,642**	**17,429**
Subtotal	**$47,392**	**$15,299**	**$16,423**	**$79,114**
Investments in funds at NAV				**3,664**
Total investments				**$82,778**
As of December 2019				
Government and agency obligations:				
U.S.	$19,094	$ –	$ –	$19,094
Non-U.S.	–	36	–	36
Corporate debt securities	48	7,325	3,465	10,838
Securities backed by real estate	–	2,024	595	2,619
Money market instruments	732	949	–	1,681
Other debt obligations	–	94	319	413
Equity securities	251	7,786	10,903	18,940
Subtotal	$20,125	$18,214	$15,282	$53,621
Investments in funds at NAV				4,206
Total investments				$57,827

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

Significant Unobservable Inputs

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

	As of December 2020		As of December 2019	
$ in millions	**Amount or Range**	**Weighted Average**	Amount or Range	Weighted Average
Corporate debt securities				
Level 3 assets	**$5,286**		$3,465	
Yield	**4.5% to 19.5%**	**10.2%**	5.5% to 29.8%	12.0%
Recovery rate	**10.0% to 70.0%**	**50.7%**	25.0% to 100.0%	68.5%
Duration (years)	**3.0 to 7.7**	**4.2**	2.9 to 5.9	5.0
Multiples	**0.6x to 29.3x**	**6.9x**	0.6x to 24.4x	7.0x
Securities backed by real estate				
Level 3 assets	**$998**		$595	
Yield	**8.2% to 52.4%**	**17.5%**	9.4% to 20.3%	16.0%
Recovery rate	**21.6% to 57.8%**	**33.7%**	33.1% to 34.4%	33.5%
Duration (years)	**0.4 to 3.6**	**2.7**	0.4 to 3.0	0.9
Other debt obligations				
Level 3 assets	**$497**		$319	
Yield	**1.7% to 6.2%**	**3.5%**	3.4% to 5.2%	4.5%
Duration (years)	**0.2 to 10.3**	**6.4**	4.0 to 8.0	6.7
Equity securities				
Level 3 assets	**$9,642**		$10,903	
Multiples	**0.6x to 27.9x**	**9.0x**	0.8x to 36.0x	8.0x
Discount rate/yield	**4.0% to 38.5%**	**13.5%**	2.1% to 20.3%	13.4%
Capitalization rate	**3.7% to 14.1%**	**6.3%**	3.6% to 15.1%	6.1%

In the table above:

- Ranges represent the significant unobservable inputs that were used in the valuation of each type of investment.
- Weighted averages are calculated by weighting each input by the relative fair value of the investment.
- The ranges and weighted averages of these inputs are not representative of the appropriate inputs to use when calculating the fair value of any one investment. For example, the highest multiple for private equity securities is appropriate for valuing a specific private equity security but may not be appropriate for valuing any other private equity security. Accordingly, the ranges of inputs do not represent uncertainty in, or possible ranges of, fair value measurements of level 3 investments.
- Increases in yield, discount rate, capitalization rate or duration used in the valuation of level 3 investments would have resulted in a lower fair value measurement, while increases in recovery rate or multiples would have resulted in a higher fair value measurement as of both December 2020 and December 2019. Due to the distinctive nature of each level 3 investment, the interrelationship of inputs is not necessarily uniform within each product type.

- Corporate debt securities, securities backed by real estate and other debt obligations are valued using discounted cash flows, and equity securities are valued using market comparables and discounted cash flows.
- The fair value of any one instrument may be determined using multiple valuation techniques. For example, market comparables and discounted cash flows may be used together to determine fair value. Therefore, the level 3 balance encompasses both of these techniques.

Level 3 Rollforward

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

	Year Ended December	
$ in millions	**2020**	2019
Beginning balance	**$15,282**	$13,548
Net realized gains/(losses)	**215**	252
Net unrealized gains/(losses)	**(443)**	1,295
Purchases	**1,815**	1,322
Sales	**(1,550)**	(986)
Settlements	**(1,570)**	(1,192)
Transfers into level 3	**4,708**	2,646
Transfers out of level 3	**(2,034)**	(1,603)
Ending balance	**$16,423**	$15,282

In the table above:

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

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

	Year Ended December	
$ in millions	**2020**	2019
Corporate debt securities		
Beginning balance	**$ 3,465**	$ 2,540
Net realized gains/(losses)	**110**	64
Net unrealized gains/(losses)	**(96)**	198
Purchases	**636**	297
Sales	**(302)**	(43)
Settlements	**(678)**	(274)
Transfers into level 3	**2,661**	1,106
Transfers out of level 3	**(510)**	(423)
Ending balance	**$ 5,286**	$ 3,465
Securities backed by real estate		
Beginning balance	**$ 595**	$ 457
Net realized gains/(losses)	**22**	27
Net unrealized gains/(losses)	**(96)**	–
Purchases	**233**	238
Sales	**–**	(82)
Settlements	**(83)**	(98)
Transfers into level 3	**327**	63
Transfers out of level 3	**–**	(10)
Ending balance	**$ 998**	$ 595
Other debt obligations		
Beginning balance	**$ 319**	$ 216
Net realized gains/(losses)	**15**	1
Net unrealized gains/(losses)	**1**	1
Purchases	**113**	118
Sales	**–**	(9)
Settlements	**(45)**	(8)
Transfers into level 3	**94**	–
Ending balance	**$ 497**	$ 319
Equity securities		
Beginning balance	**$10,903**	$10,335
Net realized gains/(losses)	**68**	160
Net unrealized gains/(losses)	**(252)**	1,096
Purchases	**833**	669
Sales	**(1,248)**	(852)
Settlements	**(764)**	(812)
Transfers into level 3	**1,626**	1,477
Transfers out of level 3	**(1,524)**	(1,170)
Ending balance	**$ 9,642**	$10,903

Level 3 Rollforward Commentary

Year Ended December 2020. The net realized and unrealized losses on level 3 investments of $228 million (reflecting $215 million of net realized gains and $443 million of net unrealized losses) for 2020 included losses of $428 million reported in other principal transactions and $200 million reported in interest income.

The net unrealized losses on level 3 investments for 2020 reflected losses on certain private equity, corporate debt securities and securities backed by real estate, principally driven by corporate performance.

Transfers into level 3 investments during 2020 primarily reflected transfers of certain corporate debt securities from level 2 (principally due to reduced price transparency as a result of a lack of market evidence, including fewer transactions in these instruments, and certain unobservable yield and duration inputs becoming significant to the valuation of these instruments) and transfers of certain private equity securities from level 2 (principally due to reduced price transparency as a result of a lack of market evidence, including fewer transactions in these instruments).

Transfers out of level 3 investments during 2020 primarily reflected transfers of certain private equity securities and corporate debt securities to level 2 (principally due to increased price transparency as a result of market evidence, including market transactions in these instruments).

Year Ended December 2019. The net realized and unrealized gains on level 3 investments of $1.55 billion (reflecting $252 million of net realized gains and $1.30 billion of net unrealized gains) for 2019 included gains of $1.44 billion reported in other principal transactions and $108 million reported in interest income.

The net unrealized gains on level 3 investments for 2019 primarily reflected gains on private equity securities, principally driven by corporate performance and company-specific events.

Transfers into level 3 investments during 2019 primarily reflected transfers of certain private equity securities and corporate debt securities from level 2 (principally due to reduced price transparency as a result of a lack of market evidence, including fewer transactions in these instruments).

Transfers out of level 3 investments during 2019 primarily reflected transfers of certain private equity securities and corporate debt securities to level 2 (principally due to increased price transparency as a result of market evidence, including market transactions in these instruments).

Held-to-Maturity Securities

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

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

$ in millions	Amortized Cost	Fair Value	Weighted Average Yield
As of December 2020			
Less than 1 year	**$ 501**	**$ 513**	**2.53%**
1 year to 5 years	**2,529**	**2,695**	**2.34%**
5 years to 10 years	**1,531**	**1,675**	**2.25%**
Total U.S. government obligations	**4,561**	**4,883**	**2.33%**
5 years to 10 years	**4**	**3**	**2.56%**
Greater than 10 years	**736**	**751**	**1.08%**
Total securities backed by real estate	**740**	**754**	**1.08%**
Total held-to-maturity securities	**$5,301**	**$5,637**	**2.15%**
As of December 2019			
1 year to 5 years	$3,534	$3,613	2.40%
5 years to 10 years	1,534	1,576	2.25%
Total U.S. government obligations	5,068	5,189	2.35%
Less than 1 year	6	6	4.16%
Greater than 10 years	751	769	1.67%
Total securities backed by real estate	757	775	1.69%
Total held-to-maturity securities	$5,825	$5,964	2.27%

In the table above:

- Substantially all of the securities backed by real estate consist of securities backed by residential real estate.
- As these securities are not accounted for at fair value, they are not included in the firm's fair value hierarchy in Notes 4 through 10. Had these securities been included in the firm's fair value hierarchy, U.S. government obligations would have been classified in level 1 and securities backed by real estate would have been primarily classified in level 2 of the fair value hierarchy as of both December 2020 and December 2019.
- The gross unrealized gains were $340 million as of December 2020 and $141 million as of December 2019. The gross unrealized losses were not material as of both December 2020 and December 2019.
- Beginning in January 2020, held-to-maturity securities are reviewed to determine if an allowance for credit losses should be recorded in the consolidated statements of earnings. The firm considers various factors in such determination, including market conditions, changes in issuer credit ratings, historical credit losses and sovereign guarantees. See Note 3 for further information about the adoption of CECL. Prior to January 2020, such securities were reviewed for other-than-temporary impairment. Provision for credit losses on such securities was not material during 2020 and there was no other-than-temporary impairment during 2019.

Note 9.

Loans

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

The table below presents information about loans.

$ in millions	Amortized Cost	Fair Value	Held For Sale	Total
As of December 2020				
Loan Type				
Corporate	**$ 44,778**	**$ 2,751**	**$1,130**	**$ 48,659**
Wealth management	**25,151**	**7,872**	**–**	**33,023**
Commercial real estate	**17,096**	**1,961**	**1,233**	**20,290**
Residential real estate	**5,236**	**494**	**20**	**5,750**
Consumer:				
Installment	**3,823**	**–**	**–**	**3,823**
Credit cards	**4,270**	**–**	**–**	**4,270**
Other	**3,211**	**547**	**416**	**4,174**
Total loans, gross	**103,565**	**13,625**	**2,799**	**119,989**
Allowance for loan losses	**(3,874)**	**–**	**–**	**(3,874)**
Total loans	**$ 99,691**	**$13,625**	**$2,799**	**$116,115**
As of December 2019				
Loan Type				
Corporate	$ 41,129	$ 3,224	$1,954	$ 46,307
Wealth management	20,116	7,824	–	27,940
Commercial real estate	13,258	1,876	2,609	17,743
Residential real estate	6,132	792	34	6,958
Consumer:				
Installment	4,747	–	–	4,747
Credit cards	1,858	–	–	1,858
Other	3,396	670	726	4,792
Total loans, gross	90,636	14,386	5,323	110,345
Allowance for loan losses	(1,441)	–	–	(1,441)
Total loans	$ 89,195	$14,386	$5,323	$108,904

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

- **Corporate.** Corporate loans includes term loans, revolving lines of credit, letter of credit facilities and bridge loans, and are principally used for operating and general corporate purposes, or in connection with acquisitions. Corporate loans may be secured or unsecured, depending on the loan purpose, the risk profile of the borrower and other factors.
- **Wealth Management.** Wealth management loans includes loans extended to private bank clients, including wealth management and other clients. These loans are used to finance investments in both financial and nonfinancial assets, bridge cash flow timing gaps or provide liquidity for other needs. Substantially all of such loans are secured by securities, residential real estate, commercial real estate or other assets.
- **Commercial Real Estate.** Commercial real estate loans include originated loans (other than those extended to private bank clients) that are directly or indirectly secured by hotels, retail stores, multifamily housing complexes and commercial and industrial properties. Commercial real estate loans also includes loans extended to clients who warehouse assets that are directly or indirectly backed by commercial real estate. In addition, commercial real estate includes loans purchased by the firm.
- **Residential Real Estate.** Residential real estate loans primarily includes loans extended by the firm to clients (other than those extended to private bank clients) who warehouse assets that are directly or indirectly secured by residential real estate and loans purchased by the firm.
- **Installment.** Installment loans are unsecured and are originated by the firm.
- **Credit Cards.** Credit card loans are loans made pursuant to revolving lines of credit issued to consumers by the firm.
- **Other.** Other loans primarily includes loans extended to clients who warehouse assets that are directly or indirectly secured by consumer loans, including auto loans and private student loans. Other loans also includes unsecured consumer and credit card loans purchased by the firm.

Loans accounted for at amortized cost included PCI loans with a carrying value of $1.62 billion (outstanding principal balance of $3.23 billion and accretable yield of $220 million) as of December 2019, which were secured by commercial and residential real estate. In January 2020, the firm elected the fair value option for these PCI loans in accordance with ASU No. 2016-13. These loans were primarily transferred to trading assets. See Note 3 for further information about adoption of this ASU.

Credit Quality

Risk Assessment. The firm's risk assessment process includes evaluating the credit quality of its loans. For corporate loans and a majority of wealth management, real estate and other loans, the firm performs credit reviews which include initial and ongoing analyses of its borrowers, resulting in an internal credit rating. A credit review is an independent analysis of the capacity and willingness of a borrower to meet its financial obligations and is performed on an annual basis or more frequently if circumstances change that indicate that a review may be necessary. 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 table below presents gross loans by an internally determined public rating agency equivalent or other credit metrics and the concentration of secured and unsecured loans.

$ in millions	Investment-Grade	Non-Investment-Grade	Other/ Unrated	Total
As of December 2020				
Accounting Method				
Amortized cost	**$33,532**	**$58,250**	**$11,783**	**$103,565**
Fair value	**2,084**	**5,925**	**5,616**	**13,625**
Held for sale	**224**	**2,152**	**423**	**2,799**
Total	**$35,840**	**$66,327**	**$17,822**	**$119,989**
Loan Type				
Corporate	**$ 9,478**	**$38,704**	**$ 477**	**$ 48,659**
Wealth management	**22,098**	**5,331**	**5,594**	**33,023**
Real estate:				
Commercial	**1,792**	**17,480**	**1,018**	**20,290**
Residential	**636**	**3,852**	**1,262**	**5,750**
Consumer:				
Installment	**–**	**–**	**3,823**	**3,823**
Credit cards	**–**	**–**	**4,270**	**4,270**
Other	**1,836**	**960**	**1,378**	**4,174**
Total	**$35,840**	**$66,327**	**$17,822**	**$119,989**
Secured	**83%**	**90%**	**46%**	**82%**
Unsecured	**17%**	**10%**	**54%**	**18%**
Total	**100%**	**100%**	**100%**	**100%**
As of December 2019				
Accounting Method				
Amortized cost	$30,266	$51,222	$ 9,148	$ 90,636
Fair value	2,844	5,174	6,368	14,386
Held for sale	323	4,368	632	5,323
Total	$33,433	$60,764	$16,148	$110,345
Loan Type				
Corporate	$10,507	$35,509	$ 291	$ 46,307
Wealth management	20,001	3,576	4,363	27,940
Real estate:				
Commercial	306	15,997	1,440	17,743
Residential	244	4,600	2,114	6,958
Consumer:				
Installment	–	–	4,747	4,747
Credit cards	–	–	1,858	1,858
Other	2,375	1,082	1,335	4,792
Total	$33,433	$60,764	$16,148	$110,345
Secured	83%	91%	54%	83%
Unsecured	17%	9%	46%	17%
Total	100%	100%	100%	100%

In the table above, other/unrated loans include installment and credit card loans of $8.09 billion as of December 2020 and $6.61 billion as of December 2019 for which an important credit-quality indicator is the Fair Isaac Corporation (FICO) credit score (which measures a borrower's creditworthiness by considering factors such as payment and credit history). FICO credit scores are periodically refreshed by the firm to assess the updated creditworthiness of the borrower. See "Vintage" below for information about installment and credit card loans by FICO credit scores. The vast majority of the remaining loans of $9.73 billion as of December 2020 and $9.54 billion as of December 2019 included in the other/unrated category are secured. These loans primarily consist of wealth management loans backed by residential real estate and securities, and purchased real estate-backed loans. The firm's risk assessment process for such loans includes reviewing certain key metrics, such as loan-to-value ratio, delinquency status, collateral values, expected cash flows and other risk factors.

The firm also assigns a regulatory risk rating to its loans based on the definitions provided by the U.S. federal bank regulatory agencies. Total loans included 85% of loans as of December 2020 and 91% of loans as of December 2019 that were rated pass/non-criticized.

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

	As of December 2020			
$ in millions	Investment-Grade	Non-Investment-Grade	Other/ Unrated	Total
2020	$ 1,978	$ 7,545	$ 140	$ 9,663
2019	889	6,106	–	6,995
2018	2,076	3,555	–	5,631
2017	851	3,083	–	3,934
2016	268	1,262	–	1,530
2015 or earlier	351	2,073	–	2,424
Revolving	2,662	11,891	48	14,601
Corporate	9,075	35,515	188	44,778
2020	497	313	–	810
2019	723	403	–	1,126
2018	298	87	–	385
2017	377	30	–	407
2016	22	20	–	42
2015 or earlier	531	264	–	795
Revolving	18,077	2,085	1,424	21,586
Wealth management	20,525	3,202	1,424	25,151
2020	848	3,071	55	3,974
2019	76	1,965	–	2,041
2018	137	2,164	25	2,326
2017	26	1,734	12	1,772
2016	–	165	9	174
2015 or earlier	–	775	526	1,301
Revolving	461	5,047	–	5,508
Commercial real estate	1,548	14,921	627	17,096
2020	402	976	115	1,493
2019	–	90	271	361
2018	–	123	249	372
2017	9	83	152	244
2016	–	1	–	1
2015 or earlier	–	–	70	70
Revolving	225	2,470	–	2,695
Residential real estate	636	3,743	857	5,236
2020	242	84	466	792
2019	–	67	29	96
2018	–	46	–	46
2017	–	8	–	8
Revolving	1,506	664	99	2,269
Other	1,748	869	594	3,211
Total	$33,532	$58,250	$3,690	$95,472
Percentage of total	35%	61%	4%	100%

In the table above, revolving loans which converted to term loans were not material as of December 2020.

The table below presents gross installment loans by refreshed FICO credit scores and origination year and gross credit card loans by refreshed FICO credit scores.

	As of December 2020		
$ in millions	Greater than or equal to 660	Less than 660	Total
2020	$1,321	$ 38	$1,359
2019	1,225	132	1,357
2018	792	150	942
2017	128	30	158
2016	6	1	7
Installment	3,472	351	3,823
Credit cards	3,398	872	4,270
Total consumer	$6,870	$1,223	$8,093
Percentage of total:			
Installment	91%	9%	100%
Credit cards	80%	20%	100%
Total consumer	85%	15%	100%

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

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

$ in millions	Carrying Value	Americas	EMEA	Asia	Total
As of December 2020					
Corporate	$ 48,659	60%	31%	9%	100%
Wealth management	33,023	88%	10%	2%	100%
Commercial real estate	20,290	71%	19%	10%	100%
Residential real estate	5,750	88%	9%	3%	100%
Consumer:					
Installment	3,823	100%	–	–	100%
Credit cards	4,270	100%	–	–	100%
Other	4,174	81%	17%	2%	100%
Total	$119,989	75%	19%	6%	100%
As of December 2019					
Corporate	$ 46,307	60%	31%	9%	100%
Wealth management	27,940	88%	9%	3%	100%
Commercial real estate	17,743	69%	21%	10%	100%
Residential real estate	6,958	90%	9%	1%	100%
Consumer:					
Installment	4,747	100%	–	–	100%
Credit cards	1,858	100%	–	–	100%
Other	4,792	87%	12%	1%	100%
Total	$110,345	73%	21%	6%	100%

In the table above:

- EMEA represents Europe, Middle East and Africa.
- The top five industry concentrations for corporate loans as of December 2020 were 17% for diversified industrials (17% as of December 2019), 17% for technology, media & telecommunications (17% as of December 2019), 13% for funds (9% as of December 2019), 12% for natural resources & utilities (12% as of December 2019), and 10% for financial institutions (10% as of December 2019).

Nonaccrual and Past Due Loans. Loans accounted for at amortized cost (other than credit card loans) are placed on nonaccrual status when it is probable that the firm will not collect all principal and interest due under the contractual terms, regardless of the delinquency status or if a loan is past due for 90 days or more, unless the loan is both well collateralized and in the process of collection. At that time, all accrued but uncollected interest is reversed against interest income and interest subsequently collected is recognized on a cash basis to the extent the loan balance is deemed collectible. Otherwise, all cash received is used to reduce the outstanding loan balance. A loan is considered past due when a principal or interest payment has not been made according to its contractual terms. Credit card loans are not placed on nonaccrual status and accrue interest until the loan is paid in full or is charged-off.

In certain circumstances, the firm may modify the original terms of a loan agreement by granting a concession to a borrower experiencing financial difficulty, typically in the form of a modification of loan covenants, but may also include forbearance of interest or principal, payment extensions or interest rate reductions. These modifications, to the extent significant, are considered troubled debt restructurings (TDRs). Loan modifications that extend payment terms for a period of less than 90 days are generally considered insignificant and therefore not reported as TDRs.

In response to the global outbreak of the coronavirus (COVID-19) pandemic, the firm adopted the relief issued under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, as amended, and certain interpretive guidance issued by the U.S. banking agencies that provides for certain modified loans that would otherwise meet the definition of a TDR to not be classified as such. As of December 2020, the firm had $184 million of loans accounted for at amortized cost that were not classified as TDRs as a result of this relief and interpretive guidance.

The table below presents information about past due loans.

$ in millions	30-89 days	90 days or more	Total
As of December 2020			
Corporate	**$ –**	**$294**	**$294**
Wealth management	**58**	**34**	**92**
Commercial real estate	**49**	**183**	**232**
Residential real estate	**4**	**23**	**27**
Consumer:			
Installment	**42**	**16**	**58**
Credit cards	**46**	**31**	**77**
Other	**20**	**4**	**24**
Total	**$219**	**$585**	**$804**
Total divided by gross loans at amortized cost			**0.8%**
As of December 2019			
Corporate	$197	$ 42	$239
Wealth management	13	15	28
Commercial real estate	54	123	177
Residential real estate	19	18	37
Consumer:			
Installment	71	29	100
Credit cards	35	4	39
Other	6	1	7
Total	$395	$232	$627
Total divided by gross loans at amortized cost			0.7%

The table below presents information about nonaccrual loans.

	As of December	
$ in millions	**2020**	2019
Corporate	**$2,651**	$1,122
Wealth management	**61**	52
Commercial real estate	**649**	175
Residential real estate	**25**	143
Installment	**44**	38
Other	**122**	–
Total	**$3,552**	$1,530
Total divided by gross loans at amortized cost	**3.4%**	1.7%

In the table above:

- Nonaccrual loans included $533 million as of December 2020 and $429 million as of December 2019 of loans that were 30 days or more past due.
- Loans that were 90 days or more past due and still accruing were not material as of both December 2020 and December 2019.
- Nonaccrual loans included $315 million as of December 2020 and $251 million as of December 2019 of corporate and commercial real estate loans that were modified in a troubled debt restructuring. The firm's lending commitments related to these loans were not material as of both December 2020 and December 2019. Installment loans that were modified in a troubled debt restructuring were not material as of both December 2020 and December 2019.

Allowance for Credit Losses

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

The firm adopted ASU No. 2016-13 in January 2020, which replaced the incurred credit loss model for recognizing credit losses with the CECL model. As a result, the firm's allowance for credit losses effective January 2020 reflects management's estimate of credit losses over the remaining expected life of such loans and also considers forecasts of future economic conditions. Prior to January 2020, the allowance for credit losses reflected probable incurred credit losses. See Note 3 for further information about the adoption of CECL.

To determine the allowance for credit losses, the firm classifies its loans and lending commitments accounted for at amortized cost into wholesale and consumer portfolios. Prior to January 2020, the firm also had PCI loans which were classified as a separate portfolio. These portfolios represent the level at which the firm has developed and documented its methodology to determine the allowance for credit losses. The allowance for credit losses is measured on a collective basis for loans that exhibit similar risk characteristics using a modeled approach and asset-specific basis for loans that do not share similar risk characteristics.

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

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

Management's estimate of credit losses entails judgment about loan collectability at the reporting dates, and there are uncertainties inherent in those judgments. The allowance for credit losses is subject to a governance process that involves review and approval by senior management within the firm's independent risk oversight and control functions. Personnel within the firm's independent risk oversight and control functions are responsible for forecasting the economic variables that underlie the economic scenarios that are used in the modeling of expected credit losses. While management uses the best information available to determine this estimate, future adjustments to the allowance may be necessary based on, among other things, changes in the economic environment or variances between actual results and the original assumptions used.

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

	As of December			
	2020		2019	
$ in millions	**Loans**	**Lending Commitments**	Loans	Lending Commitments
Wholesale				
Corporate	**$ 44,778**	**$127,756**	$41,129	$127,226
Wealth management	**25,151**	**2,314**	20,116	2,198
Commercial real estate	**17,096**	**4,154**	12,803	3,207
Residential real estate	**5,236**	**1,804**	4,965	759
Other	**3,211**	**4,841**	3,396	3,029
Consumer				
Installment	**3,823**	**4**	4,747	12
Credit cards	**4,270**	**21,640**	1,858	13,669
PCI	**–**	**–**	1,622	–
Total	**$103,565**	**$162,513**	$90,636	$150,100

In the table above, wholesale loans included $3.51 billion as of December 2020 and $1.49 billion as of December 2019 of nonaccrual loans for which the allowance for credit losses was measured on an asset-specific basis. The allowance for credit losses on these loans was $649 million as of December 2020 and $207 million as of December 2019. These loans included $584 million as of December 2020 and $754 million as of December 2019 of loans which did not require a reserve as the loan was deemed to be recoverable.

See Note 18 for further information about lending commitments.

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

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

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

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

Consumer. The allowance for credit losses for consumer loans that exhibit similar risk characteristics is calculated using a modeled approach which classifies consumer loans into pools based on borrower-related and exposure-related characteristics that differentiate a pool's risk characteristics from other pools. The factors considered in determining a pool are generally consistent with the risk characteristics used for internal credit risk measurement and management and include key metrics, such as FICO credit scores, delinquency status, loan vintage and macroeconomic indicators. The most significant inputs to the forecast model for consumer loans include unemployment rates and delinquency rates. The expected life of revolving credit card loans is determined by modeling expected future draws and the timing and amount of repayments allocated to the funded balance. The firm does not recognize an allowance for credit losses on credit card lending commitments as they are cancellable by the firm.

The allowance for credit losses for consumer loans that do not share similar risk characteristics, such as loans in a troubled debt restructuring, is calculated using the present value of expected future cash flows discounted at the loan's original effective rate.

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

Allowance for Credit Losses Rollforward

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

$ in millions	Wholesale	Consumer	PCI	Total
Year Ended December 2020				
Allowance for loan losses				
Beginning balance, reported	**$ 879**	**$ 393**	**$ 169**	**$1,441**
Impact of CECL adoption	**452**	**444**	**(169)**	**727**
Beginning balance, adjusted	**1,331**	**837**	**–**	**2,168**
Net charge-offs	**(615)**	**(292)**	**–**	**(907)**
Provision	**2,108**	**745**	**–**	**2,853**
Other	**(240)**	**–**	**–**	**(240)**
Ending balance	**$2,584**	**$1,290**	**$ –**	**$3,874**
Allowance ratio	**2.7%**	**15.9%**	**–**	**3.7%**
Net charge-off ratio	**0.6%**	**4.2%**	**–**	**0.9%**
Allowance for losses on lending commitments				
Beginning balance, reported	**$ 361**	**$ –**	**$ –**	**$ 361**
Impact of CECL adoption	**(48)**	**–**	**–**	**(48)**
Beginning balance, adjusted	**313**	**–**	**–**	**313**
Provision	**244**	**–**	**–**	**244**
Ending balance	**$ 557**	**$ –**	**$ –**	**$ 557**
Year Ended December 2019				
Allowance for loan losses				
Beginning balance	$ 658	$ 292	$ 116	$1,066
Net charge-offs	(121)	(317)	(52)	(490)
Provision	469	418	103	990
Other	(127)	–	2	(125)
Ending balance	$ 879	$ 393	$ 169	$1,441
Allowance ratio	1.1%	6.0%	10.4%	1.6%
Net charge-off ratio	0.2%	6.2%	3.2%	0.6%
Allowance for losses on lending commitments				
Beginning balance	$ 286	$ –	$ –	$ 286
Provision	75	–	–	75
Ending balance	$ 361	$ –	$ –	$ 361

In the table above:

- Other represents the reduction to the allowance related to loans and lending commitments transferred to held for sale.
- The allowance ratio is calculated by dividing the allowance for loan losses by gross loans accounted for at amortized cost.
- The net charge-off ratio is calculated by dividing net charge-offs by average gross loans accounted for at amortized cost.

Allowance for Credit Losses Rollforward Commentary

Year Ended December 2020. The allowance for credit losses increased by $2.63 billion during 2020.

The impact of CECL adoption for wholesale and consumer loans was driven by the fact that the allowance under CECL covers expected credit losses over the full expected life of the loan portfolios and also considers forecasts of expected future economic conditions. The impact of CECL adoption for PCI loans was as a result of the firm electing to apply the fair value option for such loans.

The provision for credit losses for wholesale and consumer loans reflected the continued impact of the COVID-19 pandemic on economic conditions, which resulted in higher modeled expected losses and lower recoveries. The allowance for loan losses ratio for wholesale loans increased to 2.7% as of December 2020 compared with 1.1% as of December 2019, while the allowance for loan losses ratio for consumer loans increased to 15.9% as of December 2020 compared with 6.0% as of December 2019. The increase in the allowance for loan losses ratios reflected both the impact of adopting the CECL standard, as well as higher provision for credit losses.

When modeling expected credit losses, the firm employs a weighted, multivariate forecast, which includes baseline, adverse and favorable economic scenarios. As of December 2020, the forecasted economic scenarios were most heavily weighted towards the baseline and adverse scenarios. The forecast model incorporated adjustments to reflect the impact of COVID-19-related economic support programs provided by national governments.

The table below presents the forecasted range (across the baseline, adverse and favorable scenarios) of the U.S. unemployment and U.S. GDP growth rates used in the forecast model as of December 2020.

	U.S. Unemployment Rate	Growth/(Decline) in U.S. GDP
Forecast for the quarter ended:		
June 2021	**6.0% to 12.0%**	**(0.2)% to (8.1)%**
December 2021	**5.3% to 8.3%**	**2.7% to (4.1)%**
June 2022	**4.9% to 6.9%**	**4.4% to (1.8)%**

In the table above:

- U.S. unemployment rate represents the rate forecasted as of the respective quarter-end.
- Growth/(decline) in U.S. GDP represents the change in quarterly U.S. GDP relative to the U.S. GDP for the fourth quarter of 2019 (pre-pandemic levels).
- Recovery of quarterly U.S. GDP to its pre-pandemic levels in the three scenarios ranges from the quarters ending September 2021 to March 2023.
- While the U.S. unemployment and U.S. GDP growth rates are significant inputs to the forecast model, the model contemplates a variety of other inputs across a range of scenarios to provide a forecast of future economic conditions. Given the complex nature of the forecasting process, no single economic variable can be viewed in isolation and independently of other inputs.

In addition, the provision for credit losses for wholesale loans was impacted by asset-specific provisions and ratings downgrades primarily related to borrowers in the diversified industrials, technology, media & communications and natural resources industries. Besides the weaker economic outlook related to the COVID-19 pandemic, the provision for credit losses for consumer loans for 2020 was also impacted by the growth of the credit card portfolio.

Net charge-offs for 2020 for wholesale loans were substantially all related to corporate loans and net charge-offs for consumer loans were primarily related to installment loans.

Year Ended December 2019. The allowance for credit losses increased by $450 million during the year ended December 2019.

The provision for credit losses for wholesale loans was substantially all related to corporate loans for the year ended December 2019. The provision for credit losses related to consumer loans was primarily related to installment loans for the year ended December 2019.

Net charge-offs for wholesale loans were primarily related to corporate loans for the year ended December 2019. Net charge-offs for consumer loans were substantially all related to installment loans for the year ended December 2019.

Fair Value of Loans by Level

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

$ in millions	Level 1	Level 2	Level 3	Total
As of December 2020				
Loan Type				
Corporate	**$ –**	**$ 1,822**	**$ 929**	**$ 2,751**
Wealth management	**–**	**7,809**	**63**	**7,872**
Commercial real estate	**–**	**857**	**1,104**	**1,961**
Residential real estate	**–**	**234**	**260**	**494**
Other	**–**	**225**	**322**	**547**
Total	**$ –**	**$10,947**	**$2,678**	**$13,625**
As of December 2019				
Loan Type				
Corporate	$ –	$ 2,472	$ 752	$ 3,224
Wealth management	–	7,764	60	7,824
Commercial real estate	–	1,285	591	1,876
Residential real estate	–	571	221	792
Other	–	404	266	670
Total	$ –	$12,496	$1,890	$14,386

The gains as a result of changes in the fair value of loans held for investment for which the fair value option was elected were $151 million for 2020 and $355 million for 2019. These gains were included in other principal transactions.

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

Significant Unobservable Inputs

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

	As of December 2020		As of December 2019	
$ in millions	**Amount or Range**	**Weighted Average**	Amount or Range	Weighted Average
Corporate				
Level 3 assets	**$929**		$752	
Yield	**1.1% to 45.2%**	**12.4%**	1.9% to 26.3%	9.5%
Recovery rate	**15.0% to 58.0%**	**31.0%**	13.5% to 78.0%	44.4%
Duration (years)	**1.5 to 5.3**	**3.4**	3.7 to 5.8	3.9
Commercial real estate				
Level 3 assets	**$1,104**		$591	
Yield	**4.5% to 19.3%**	**11.0%**	7.0% to 16.0%	9.3%
Recovery rate	**3.0% to 99.8%**	**66.5%**	5.9% to 85.2%	48.6%
Duration (years)	**0.3 to 4.8**	**2.6**	0.2 to 5.3	3.5
Residential real estate				
Level 3 assets	**$260**		$221	
Yield	**2.0% to 14.0%**	**12.1%**	1.1% to 14.0%	11.5%
Duration (years)	**0.6 to 2.6**	**1.7**	1.1 to 4.8	4.0
Wealth management and other				
Level 3 assets	**$385**		$326	
Yield	**2.8% to 18.7%**	**8.0%**	3.9% to 16.0%	9.9%
Duration (years)	**0.9 to 5.5**	**4.1**	1.6 to 6.7	3.7

In the table above:

- Ranges represent the significant unobservable inputs that were used in the valuation of each type of loan.
- Weighted averages are calculated by weighting each input by the relative fair value of the loan.
- The ranges and weighted averages of these inputs are not representative of the appropriate inputs to use when calculating the fair value of any one loan. For example, the highest yield for residential real estate loans is appropriate for valuing a specific residential real estate loan but may not be appropriate for valuing any other residential real estate loan. Accordingly, the ranges of inputs do not represent uncertainty in, or possible ranges of, fair value measurements of level 3 loans.
- Increases in yield or duration used in the valuation of level 3 loans would have resulted in a lower fair value measurement, while increases in recovery rate would have resulted in a higher fair value measurement as of both December 2020 and December 2019. Due to the distinctive nature of each level 3 loan, the interrelationship of inputs is not necessarily uniform within each product type.
- Loans are valued using discounted cash flows.

Level 3 Rollforward

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

	Year Ended December	
$ in millions	**2020**	2019
Beginning balance	**$1,890**	$1,990
Net realized gains/(losses)	**72**	46
Net unrealized gains/(losses)	**87**	85
Purchases	**670**	249
Sales	**(50)**	(14)
Settlements	**(727)**	(795)
Transfers into level 3	**836**	444
Transfers out of level 3	**(100)**	(115)
Ending balance	**$2,678**	$1,890

In the table above:

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

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

	Year Ended December	
$ in millions	**2020**	2019
Corporate		
Beginning balance	**$ 752**	$ 659
Net realized gains/(losses)	**22**	5
Net unrealized gains/(losses)	**(22)**	(27)
Purchases	**277**	151
Sales	**(38)**	–
Settlements	**(125)**	(298)
Transfers into level 3	**163**	290
Transfers out of level 3	**(100)**	(28)
Ending balance	**$ 929**	$ 752
Commercial real estate		
Beginning balance	**$ 591**	$ 677
Net realized gains/(losses)	**24**	20
Net unrealized gains/(losses)	**60**	28
Purchases	**334**	11
Sales	**(5)**	(9)
Settlements	**(366)**	(229)
Transfers into level 3	**466**	94
Transfers out of level 3	–	(1)
Ending balance	**$1,104**	$ 591
Residential real estate		
Beginning balance	**$ 221**	$ 290
Net realized gains/(losses)	**13**	15
Net unrealized gains/(losses)	**10**	26
Purchases	**48**	58
Sales	**(2)**	(5)
Settlements	**(78)**	(137)
Transfers into level 3	**48**	60
Transfers out of level 3	–	(86)
Ending balance	**$ 260**	$ 221
Wealth management and other		
Beginning balance	**$ 326**	$ 364
Net realized gains/(losses)	**13**	6
Net unrealized gains/(losses)	**39**	58
Purchases	**11**	29
Sales	**(5)**	–
Settlements	**(158)**	(131)
Transfers into level 3	**159**	–
Ending balance	**$ 385**	$ 326

Level 3 Rollforward Commentary

Year Ended December 2020. The net realized and unrealized gains on level 3 loans of $159 million (reflecting $72 million of net realized gains and $87 million of net unrealized gains) for 2020 included gains of $135 million reported in other principal transactions and $24 million reported in interest income.

The drivers of the net unrealized gains on level 3 loans for 2020 were not material.

Transfers into level 3 loans during 2020 reflected transfers of certain loans backed by commercial real estate, corporate loans, and wealth management and other loans from level 2, principally due to reduced price transparency as a result of a lack of market evidence, including fewer market transactions in these instruments.

Transfers out of level 3 loans during 2020 reflected transfers of certain corporate loans to level 2, principally due to duration and yield inputs no longer being significant to the valuation of these loans and increased price transparency as a result of increased market evidence, including market transactions in these instruments.

Year Ended December 2019. The net realized and unrealized gains on level 3 loans of $131 million (reflecting $46 million of net realized gains and $85 million of net unrealized gains) for 2019 included gains of $98 million reported in other principal transactions and $33 million reported in interest income.

The drivers of the net unrealized gains on level 3 loans for 2019 were not material.

Transfers into level 3 loans during 2019 primarily reflected transfers of certain corporate loans from level 2, principally due to reduced price transparency as a result of a lack of market evidence.

The drivers of transfers out of level 3 loans during 2019 were not material.

Estimated Fair Value

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

	Carrying	Estimated Fair Value		
$ in millions	Value	Level 2	Level 3	Total
As of December 2020				
Amortized cost	**$99,691**	**$52,793**	**$48,512**	**$101,305**
Held for sale	**$ 2,799**	**$ 1,541**	**$ 1,271**	**$ 2,812**
As of December 2019				
Amortized cost	$89,195	$52,091	$37,095	$ 89,186
Held for sale	$ 5,323	$ 4,157	$ 1,252	$ 5,409

Note 10.

Fair Value Option

Other Financial Assets and Liabilities at Fair Value

In addition to trading assets and liabilities, and certain investments and loans, the firm accounts for certain of its other financial assets and liabilities at fair value, substantially all under the fair value option. The primary reasons for electing the fair value option are to:

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

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

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

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

Fair Value of Other Financial Assets and Liabilities by Level

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

$ in millions	Level 1	Level 2	Level 3	Total
As of December 2020				
Assets				
Resale agreements	**$ –**	**$ 108,060**	**$ –**	**$ 108,060**
Securities borrowed	**–**	**28,898**	**–**	**28,898**
Customer and other receivables	**–**	**82**	**–**	**82**
Total	**$ –**	**$ 137,040**	**$ –**	**$ 137,040**
Liabilities				
Deposits	**$ –**	**$ (11,955)**	**$ (4,221)**	**$ (16,176)**
Repurchase agreements	**–**	**(126,569)**	**(2)**	**(126,571)**
Securities loaned	**–**	**(1,053)**	**–**	**(1,053)**
Other secured financings	**–**	**(20,652)**	**(3,474)**	**(24,126)**
Unsecured borrowings:				
Short-term	**–**	**(19,227)**	**(7,523)**	**(26,750)**
Long-term	**–**	**(28,335)**	**(12,576)**	**(40,911)**
Other liabilities	**–**	**(1)**	**(262)**	**(263)**
Total	**$ –**	**$(207,792)**	**$(28,058)**	**$(235,850)**
As of December 2019				
Assets				
Resale agreements	$ –	$ 85,691	$ –	$ 85,691
Securities borrowed	–	26,279	–	26,279
Customer and other receivables	–	53	–	53
Total	$ –	$ 112,023	$ –	$ 112,023
Liabilities				
Deposits	$ –	$ (13,742)	$ (4,023)	$ (17,765)
Repurchase agreements	–	(117,726)	(30)	(117,756)
Securities loaned	–	(714)	–	(714)
Other secured financings	–	(17,685)	(386)	(18,071)
Unsecured borrowings:				
Short-term	–	(20,300)	(5,707)	(26,007)
Long-term	–	(32,920)	(10,741)	(43,661)
Other liabilities	–	(1)	(149)	(150)
Total	$ –	$(203,088)	$(21,036)	$(224,124)

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

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

Significant Unobservable Inputs

See below for information about the significant unobservable inputs used to value level 3 other financial assets and liabilities at fair value as of both December 2020 and December 2019.

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

As of December 2020:

- Yield: 1.4% to 7.1% (weighted average: 2.7%)
- Duration: 1.4 to 8.0 years (weighted average: 4.0 years)

As of December 2019:

- Yield: 3.3% to 4.2% (weighted average: 3.5%)
- Duration: 0.6 to 2.1 years (weighted average: 1.0 year)

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

Deposits, Unsecured Borrowings and Other Liabilities. Substantially all of the firm's deposits, unsecured short- and long-term borrowings, and other liabilities that are classified in level 3 are hybrid financial instruments. As the significant unobservable inputs used to value hybrid financial instruments primarily relate to the embedded derivative component of these deposits, unsecured borrowings and other liabilities, these unobservable inputs are incorporated in the firm's derivative disclosures in Note 7. See Note 13 for further information about deposits, Note 14 for further information about unsecured borrowings and Note 15 for further information about other liabilities.

Repurchase Agreements. As of both December 2020 and December 2019, the firm's level 3 repurchase agreements were not material.

Level 3 Rollforward

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

	Year Ended December	
$ in millions	**2020**	2019
Beginning balance	**$(21,036)**	$(19,397)
Net realized gains/(losses)	**(317)**	(337)
Net unrealized gains/(losses)	**(1,301)**	(2,254)
Issuances	**(18,123)**	(9,892)
Settlements	**15,373**	11,104
Transfers into level 3	**(3,575)**	(877)
Transfers out of level 3	**921**	617
Ending balance	**$(28,058)**	$(21,036)

In the table above:

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

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

	Year Ended December	
$ in millions	**2020**	2019
Deposits		
Beginning balance	**$ (4,023)**	$ (3,168)
Net realized gains/(losses)	**1**	(3)
Net unrealized gains/(losses)	**(319)**	(473)
Issuances	**(4,049)**	(932)
Settlements	**4,168**	452
Transfers into level 3	**(57)**	(28)
Transfers out of level 3	**58**	129
Ending balance	**$ (4,221)**	$ (4,023)
Repurchase agreements		
Beginning balance	**$ (30)**	$ (29)
Net unrealized gains/(losses)	**(2)**	(4)
Settlements	**30**	3
Ending balance	**$ (2)**	$ (30)
Other secured financings		
Beginning balance	**$ (386)**	$ (170)
Net realized gains/(losses)	**13**	36
Net unrealized gains/(losses)	**(142)**	(52)
Issuances	**(1,195)**	(28)
Settlements	**368**	19
Transfers into level 3	**(2,132)**	(191)
Ending balance	**$ (3,474)**	$ (386)
Unsecured short-term borrowings		
Beginning balance	**$ (5,707)**	$ (4,076)
Net realized gains/(losses)	**(132)**	(120)
Net unrealized gains/(losses)	**(215)**	(484)
Issuances	**(6,634)**	(5,410)
Settlements	**5,029**	4,333
Transfers into level 3	**(629)**	(173)
Transfers out of level 3	**765**	223
Ending balance	**$ (7,523)**	$ (5,707)
Unsecured long-term borrowings		
Beginning balance	**$(10,741)**	$(11,823)
Net realized gains/(losses)	**(229)**	(278)
Net unrealized gains/(losses)	**(510)**	(1,223)
Issuances	**(6,215)**	(3,494)
Settlements	**5,778**	6,297
Transfers into level 3	**(757)**	(485)
Transfers out of level 3	**98**	265
Ending balance	**$(12,576)**	$(10,741)
Other liabilities		
Beginning balance	**$ (149)**	$ (131)
Net realized gains/(losses)	**30**	28
Net unrealized gains/(losses)	**(113)**	(18)
Issuances	**(30)**	(28)
Ending balance	**$ (262)**	$ (149)

Level 3 Rollforward Commentary

Year Ended December 2020. The net realized and unrealized losses on level 3 other financial liabilities of $1.62 billion (reflecting $317 million of net realized losses and $1.30 billion of net unrealized losses) for 2020 included losses of $1.44 billion reported in market making, $28 million reported in other principal transactions and $15 million reported in interest expense in the consolidated statements of earnings, and $139 million reported in debt valuation adjustment in the consolidated statements of comprehensive income.

The unrealized losses on level 3 other financial liabilities for 2020 primarily reflected losses on certain hybrid financial instruments included in unsecured long- and short-term borrowings, principally due to an increase in global equity prices, and losses on certain hybrid financial instruments included in deposits, principally due to an increase in the market value of the underlying assets.

Transfers into level 3 other financial liabilities during 2020 primarily reflected transfers of certain other secured financings from level 2, principally due to reduced price transparency of certain yield and duration inputs used to value these instruments, and certain hybrid financial instruments included in unsecured long- and short-term borrowings from level 2, principally due to reduced price transparency of certain volatility and correlation inputs used to value these instruments.

Transfers out of level 3 other financial liabilities during 2020 primarily reflected transfers of certain hybrid financial instruments included in unsecured short-term borrowings to level 2, principally due to increased price transparency of certain volatility and correlation inputs used to value these instruments.

Year Ended December 2019. The net realized and unrealized losses on level 3 other financial liabilities of $2.59 billion (reflecting $337 million of net realized losses and $2.25 billion of net unrealized losses) for 2019 included losses of $1.98 billion reported in market making, $10 million reported in other principal transactions and $9 million reported in interest expense in the consolidated statements of earnings, and $595 million reported in debt valuation adjustment in the consolidated statements of comprehensive income.

The unrealized losses on level 3 other financial liabilities for 2019 primarily reflected losses on certain hybrid financial instruments included in unsecured long- and short-term borrowings, principally due to an increase in global equity prices, and losses on certain hybrid financial instruments included in deposits, due to the impact of an increase in the market value of the underlying assets.

Transfers into level 3 other financial liabilities during 2019 primarily reflected transfers of certain hybrid financial instruments included in unsecured long- and short-term borrowings and other secured financings from level 2, principally due to reduced price transparency of certain volatility and correlation inputs used to value these instruments.

Transfers out of level 3 other financial liabilities during 2019 primarily reflected transfers of certain hybrid financial instruments included in unsecured long- and short-term borrowings to level 2, principally due to increased price transparency of certain volatility and correlation inputs used to value these instruments.

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

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

	Year Ended December		
$ in millions	**2020**	2019	2018
Unsecured short-term borrowings	**$ 206**	$(3,365)	$1,443
Unsecured long-term borrowings	**(2,804)**	(5,251)	926
Other	**(563)**	(883)	308
Total	**$(3,161)**	$(9,499)	$2,677

In the table above:

- Gains/(losses) were substantially all included in market making.
- Gains/(losses) exclude contractual interest, which is included in interest income and interest expense, for all instruments other than hybrid financial instruments. See Note 23 for further information about interest income and interest expense.
- Gains/(losses) included in unsecured short- and long-term borrowings were substantially all related to the embedded derivative component of hybrid financial instruments for 2020, 2019 and 2018. 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.
- Other primarily consists of gains/(losses) on customer and other receivables, deposits, other secured financings and other liabilities.
- Other financial assets and liabilities at fair value are frequently economically hedged with trading assets and liabilities. Accordingly, gains or losses on such other financial assets and liabilities can be partially offset by gains or losses on trading assets and liabilities. As a result, gains or losses on other financial assets and liabilities do not necessarily represent the overall impact on the firm's results of operations, liquidity or capital resources.

See Note 8 for information about gains/(losses) on equity securities and Note 9 for information about gains/(losses) on loans which are accounted for at fair value under the fair value option. Gains/(losses) on trading assets and liabilities accounted for at fair value under the fair value option are included in market making. See Note 5 for further information about gains/(losses) from market making.

Long-Term Debt Instruments

The difference between the aggregate contractual principal amount and the related fair value of long-term other secured financings for which the fair value option was elected was not material as of both December 2020 and December 2019.

The fair value of unsecured long-term borrowings, for which the fair value option was elected, exceeded the aggregate contractual principal amount by $445 million as of December 2020 and $199 million as of December 2019. The amounts above include both principal-protected and non-principal-protected long-term borrowings.

Debt Valuation Adjustment

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

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

	Year Ended December		
$ in millions	**2020**	2019	2018
DVA (pre-tax)	**$(347)**	$(2,763)	$3,389
DVA (net of tax)	**$(261)**	$(2,079)	$2,553

In the table above:

- DVA (net of tax) is included in debt valuation adjustment in the consolidated statements of comprehensive income.
- The gains/(losses) reclassified to earnings from accumulated other comprehensive income/(loss) upon extinguishment of such financial liabilities were not material for 2020, 2019 and 2018.

Loans and Lending Commitments

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

	As of December	
$ in millions	**2020**	2019
Performing loans		
Aggregate contractual principal in excess of fair value	**$ 958**	$ 809
Loans on nonaccrual status and/or more than 90 days past due		
Aggregate contractual principal in excess of fair value	**$10,526**	$6,703
Aggregate fair value	**$ 3,519**	$2,776

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

The fair value of unfunded lending commitments for which the fair value option was elected was a liability of $25 million as of December 2020 and $24 million as of December 2019, and the related total contractual amount of these lending commitments was $1.64 billion as of December 2020 and $1.55 billion as of December 2019. See Note 18 for further information about lending commitments.

Impact of Credit Spreads on Loans and Lending Commitments

The estimated net gain/(loss) attributable to changes in instrument-specific credit spreads on loans and lending commitments for which the fair value option was elected was $(106) million for 2020, $134 million for 2019 and $211 million for 2018. The firm generally calculates the fair value of loans and lending commitments for which the fair value option is elected by discounting future cash flows at a rate which incorporates the instrument-specific credit spreads. For floating-rate loans and lending commitments, substantially all changes in fair value are attributable to changes in instrument-specific credit spreads, whereas for fixed-rate loans and lending commitments, changes in fair value are also attributable to changes in interest rates.

Note 11.
Collateralized Agreements and Financings

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

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

Resale and Repurchase Agreements

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

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

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

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

Securities Borrowed and Loaned Transactions

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

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

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

Securities borrowed and loaned within FICC financing are recorded at fair value under the fair value option. See Note 10 for further information about securities borrowed and loaned accounted for at fair value.

Securities borrowed and loaned within Equities financing are recorded based on the amount of cash collateral advanced or received plus accrued interest. The firm also reviews securities borrowed to determine if an allowance for credit losses should be recorded by taking into consideration the fair value of collateral received. As these agreements generally can be terminated on demand, they exhibit little, if any, sensitivity to changes in interest rates. Therefore, the carrying value of such agreements approximates fair value. As these agreements are not accounted for at fair value, they are not included in the firm's fair value hierarchy in Notes 4 through 10. Had these agreements been included in the firm's fair value hierarchy, they would have been classified in level 2 as of both December 2020 and December 2019.

Offsetting Arrangements

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

	Assets		Liabilities	
$ in millions	Resale agreements	Securities borrowed	Repurchase agreements	Securities loaned
As of December 2020				
Included in the consolidated balance sheets				
Gross carrying value	**$205,817**	**$ 147,593**	**$ 224,328**	**$ 27,054**
Counterparty netting	**(97,757)**	**(5,433)**	**(97,757)**	**(5,433)**
Total	**108,060**	**142,160**	**126,571**	**21,621**
Amounts not offset				
Counterparty netting	**(8,920)**	**(3,525)**	**(8,920)**	**(3,525)**
Collateral	**(96,140)**	**(132,893)**	**(116,819)**	**(17,693)**
Total	**$ 3,000**	**$ 5,742**	**$ 832**	**$ 403**
As of December 2019				
Included in the consolidated balance sheets				
Gross carrying value	$152,982	$ 140,677	$ 185,047	$ 19,591
Counterparty netting	(67,291)	(4,606)	(67,291)	(4,606)
Total	85,691	136,071	117,756	14,985
Amounts not offset				
Counterparty netting	(3,058)	(2,211)	(3,058)	(2,211)
Collateral	(78,528)	(127,901)	(114,065)	(12,614)
Total	$ 4,105	$ 5,959	$ 633	$ 160

In the table above:

- Substantially all of the gross carrying values of these arrangements are subject to enforceable netting agreements.
- Where the firm has received or posted collateral under credit support agreements, but has not yet determined such agreements are enforceable, the related collateral has not been netted.
- Amounts not offset includes counterparty netting that does not meet the criteria for netting under U.S. GAAP and the fair value of collateral received or posted subject to enforceable credit support agreements.
- Resale agreements and repurchase agreements are carried at fair value under the fair value option. See Note 4 for further information about the valuation techniques and significant inputs used to determine fair value.
- Securities borrowed included in the consolidated balance sheets of $28.90 billion as of December 2020 and $26.28 billion as of December 2019, and securities loaned of $1.05 billion as of December 2020 and $714 million as of December 2019 were at fair value under the fair value option. See Note 10 for further information about securities borrowed and securities loaned accounted for at fair value.

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 December 2020		
Money market instruments	**$ 88**	**$ –**
U.S. government and agency obligations	**121,751**	**–**
Non-U.S. government and agency obligations	**79,159**	**1,634**
Securities backed by commercial real estate	**65**	**–**
Securities backed by residential real estate	**121**	**–**
Corporate debt securities	**6,364**	**46**
State and municipal obligations	**92**	**–**
Other debt obligations	**20**	**–**
Equity securities	**16,668**	**25,374**
Total	**$224,328**	**$27,054**
As of December 2019		
Money market instruments	$ 158	$ –
U.S. government and agency obligations	112,903	–
Non-U.S. government and agency obligations	55,575	1,051
Securities backed by commercial real estate	210	–
Securities backed by residential real estate	1,079	–
Corporate debt securities	6,857	122
State and municipal obligations	242	–
Other debt obligations	196	–
Equity securities	7,827	18,418
Total	$185,047	$19,591

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

	As of December 2020	
$ in millions	**Repurchase agreements**	**Securities loaned**
No stated maturity and overnight	**$117,623**	**$18,533**
2 - 30 days	**66,570**	**3,781**
31 - 90 days	**17,479**	**21**
91 days - 1 year	**20,339**	**4,719**
Greater than 1 year	**2,317**	**–**
Total	**$224,328**	**$27,054**

In the table above:

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

Other Secured Financings

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

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

Other secured financings included nonrecourse arrangements. Nonrecourse other secured financings were $12.31 billion as of December 2020 and $10.91 billion as of December 2019.

The firm has elected to apply the fair value option to substantially all other secured financings because the use of fair value eliminates non-economic volatility in earnings that would arise from using different measurement attributes. See Note 10 for further information about other secured financings that are accounted for at fair value.

Other secured financings that are not recorded at fair value are recorded based on the amount of cash received plus accrued interest, which generally approximates fair value. As these financings are not accounted for at fair value, they are not included in the firm's fair value hierarchy in Notes 4 through 10. Had these financings been included in the firm's fair value hierarchy, they would have been primarily classified in level 3 as of December 2020 and primarily classified in level 2 as of December 2019.

The table below presents information about other secured financings.

$ in millions	U.S. Dollar	Non-U.S. Dollar	Total
As of December 2020			
Other secured financings (short-term):			
At fair value	**$ 6,371**	**$ 6,847**	**$13,218**
At amortized cost	**–**	**–**	**–**
Other secured financings (long-term):			
At fair value	**6,632**	**4,276**	**10,908**
At amortized cost	**914**	**715**	**1,629**
Total other secured financings	**$13,917**	**$11,838**	**$25,755**
Other secured financings collateralized by:			
Financial instruments	**$ 6,841**	**$10,068**	**$16,909**
Other assets	**$ 7,076**	**$ 1,770**	**$ 8,846**
As of December 2019			
Other secured financings (short-term):			
At fair value	$ 2,754	$ 4,441	$ 7,195
At amortized cost	129	–	129
Other secured financings (long-term):			
At fair value	7,402	3,474	10,876
At amortized cost	397	680	1,077
Total other secured financings	$10,682	$ 8,595	$19,277
Other secured financings collateralized by:			
Financial instruments	$ 4,826	$ 7,189	$12,015
Other assets	$ 5,856	$ 1,406	$ 7,262

In the table above:

- Short-term other secured financings includes financings maturing within one year of the financial statement date and financings that are redeemable within one year of the financial statement date at the option of the holder.
- U.S. dollar-denominated short-term other secured financings at amortized cost had a weighted average interest rate of 4.32% as of December 2019. These rates include the effect of hedging activities.
- U.S. dollar-denominated long-term other secured financings at amortized cost had a weighted average interest rate of 1.27% as of December 2020 and 2.79% as of December 2019. These rates include the effect of hedging activities.
- Non-U.S. dollar-denominated long-term other secured financings at amortized cost had a weighted average interest rate of 0.40% as of December 2020 and 0.39% as of December 2019. These rates include the effect of hedging activities.
- Total other secured financings included $2.05 billion as of December 2020 and $2.16 billion as of December 2019 related to transfers of financial assets accounted for as financings rather than sales. Such financings were collateralized by financial assets, primarily included in trading assets, of $2.26 billion as of December 2020 and $2.21 billion as of December 2019.
- Other secured financings collateralized by financial instruments included $11.28 billion as of December 2020 and $9.09 billion as of December 2019 of other secured financings collateralized by trading assets, investments and loans, and included $5.63 billion as of December 2020 and $2.93 billion as of December 2019 of other secured financings collateralized by financial instruments received as collateral and repledged.

The table below presents other secured financings by maturity.

$ in millions	**As of December 2020**
Other secured financings (short-term)	**$13,218**
Other secured financings (long-term):	
2022	**4,292**
2023	**2,102**
2024	**1,384**
2025	**1,286**
2026 - thereafter	**3,473**
Total other secured financings (long-term)	**12,537**
Total other secured financings	**$25,755**

In the table above:

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

Collateral Received and Pledged

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

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

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

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.

	As of December	
$ in millions	**2020**	2019
Collateral available to be delivered or repledged	**$864,494**	$661,490
Collateral that was delivered or repledged	**$723,409**	$558,634

The table below presents information about assets pledged.

	As of December	
$ in millions	**2020**	2019
Pledged to counterparties that had the right to deliver or repledge		
Trading assets	**$ 69,031**	$ 66,605
Investments	**$ 13,375**	$ 10,968
Pledged to counterparties that did not have the right to deliver or repledge		
Trading assets	**$ 99,142**	$101,578
Investments	**$ 2,331**	$ 849
Loans	**$ 8,320**	$ 6,628
Other assets	**$ 14,144**	$ 12,337

The firm also segregates securities for regulatory and other purposes related to client activity. Such securities are segregated from trading assets and investments, as well as from securities received as collateral under resale agreements and securities borrowed transactions. Securities segregated by the firm were $32.97 billion as of December 2020 and $26.76 billion as of December 2019.

Note 12.

Other Assets

The table below presents other assets by type.

	As of December	
$ in millions	**2020**	2019
Property, leasehold improvements and equipment	**$23,147**	$21,886
Goodwill	**4,332**	4,196
Identifiable intangible assets	**630**	641
Operating lease right-of-use assets	**2,280**	2,360
Income tax-related assets	**2,960**	2,068
Miscellaneous receivables and other	**4,096**	3,731
Total	**$37,445**	$34,882

Property, Leasehold Improvements and Equipment

Property, leasehold improvements and equipment is net of accumulated depreciation and amortization of $10.12 billion as of December 2020 and $9.95 billion as of December 2019. Property, leasehold improvements and equipment included $6.54 billion as of December 2020 and $6.16 billion as of December 2019 that the firm uses in connection with its operations, and $318 million as of December 2020 and $521 million as of December 2019 of foreclosed real estate primarily related to distressed loans that were purchased by the firm. The remainder is held by investment entities, including VIEs, consolidated by the firm. Substantially all property and equipment is depreciated on a straight-line basis over the useful life of the asset. Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease. Capitalized costs of software developed or obtained for internal use are amortized on a straight-line basis over three years.

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

During 2020, there were $171 million of impairments, primarily relating to properties held by the firm's investment entities. There were no material impairments during 2019 or 2018.

Goodwill

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

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

	As of December	
$ in millions	**2020**	2019
Investment Banking	**$ 281**	$ 281
Global Markets:		
FICC	**269**	269
Equities	**2,644**	2,508
Asset Management	**390**	390
Consumer & Wealth Management:		
Consumer banking	**48**	48
Wealth management	**700**	700
Total	**$4,332**	$4,196

In the table above, the increase in goodwill in Equities from December 2019 to December 2020 reflects the acquisition of Folio Financial, Inc. during 2020.

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

The quantitative goodwill test compares the estimated fair value of each reporting unit with its 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. An impairment is recognized if the estimated fair value of a reporting unit is less than its estimated net book value.

To estimate the fair value of each reporting unit, other than Consumer banking, a relative value technique is used because the firm believes market participants would use this technique to value these reporting units. The relative value technique applies observable price-to-earnings multiples or price-to-book multiples of comparable competitors to reporting units' net earnings or net book value. To estimate the fair value of Consumer banking, a discounted cash flow valuation approach is used because the firm believes market participants would use this technique to value that reporting unit given its early stage of development. The estimated net carrying value of each reporting unit reflects an allocation of total shareholders' equity and represents the estimated amount of total shareholders' equity required to support the activities of the reporting unit under currently applicable regulatory capital requirements.

During 2020, the outbreak of the COVID-19 pandemic broadly impacted the operating environment. Uncertainty about the COVID-19 pandemic and its continued impact persisted throughout the year. As a result, the firm performed a qualitative assessment in each of the first, second and third quarters of 2020 with respect to each of the firm's reporting units to determine whether it was more likely than not that the estimated fair value of any of these reporting units was less than its estimated carrying value. Based on these qualitative assessments, the firm determined that it was more likely than not that the estimated fair value of each of the reporting units exceeded its respective estimated carrying value, and that the impact of the COVID-19 pandemic, in each quarter, was not a triggering event to perform a quantitative test.

In the fourth quarter of 2020, the firm performed its annual assessment of goodwill for impairment, for each of its reporting units, by performing a qualitative assessment. Multiple factors were assessed with respect to each of the firm's reporting units to determine whether it was more likely than not that the estimated fair value of any of these reporting units was less than its estimated carrying value. The qualitative assessment also considered changes since the quantitative test performed in the fourth quarter of 2019.

The firm considered the following factors in the qualitative annual assessment when evaluating whether it was more likely than not that the estimated fair value of a reporting unit was less than its estimated carrying value:

- **Performance Indicators.** During 2020, the firm's net revenues, diluted earnings per common share (EPS), return on average common shareholders' equity (ROE) and book value per common share all increased compared with 2019. The firm's operating expenses increased, primarily reflecting significantly higher net provisions for litigation and regulatory proceedings and higher compensation and benefits expenses (reflecting improved financial performance). Despite the increase in expenses, the efficiency ratio (total operating expenses divided by total net revenues) improved compared with 2019 and the pre-tax margin remained stable. In addition, with the exception of net provisions for litigation and regulatory proceedings, there were no significant changes to the firm's overall cost structure since the prior quantitative goodwill test was performed.
- **Macroeconomic Indicators.** The impact of the COVID-19 pandemic caused a sharp contraction in economic activity in early 2020. However, intervention by central banks and governments, which undertook significant monetary and fiscal policy actions, allowed the global economy to make progress towards recovery during the second half of 2020. The global economy is expected to continue to recover in 2021 and beyond, although there remains significant uncertainty related to the impact and duration of the COVID-19 pandemic.
- **Firm and Industry Events.** Aside from the impact of the COVID-19 pandemic on the firm and its peers' operating environment, there were no events, entity-specific or otherwise, that would have had a significant negative impact on the valuation of the firm's reporting units.
- **Fair Value Indicators.** Since the 2019 quantitative goodwill test, fair value indicators in the market generally declined as of the third quarter of 2020, as global equity prices were lower, credit spreads were wider, and the firm and its peers' stock prices and price-to-book multiples were lower. However, in the fourth quarter of 2020, the improving global economic outlook, investor sentiment and positive developments for COVID-19 vaccines resulted in higher global equity prices and tighter credit spreads compared to the levels at the end of 2019. Similarly, the firm's stock price and price-to-book multiple ended the year higher compared with the end of 2019.

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

Identifiable Intangible Assets

The table below presents identifiable intangible assets by reporting unit and type.

	As of December	
$ in millions	**2020**	2019
By Reporting Unit		
Global Markets:		
FICC	**$ 2**	$ 3
Equities	**45**	–
Asset Management	**274**	265
Consumer & Wealth Management:		
Consumer banking	**6**	7
Wealth management	**303**	366
Total	**$ 630**	$ 641
By Type		
Customer lists		
Gross carrying value	**$ 1,478**	$ 1,427
Accumulated amortization	**(1,089)**	(1,044)
Net carrying value	**389**	383
Acquired leases and other		
Gross carrying value	**710**	790
Accumulated amortization	**(469)**	(532)
Net carrying value	**241**	258
Total gross carrying value	**2,188**	2,217
Total accumulated amortization	**(1,558)**	(1,576)
Total net carrying value	**$ 630**	$ 641

The firm acquired $155 million of intangible assets during 2020, primarily related to acquired leases and customer lists, with a weighted average amortization period of 10 years. The firm acquired $515 million of intangible assets during 2019, primarily related to customer lists, with a weighted average amortization period of 10 years.

Substantially all of the firm's identifiable intangible assets have finite useful lives and are amortized over their estimated useful lives generally using the straight-line method.

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

	Year Ended December		
$ in millions	**2020**	2019	2018
Amortization	**$147**	$173	$152

$ in millions	**As of December 2020**
Estimated future amortization	
2021	**$111**
2022	**$ 94**
2023	**$ 84**
2024	**$ 68**
2025	**$ 49**

The firm tests intangible assets for impairment when events or changes in circumstances suggest that an asset's or asset group's carrying value may not be fully recoverable. To the extent the carrying value of an asset or asset group exceeds the projected undiscounted cash flows expected to result from the use and eventual disposal of the asset or asset group, the firm determines the asset or asset group is impaired and records an impairment equal to the difference between the estimated fair value and the carrying value of the asset or asset group. In addition, the firm will recognize an impairment prior to the sale of an asset or asset group if the carrying value of the asset or asset group exceeds its estimated fair value. There were no material impairments during 2020, 2019 or 2018.

Operating Lease Right-of-Use Assets

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

An operating lease right-of-use asset is initially determined based on the operating lease liability, adjusted for initial direct costs, lease incentives and amounts paid at or prior to lease commencement. This amount is then amortized over the lease term. The firm recognized $182 million for 2020 and $963 million (primarily related to the firm's new European headquarters in London) for 2019 of right-of-use assets and operating lease liabilities in non-cash transactions for leases entered into or assumed. See Note 15 for information about operating lease liabilities.

For leases where the firm will derive no economic benefit from leased space that it has vacated or where the firm has shortened the term of a lease when space is no longer needed, the firm will record an impairment or accelerated amortization of right-of-use assets. There were no material impairments or accelerated amortizations during 2020 and 2019. See Note 3 for further information about ASU No. 2016-02 which was adopted in January 2019.

Miscellaneous Receivables and Other

Miscellaneous receivables and other included:

- Investments in qualified affordable housing projects of $678 million as of December 2020 and $606 million as of December 2019.
- Assets classified as held for sale of $437 million as of December 2020 and $470 million as of December 2019 related to the firm's consolidated investments within the Asset Management segment, substantially all of which consisted of property and equipment.

Note 13.
Deposits

The table below presents the types and sources of deposits.

$ in millions	Savings and Demand	Time	Total
As of December 2020			
Consumer deposits	**$ 67,395**	**$29,530**	**$ 96,925**
Private bank deposits	**67,185**	**1,183**	**68,368**
Brokered certificates of deposit	**–**	**30,060**	**30,060**
Deposit sweep programs	**22,987**	**–**	**22,987**
Transaction banking	**28,852**	**–**	**28,852**
Other deposits	**–**	**12,770**	**12,770**
Total	**$186,419**	**$73,543**	**$259,962**
As of December 2019			
Consumer deposits	$ 44,973	$15,023	$ 59,996
Private bank deposits	53,726	2,087	55,813
Brokered certificates of deposit	–	39,449	39,449
Deposit sweep programs	17,760	–	17,760
Transaction banking	2,291	235	2,526
Other deposits	–	14,475	14,475
Total	$118,750	$71,269	$190,019

In the table above:

- Substantially all deposits are interest-bearing.
- Savings and demand accounts consist of money market deposit accounts, negotiable order of withdrawal accounts and demand deposit accounts that have no stated maturity or expiration date.
- Time deposits included $16.18 billion as of December 2020 and $17.77 billion as of December 2019 of deposits accounted for at fair value under the fair value option. See Note 10 for further information about deposits accounted for at fair value.
- Time deposits had a weighted average maturity of approximately 1.3 years as of December 2020 and 1.7 years as of December 2019.
- Deposit sweep programs include long-term contractual agreements with U.S. broker-dealers who sweep client cash to FDIC-insured deposits. As of December 2020, the firm had 12 such deposit sweep program agreements.

- Transaction banking deposits consists of deposits that the firm raised through its cash management services business for corporate and other institutional clients.
- Other deposits represent deposits from institutional clients.
- Deposits insured by the FDIC were $123.03 billion as of December 2020 and $103.98 billion as of December 2019.
- Deposits insured by non-U.S. insurance programs were $27.52 billion as of December 2020 and $15.86 billion as of December 2019.

The table below presents the location of deposits.

	As of December	
$ in millions	**2020**	2019
U.S. offices	**$206,356**	$150,759
Non-U.S. offices	**53,606**	39,260
Total	**$259,962**	$190,019

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

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

	As of December 2020		
$ in millions	**U.S.**	**Non-U.S.**	**Total**
2021	**$35,115**	**$11,995**	**$47,110**
2022	**9,685**	**485**	**10,170**
2023	**6,377**	**126**	**6,503**
2024	**4,138**	**138**	**4,276**
2025	**2,089**	**281**	**2,370**
2026 - thereafter	**2,119**	**995**	**3,114**
Total	**$59,523**	**$14,020**	**$73,543**

As of December 2020, deposits in U.S. offices included $11.71 billion and deposits in non-U.S. offices included $12.25 billion of time deposits in denominations that met or exceeded the applicable insurance limits, or were otherwise not covered by insurance.

The firm's savings and demand deposits are recorded based on the amount of cash received plus accrued interest, which approximates fair value. In addition, the firm designates certain derivatives as fair value hedges to convert a portion of its time deposits not accounted for at fair value from fixed-rate obligations into floating-rate obligations. The carrying value of time deposits not accounted for at fair value approximated fair value as of both December 2020 and December 2019. As these savings and demand deposits and time deposits are not accounted for at fair value, they are not included in the firm's fair value hierarchy in Notes 4 through 10. Had these deposits been included in the firm's fair value hierarchy, they would have been classified in level 2 as of both December 2020 and December 2019.

Note 14.
Unsecured Borrowings

The table below presents information about unsecured borrowings.

	As of December	
$ in millions	**2020**	2019
Unsecured short-term borrowings	**$ 52,870**	$ 48,287
Unsecured long-term borrowings	**213,481**	207,076
Total	**$266,351**	$255,363

Unsecured Short-Term Borrowings

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

The firm accounts for certain hybrid financial instruments at fair value under the fair value option. See Note 10 for further information about unsecured short-term borrowings that are accounted for at fair value. In addition, the firm designates certain derivatives as fair value hedges to convert a portion of its unsecured short-term borrowings not accounted for at fair value from fixed-rate obligations into floating-rate obligations. The carrying value of unsecured short-term borrowings that are not recorded at fair value generally approximates fair value due to the short-term nature of the obligations. As these unsecured short-term borrowings are not accounted for at fair value, they are not included in the firm's fair value hierarchy in Notes 4 through 10. Had these borrowings been included in the firm's fair value hierarchy, substantially all would have been classified in level 2 as of both December 2020 and December 2019.

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

	As of December	
$ in millions	**2020**	2019
Current portion of unsecured long-term borrowings	**$25,914**	$30,636
Hybrid financial instruments	**18,823**	15,814
Commercial paper	**6,085**	–
Other unsecured short-term borrowings	**2,048**	1,837
Total unsecured short-term borrowings	**$52,870**	$48,287
Weighted average interest rate	**1.84%**	2.71%

In the table above:

- The current portion of unsecured long-term borrowings included $17.06 billion as of December 2020 and $21.27 billion as of December 2019 issued by Group Inc.
- The weighted average interest rates for these borrowings include the effect of hedging activities and exclude unsecured short-term borrowings accounted for at fair value under the fair value option. See Note 7 for further information about hedging activities.

Unsecured Long-Term Borrowings

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

$ in millions	U.S. Dollar	Non-U.S. Dollar	Total
As of December 2020			
Fixed-rate obligations:			
Group Inc.	**$ 98,858**	**$35,614**	**$134,472**
Subsidiaries	**1,700**	**3,145**	**4,845**
Floating-rate obligations:			
Group Inc.	**18,579**	**18,871**	**37,450**
Subsidiaries	**23,440**	**13,274**	**36,714**
Total	**$142,577**	**$70,904**	**$213,481**
As of December 2019			
Fixed-rate obligations:			
Group Inc.	$ 91,256	$33,631	$124,887
Subsidiaries	1,590	2,554	4,144
Floating-rate obligations:			
Group Inc.	25,318	18,383	43,701
Subsidiaries	22,532	11,812	34,344
Total	$140,696	$66,380	$207,076

In the table above:

- Unsecured long-term borrowings consists principally of senior borrowings, which have maturities extending through 2065.
- Floating-rate obligations includes equity-linked, credit-linked and indexed instruments. Floating interest rates are generally based on LIBOR or Euro Interbank Offered Rate.
- U.S. dollar-denominated debt had interest rates ranging from 0.63% to 9.30% (with a weighted average rate of 4.07%) as of December 2020 and 2.00% to 10.04% (with a weighted average rate of 3.82%) as of December 2019. These rates exclude unsecured long-term borrowings accounted for at fair value under the fair value option.
- Non-U.S. dollar-denominated debt had interest rates ranging from 0.13% to 13.00% (with a weighted average rate of 2.20%) as of December 2020 and 0.13% to 13.00% (with a weighted average rate of 2.33%) as of December 2019. These rates exclude unsecured long-term borrowings accounted for at fair value under the fair value option.

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

	As of December 2020		
$ in millions	**Group Inc.**	**Subsidiaries**	**Total**
2022	**$ 22,637**	**$ 6,332**	**$ 28,969**
2023	**26,961**	**6,332**	**33,293**
2024	**15,551**	**4,780**	**20,331**
2025	**21,405**	**5,771**	**27,176**
2026 - thereafter	**85,368**	**18,344**	**103,712**
Total	**$171,922**	**$41,559**	**$213,481**

In the table above:

- Unsecured long-term borrowings maturing within one year of the financial statement date and unsecured long-term borrowings that are redeemable within one year of the financial statement date at the option of the holder are excluded as they are included in unsecured short-term borrowings.
- Unsecured long-term borrowings that are repayable prior to maturity at the option of the firm are reflected at their contractual maturity dates.
- Unsecured long-term borrowings that are redeemable prior to maturity at the option of the holder are reflected at the earliest dates such options become exercisable.
- Unsecured long-term borrowings included $12.04 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: $(11) million in 2022, $224 million in 2023, $680 million in 2024, $901 million in 2025, and $10.25 billion in 2026 and thereafter.

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

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

$ in millions	Group Inc.	Subsidiaries	Total
As of December 2020			
Fixed-rate obligations:			
At fair value	**$ 1,407**	**$ 114**	**$ 1,521**
At amortized cost	**27,482**	**3,345**	**30,827**
Floating-rate obligations:			
At fair value	**9,721**	**29,669**	**39,390**
At amortized cost	**133,312**	**8,431**	**141,743**
Total	**$171,922**	**$41,559**	**$213,481**
As of December 2019			
Fixed-rate obligations:			
At fair value	$ 678	$ 47	$ 725
At amortized cost	44,631	2,946	47,577
Floating-rate obligations:			
At fair value	14,920	28,016	42,936
At amortized cost	108,359	7,479	115,838
Total	$168,588	$38,488	$207,076

In the table above, the aggregate amounts of unsecured long-term borrowings had weighted average interest rates of 2.01% (3.34% related to fixed-rate obligations and 1.70% related to floating-rate obligations) as of December 2020 and 2.87% (3.77% related to fixed-rate obligations and 2.48% related to floating-rate obligations) as of December 2019. These rates exclude unsecured long-term borrowings accounted for at fair value under the fair value option.

The carrying value of unsecured long-term borrowings for which the firm did not elect the fair value option was $172.57 billion as of December 2020 and $163.42 billion as of December 2019. The estimated fair value of such unsecured long-term borrowings was $183.29 billion as of December 2020 and $168.60 billion as of December 2019. As these borrowings are not accounted for at fair value, they are not included in the firm's fair value hierarchy in Notes 4 through 10. Had these borrowings been included in the firm's fair value hierarchy, substantially all would have been classified in level 2 as of both December 2020 and December 2019.

Subordinated Borrowings

Unsecured long-term borrowings includes subordinated debt and junior subordinated debt. Subordinated debt that matures within one year is included in unsecured short-term borrowings. Junior subordinated debt is junior in right of payment to other subordinated borrowings, which are junior to senior borrowings. Long-term subordinated debt had maturities ranging from 2025 to 2045 as of December 2020 and 2021 to 2045 as of December 2019.

The table below presents information about subordinated borrowings.

$ in millions	Par Amount	Carrying Value	Rate
As of December 2020			
Subordinated debt	**$14,136**	**$18,529**	**1.83%**
Junior subordinated debt	**968**	**1,430**	**1.32%**
Total	**$15,104**	**$19,959**	**1.80%**
As of December 2019			
Subordinated debt	$14,041	$16,980	3.46%
Junior subordinated debt	976	1,328	2.85%
Total	$15,017	$18,308	3.42%

In the table above:

- The par amount of subordinated debt issued by Group Inc. was $14.14 billion as of December 2020 and $14.04 billion as of December 2019, and the carrying value of subordinated debt issued by Group Inc. was $18.53 billion as of December 2020 and $16.98 billion as of December 2019.
- The rate is the weighted average interest rate for these borrowings (excluding borrowings accounted for at fair value under the fair value option), including the effect of fair value hedges used to convert fixed-rate obligations into floating-rate obligations. See Note 7 for further information about hedging activities.

Junior Subordinated Debt

In 2004, Group Inc. issued $2.84 billion of junior subordinated debt to Goldman Sachs Capital I (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. As of December 2020, the outstanding par amount of junior subordinated debt held by the Trust was $968 million and the outstanding par amount of Trust Preferred securities and common beneficial interests issued by the Trust was $939 million and $29 million, respectively. As of December 2019, the outstanding par amount of junior subordinated debt held by the Trust was $976 million and the outstanding par amount of Trust Preferred securities and common beneficial interests issued by the Trust was $947 million and $29 million, respectively.

The firm purchased Trust Preferred securities with a par amount and a carrying value of $7.9 million and $11.0 million in 2020, $159 million and $206 million in 2019 and $28 million and $35 million in 2018, respectively. These securities were delivered to the Trust, along with common beneficial interests of $0.2 million in 2020, $5 million in 2019 and $1 million in 2018, in a non-cash exchange for junior subordinated debt with a par amount and carrying value of $8.1 million and $12.5 million in 2020, $164 million and $231 million in 2019, and $29 million and $36 million in 2018, respectively. Following the exchange, these Trust Preferred securities, common beneficial interests and junior subordinated debt were extinguished. 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.

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 Goldman Sachs Capital II and Goldman Sachs Capital III (APEX Trusts) or shares of Group Inc.'s Perpetual Non-Cumulative Preferred Stock, Series E (Series E Preferred Stock), Perpetual Non-Cumulative Preferred Stock, Series F (Series F Preferred Stock) or Perpetual Non-Cumulative Preferred Stock, Series O, if the redemption or purchase results in less than $253 million aggregate liquidation preference of that series outstanding, 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.

The APEX Trusts hold Group Inc.'s Series E Preferred Stock and Series F Preferred Stock. These trusts are Delaware statutory trusts sponsored by the firm and wholly-owned finance subsidiaries of the firm for regulatory and legal purposes but are not consolidated for accounting purposes.

Note 15.

Other Liabilities

The table below presents other liabilities by type.

	As of December	
$ in millions	**2020**	2019
Compensation and benefits	**$ 7,896**	$ 6,889
Income tax-related liabilities	**3,155**	2,947
Operating lease liabilities	**2,283**	2,385
Noncontrolling interests	**1,640**	1,713
Employee interests in consolidated funds	**34**	81
Accrued expenses and other	**7,443**	7,636
Total	**$22,451**	$21,651

In the table above, accrued expenses and other includes contract liabilities, which represent consideration received by the firm in connection with its contracts with clients, prior to providing the service. As of both December 2020 and December 2019, the firm's contract liabilities were not material.

Operating Lease Liabilities

For leases longer than one year, the firm recognizes a right-of-use asset representing the right to use the underlying asset for the lease term, and a lease liability representing the liability to make payments. See Note 12 for information about operating lease right-of-use assets.

The table below presents information about operating lease liabilities.

$ in millions	Operating lease liabilities
As of December 2020	
2021	**$ 342**
2022	**301**
2023	**264**
2024	**247**
2025	**215**
2026 - thereafter	**1,899**
Total undiscounted lease payments	**3,268**
Imputed interest	**(985)**
Total operating lease liabilities	**$ 2,283**
Weighted average remaining lease term	**16 years**
Weighted average discount rate	**4.02%**
As of December 2019	
2020	$ 384
2021	308
2022	268
2023	235
2024	219
2025 - thereafter	2,566
Total undiscounted lease payments	3,980
Imputed interest	(1,595)
Total operating lease liabilities	$ 2,385
Weighted average remaining lease term	18 years
Weighted average discount rate	5.02%

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

Operating lease costs were $458 million for 2020, $538 million for 2019 and $409 million for 2018. Variable lease costs, which are included in operating lease costs, were not material for 2020, 2019 and 2018. Total occupancy expenses for space held in excess of the firm's current requirements were not material for both 2020 and 2019.

Lease payments relating to operating lease arrangements that were signed, but had not yet commenced as of December 2020, were not material.

Note 16.

Securitization Activities

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

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

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

The primary risks included in beneficial interests and other interests from the firm's continuing involvement with securitization vehicles are the performance of the underlying collateral, the position of the firm's investment in the capital structure of the securitization vehicle and the market yield for the security. Interests accounted for at fair value are primarily classified in level 2 of the fair value hierarchy. Interests not accounted for at fair value are carried at amounts that approximate fair value. See Notes 4 through 10 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.

	Year Ended December		
$ in millions	**2020**	2019	2018
Residential mortgages	**$20,167**	$15,124	$21,229
Commercial mortgages	**14,904**	12,741	8,745
Other financial assets	**1,775**	1,252	1,914
Total financial assets securitized	**$36,846**	$29,117	$31,888
Retained interests cash flows	**$ 331**	$ 286	$ 296

In the table above, financial assets securitized included assets of $551 million for 2020, $601 million for 2019 and $882 million for 2018, which were securitized in a non-cash exchange for loans and investments.

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

$ in millions	Outstanding Principal Amount	Retained Interests	Purchased Interests
As of December 2020			
U.S. government agency-issued CMOs	**$20,841**	**$ 906**	**$ 4**
Other residential mortgage-backed	**24,262**	**1,170**	**23**
Other commercial mortgage-backed	**38,340**	**914**	**39**
Corporate debt and other asset-backed	**4,299**	**192**	**–**
Total	**$87,742**	**$3,182**	**$66**
As of December 2019			
U.S. government agency-issued CMOs	$14,328	$1,530	$ 3
Other residential mortgage-backed	24,166	1,078	24
Other commercial mortgage-backed	25,588	615	6
Corporate debt and other asset-backed	3,612	149	–
Total	$67,694	$3,372	$33

In the table above:

- CMOs represents collateralized mortgage obligations.
- The outstanding principal amount is presented for the purpose of providing information about the size of the securitization entities and is not representative of the firm's risk of loss.
- The firm's risk of loss from retained or purchased interests is limited to the carrying value of these interests.
- Purchased interests represent senior and subordinated interests, purchased in connection with secondary market-making activities, in securitization entities in which the firm also holds retained interests.
- Substantially all of the total outstanding principal amount and total retained interests relate to securitizations during 2014 and thereafter.
- The fair value of retained interests was $3.19 billion as of December 2020 and $3.35 billion as of December 2019.

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 $52 million as of December 2020 and $57 million as of December 2019, and the notional amount of these derivatives and commitments was $1.43 billion as of December 2020 and $1.20 billion as of December 2019. The notional amounts of these derivatives and commitments are included in maximum exposure to loss in the nonconsolidated VIE table in Note 17.

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

	As of December	
$ in millions	**2020**	2019
Fair value of retained interests	**$2,993**	$3,198
Weighted average life (years)	**4.7**	6.0
Constant prepayment rate	**15.0%**	12.9%
Impact of 10% adverse change	**$ (25)**	$ (22)
Impact of 20% adverse change	**$ (50)**	$ (42)
Discount rate	**6.1%**	4.7%
Impact of 10% adverse change	**$ (42)**	$ (59)
Impact of 20% adverse change	**$ (82)**	$ (117)

In the table above:

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

The firm has other retained interests not reflected in the table above with a fair value of $192 million and a weighted average life of 3.9 years as of December 2020, and a fair value of $149 million and a weighted average life of 3.3 years as of December 2019. Due to the nature and fair value of certain of these retained interests, the weighted average assumptions for constant prepayment and discount rates and the related sensitivity to adverse changes are not meaningful as of both December 2020 and December 2019. The firm's maximum exposure to adverse changes in the value of these interests is the carrying value of $192 million as of December 2020 and $149 million as of December 2019.

Note 17.

Variable Interest Entities

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

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

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

VIE Consolidation Analysis

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

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

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

VIE Activities

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

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

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

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

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

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

Nonconsolidated VIEs

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

	As of December	
$ in millions	**2020**	2019
Total nonconsolidated VIEs		
Assets in VIEs	**$148,665**	$128,069
Carrying value of variable interests — assets	**$ 8,624**	$ 9,526
Carrying value of variable interests — liabilities	**$ 888**	$ 619
Maximum exposure to loss:		
Retained interests	**$ 3,182**	$ 3,372
Purchased interests	**1,041**	901
Commitments and guarantees	**2,455**	2,697
Derivatives	**8,343**	9,010
Debt and equity	**4,020**	4,806
Total	**$ 19,041**	$ 20,786

In the table above:

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

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

	As of December	
$ in millions	**2020**	2019
Mortgage-backed		
Assets in VIEs	**$99,353**	$75,354
Carrying value of variable interests — assets	**$ 4,014**	$ 3,830
Maximum exposure to loss:		
Retained interests	**$ 2,990**	$ 3,223
Purchased interests	**1,024**	607
Commitments and guarantees	**47**	50
Derivatives	**394**	66
Total	**$ 4,455**	$ 3,946
Real estate, credit- and power-related and other investing		
Assets in VIEs	**$20,934**	$19,602
Carrying value of variable interests — assets	**$ 3,288**	$ 3,243
Carrying value of variable interests — liabilities	**$ 14**	$ 7
Maximum exposure to loss:		
Commitments and guarantees	**$ 1,374**	$ 1,213
Derivatives	**84**	92
Debt and equity	**3,288**	3,238
Total	**$ 4,746**	$ 4,543
Corporate debt and other asset-backed		
Assets in VIEs	**$14,077**	$16,248
Carrying value of variable interests — assets	**$ 913**	$ 2,040
Carrying value of variable interests — liabilities	**$ 874**	$ 612
Maximum exposure to loss:		
Retained interests	**$ 192**	$ 149
Purchased interests	**17**	294
Commitments and guarantees	**989**	1,374
Derivatives	**7,862**	8,849
Debt and equity	**323**	1,155
Total	**$ 9,383**	$11,821
Investments in funds		
Assets in VIEs	**$14,301**	$16,865
Carrying value of variable interests — assets	**$ 409**	$ 413
Maximum exposure to loss:		
Commitments and guarantees	**$ 45**	$ 60
Derivatives	**3**	3
Debt and equity	**409**	413
Total	**$ 457**	$ 476

As of both December 2020 and December 2019, the carrying values of the firm's variable interests in nonconsolidated VIEs are included in the consolidated balance sheets as follows:

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

Consolidated VIEs

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

	As of December	
$ in millions	**2020**	2019
Total consolidated VIEs		
Assets		
Cash and cash equivalents	**$ 312**	$ 112
Trading assets	**96**	27
Investments	**880**	835
Loans	**2,099**	2,392
Other assets	**989**	1,084
Total	**$4,376**	$4,450
Liabilities		
Other secured financings	**$1,891**	$1,163
Customer and other payables	**28**	9
Trading liabilities	**296**	10
Unsecured short-term borrowings	**43**	48
Unsecured long-term borrowings	**226**	214
Other liabilities	**948**	959
Total	**$3,432**	$2,403

In the table above:

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

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

	As of December	
$ in millions	**2020**	2019
Real estate, credit-related and other investing		
Assets		
Cash and cash equivalents	**$ 229**	$ 112
Trading assets	**8**	26
Investments	**880**	835
Loans	**2,099**	2,392
Other assets	**989**	1,084
Total	**$4,205**	$4,449
Liabilities		
Other secured financings	**$ 649**	$ 684
Customer and other payables	**28**	9
Trading liabilities	**46**	10
Other liabilities	**948**	959
Total	**$1,671**	$1,662
Corporate debt and other asset-backed		
Assets		
Cash and cash equivalents	**$ 83**	$ –
Total	**$ 83**	$ –
Liabilities		
Other secured financings	**$ 679**	$ –
Total	**$ 679**	$ –
Principal-protected notes		
Assets		
Trading assets	**$ 88**	$ 1
Total	**$ 88**	$ 1
Liabilities		
Other secured financings	**$ 563**	$ 479
Trading liabilities	**250**	–
Unsecured short-term borrowings	**43**	48
Unsecured long-term borrowings	**226**	214
Total	**$1,082**	$ 741

In the table above:

- The majority of the assets in principal-protected notes VIEs are intercompany and are eliminated in consolidation.
- Creditors and beneficial interest holders of real estate, credit-related and other investing VIEs do not have recourse to the general credit of the firm.

Note 18.

Commitments, Contingencies and Guarantees

Commitments

The table below presents commitments by type.

	As of December	
$ in millions	**2020**	2019
Commitment Type		
Commercial lending:		
Investment-grade	**$ 83,801**	$ 87,105
Non-investment-grade	**56,757**	53,735
Warehouse financing	**9,377**	5,581
Credit cards	**21,640**	13,669
Total lending	**171,575**	160,090
Risk participations	**8,054**	7,154
Collateralized agreement	**55,278**	62,093
Collateralized financing	**35,402**	10,193
Letters of credit	**367**	456
Investment	**6,456**	7,879
Other	**7,836**	6,135
Total commitments	**$284,968**	$254,000

The table below presents commitments by expiration.

	As of December 2020			
$ in millions	**2021**	**2022 - 2023**	**2024 - 2025**	**2026 - Thereafter**
Commitment Type				
Commercial lending:				
Investment-grade	**$ 14,088**	**$34,054**	**$34,207**	**$ 1,452**
Non-investment-grade	**3,791**	**21,631**	**22,578**	**8,757**
Warehouse financing	**2,306**	**4,165**	**2,906**	**–**
Credit cards	**21,640**	**–**	**–**	**–**
Total lending	**41,825**	**59,850**	**59,691**	**10,209**
Risk participations	**776**	**4,706**	**2,448**	**124**
Collateralized agreement	**55,278**	**–**	**–**	**–**
Collateralized financing	**35,402**	**–**	**–**	**–**
Letters of credit	**319**	**7**	**–**	**41**
Investment	**2,309**	**1,484**	**1,230**	**1,433**
Other	**7,392**	**84**	**95**	**265**
Total commitments	**$143,301**	**$66,131**	**$63,464**	**$12,072**

Lending Commitments

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

The table below presents information about lending commitments.

	As of December	
$ in millions	**2020**	2019
Held for investment	**$162,513**	$150,100
Held for sale	**6,594**	8,091
At fair value	**2,468**	1,899
Total	**$171,575**	$160,090

In the table above:

- Held for investment lending commitments are accounted for at amortized cost. The carrying value of lending commitments was a liability of $775 million (including allowance for credit losses of $557 million) as of December 2020 and $527 million (including allowance for credit losses of $361 million) as of December 2019. The estimated fair value of such lending commitments was a liability of $4.05 billion as of December 2020 and $3.05 billion as of December 2019. Had these lending commitments been carried at fair value and included in the fair value hierarchy, $2.43 billion as of December 2020 and $1.78 billion as of December 2019 would have been classified in level 2, and $1.62 billion as of December 2020 and $1.27 billion as of December 2019 would have been classified in level 3.
- Held for sale lending commitments are accounted for at the lower of cost or fair value. The carrying value of lending commitments held for sale was a liability of $68 million as of December 2020 and $60 million as of December 2019. The estimated fair value of such lending commitments approximates the carrying value. Had these lending commitments been included in the fair value hierarchy, they would have been primarily classified in level 3 as of December 2020 and primarily classified in level 2 as of December 2019.
- Gains or losses related to lending commitments at fair value, if any, are generally recorded net of any fees in other principal transactions.

Commercial Lending. The firm's commercial lending commitments were primarily extended to investment-grade corporate borrowers. Such commitments primarily included $110.31 billion as of December 2020 and $101.31 billion as of December 2019, related to relationship lending activities (principally used for operating and general corporate purposes) and $15.81 billion as of December 2020 and $27.71 billion as of December 2019, related to other investment banking activities (generally extended for contingent acquisition financing and are often intended to be short-term in nature, as borrowers often seek to replace them with other funding sources). The firm also extends lending commitments in connection with other types of corporate lending, as well as commercial real estate financing. See Note 9 for further information about funded loans.

To mitigate the credit risk associated with the firm's commercial lending activities, the firm obtains credit protection on certain loans and lending commitments through credit default swaps, both single-name and index-based contracts, and through the issuance of credit-linked notes. In addition, Sumitomo Mitsui Financial Group, Inc. provides the firm with credit loss protection on certain approved loan commitments.

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

Credit Cards. The firm's credit card lending commitments represents credit card lines issued by the firm to consumers. These credit card lines are cancellable by the firm. In January 2021, the firm entered into a co-branded credit card relationship with General Motors and agreed to acquire the related credit card portfolio from Capital One. The purchase price for this portfolio will depend on the outstanding balance of credit card loans at the time that the acquisition closes, which is expected to be in September 2021. As of December 2020, this portfolio had outstanding credit card loans of approximately $2.0 billion. In connection with this acquisition, the firm's results will include a provision for credit losses in the first quarter of 2021, currently estimated at $180 million.

Risk Participations

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

Collateralized Agreement Commitments/ Collateralized Financing Commitments

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

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

Investment commitments includes commitments to invest in private equity, real estate and other assets directly and through funds that the firm raises and manages. Investment commitments included $1.69 billion as of December 2020 and $2.06 billion as of December 2019, 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.

Contingencies

Legal Proceedings. See Note 27 for information about legal proceedings, including certain mortgage-related matters.

Other Contingencies. In connection with the settlement agreement with the Residential Mortgage-Backed Securities Working Group of the U.S. Financial Fraud Enforcement Task Force, the firm agreed to provide $1.80 billion in consumer relief by January 2021. As of January 2021, the firm has provided consumer relief that it expects to satisfy this requirement, subject to validation by the independent monitor overseeing the firm's compliance with its consumer relief obligations. This relief was provided in the form of principal forgiveness for underwater homeowners and distressed borrowers; financing for construction, rehabilitation and preservation of affordable housing; and support for debt restructuring, foreclosure prevention and housing quality improvement programs, as well as land banks.

Guarantees

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

$ in millions	Derivatives	Securities lending and clearing	Other financial guarantees
As of December 2020			
Carrying Value of Net Liability	**$ 4,357**	**$ –**	**$ 253**
Maximum Payout/Notional Amount by Period of Expiration			
2021	**$ 89,202**	**$21,352**	**$1,263**
2022 - 2023	**56,204**	**–**	**3,304**
2024 - 2025	**23,389**	**–**	**2,787**
2026 - thereafter	**32,244**	**–**	**268**
Total	**$201,039**	**$21,352**	**$7,622**
As of December 2019			
Carrying Value of Net Liability	$ 3,817	$ –	$ 27
Maximum Payout/Notional Amount by Period of Expiration			
2020	$ 91,814	$17,891	$2,044
2021 - 2022	76,693	–	1,714
2023 - 2024	19,377	–	2,219
2025 - thereafter	36,317	–	149
Total	$224,201	$17,891	$6,126

In the table above:

- The maximum payout is based on the notional amount of the contract and does not represent anticipated losses.
- Amounts exclude certain commitments to issue standby letters of credit that are included in lending commitments. See the tables in "Commitments" above for a summary of the firm's commitments.
- The carrying value for derivatives included derivative assets of $1.66 billion as of December 2020 and $1.56 billion as of December 2019, and derivative liabilities of $6.02 billion as of December 2020 and $5.38 billion as of December 2019.

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

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

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

As an agency lender, the firm indemnifies most of its securities lending customers against losses incurred in the event that borrowers do not return securities and the collateral held is insufficient to cover the market value of the securities borrowed. The maximum payout of such indemnifications was $19.86 billion as of December 2020 and $17.89 billion as of December 2019. Collateral held by the lenders in connection with securities lending indemnifications was $20.39 billion as of December 2020 and $19.14 billion as of December 2019. Because the contractual nature of these arrangements requires the firm to obtain collateral with a market value that exceeds the value of the securities lent to the borrower, there is minimal performance risk associated with these indemnifications.

In the fourth quarter of 2020, the firm became a sponsoring member of the Government Securities Division of the Fixed Income Clearing Corporation in connection with certain resale and repurchase agreements. As a sponsoring member, the firm guarantees the performance of its sponsored member clients to the Fixed Income Clearing Corporation. To minimize potential losses on such guarantees, the firm obtains a security interest in the collateral that the sponsored client placed with the Fixed Income Clearing Corporation. Therefore, the risk of loss on such guarantees is minimal. As of December 2020, the maximum payout on this guarantee was $1.49 billion and the related collateral held was $1.50 billion.

Other Financial Guarantees. In the ordinary course of business, the firm provides other financial guarantees of the obligations of third parties (e.g., standby letters of credit and other guarantees to enable clients to complete transactions and fund-related guarantees). These guarantees represent obligations to make payments to beneficiaries if the guaranteed party fails to fulfill its obligation under a contractual arrangement with that beneficiary. Other financial guarantees also include a guarantee that the firm has provided to the Government of Malaysia that it will receive at least $1.4 billion in assets and proceeds from assets seized by governmental authorities around the world related to 1Malaysia Development Berhad, a sovereign wealth fund in Malaysia (1MDB). See Note 27 for further information. The firm will periodically evaluate progress toward satisfying the $1.4 billion obligation based on information to be received on a semi-annual basis, expected in February and August.

Guarantees of Securities Issued by Trusts. The firm has established trusts, including Goldman Sachs Capital I, the APEX 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 14 for further information about the transactions involving Goldman Sachs Capital I and the APEX 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.

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

In connection with the firm's prime brokerage and clearing businesses, the firm agrees to clear and settle 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 consolidated balance sheets as of both December 2020 and December 2019.

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 consolidated balance sheets as of both December 2020 and December 2019.

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. LLC (GS&Co.), GS Bank USA and Goldman Sachs Paris Inc. et Cie, subject to certain exceptions. In addition, Group Inc. has provided a guarantee to GS Bank USA related to assets that GS Bank USA has acquired from certain subsidiaries and affiliated funds of Group Inc., and Group Inc. has provided guarantees to Goldman Sachs International (GSI) and Goldman Sachs Bank Europe SE (GSBE) related to agreements that each entity has entered into with certain of its counterparties.

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

Note 19.
Shareholders' Equity

Common Equity

As of both December 2020 and December 2019, the firm had 4.00 billion authorized shares of common stock and 200 million authorized shares of nonvoting common stock, each with a par value of $0.01 per share.

The firm's share repurchase program is intended to help maintain the appropriate level of common equity. The share repurchase program is effected primarily through regular open-market purchases (which may include repurchase plans designed to comply with Rule 10b5-1 and accelerated share repurchases), the amounts and timing of which are determined primarily by the firm's current and projected capital position, and capital deployment opportunities, but which may also be influenced by general market conditions and the prevailing price and trading volumes of the firm's common stock. The firm suspended stock repurchases during the first quarter of 2020 and, consistent with the FRB's requirement for all large bank holding companies (BHCs), extended the suspension of stock repurchases through the fourth quarter of 2020. The firm resumed stock repurchases in the first quarter of 2021.

The table below presents information about common stock repurchases.

	Year Ended December		
in millions, except per share amounts	**2020**	2019	2018
Common share repurchases	**8.2**	25.8	13.9
Average cost per share	**$236.35**	$206.56	$236.22
Total cost of common share repurchases	**$ 1,928**	$ 5,335	$ 3,294

Pursuant to the terms of certain share-based compensation plans, employees may remit shares to the firm or the firm may cancel share-based awards to satisfy statutory employee tax withholding requirements and the exercise price of stock options. Under these plans, 3,476 shares in 2020, 7,490 shares in 2019 and 1,120 shares in 2018 were remitted with a total value of $0.9 million in 2020, $2 million in 2019 and $0.3 million in 2018, and the firm cancelled 3.4 million share-based awards in 2020, 3.8 million in 2019 and 5.0 million in 2018 with a total value of $829 million in 2020, $743 million in 2019 and $1.24 billion in 2018.

The table below presents common stock dividends declared.

	Year Ended December		
	2020	2019	2018
Dividends declared per common share	**$5.00**	$4.15	$3.15

On January 15, 2021, the Board of Directors of Group Inc. (Board) declared a dividend of $1.25 per common share to be paid on March 30, 2021 to common shareholders of record on March 2, 2021.

Preferred Equity

The tables below present information about the perpetual preferred stock issued and outstanding as of December 2020.

Series	Shares Authorized	Shares Issued	Shares Outstanding	Depositary Shares Per Share
A	50,000	30,000	29,999	1,000
C	25,000	8,000	8,000	1,000
D	60,000	54,000	53,999	1,000
E	17,500	7,667	7,667	N/A
F	5,000	1,615	1,615	N/A
J	46,000	40,000	40,000	1,000
K	32,200	28,000	28,000	1,000
M	80,000	80,000	80,000	25
N	31,050	27,000	27,000	1,000
O	26,000	26,000	26,000	25
P	66,000	60,000	60,000	25
Q	20,000	20,000	20,000	25
R	24,000	24,000	24,000	25
S	14,000	14,000	14,000	25
Total	**496,750**	**420,282**	**420,280**	

Series	Earliest Redemption Date	Liquidation Preference	Redemption Value *($ in millions)*
A	Currently redeemable	$ 25,000	**$ 750**
C	Currently redeemable	$ 25,000	**200**
D	Currently redeemable	$ 25,000	**1,350**
E	Currently redeemable	$100,000	**767**
F	Currently redeemable	$100,000	**161**
J	May 10, 2023	$ 25,000	**1,000**
K	May 10, 2024	$ 25,000	**700**
M	Currently redeemable	$ 25,000	**2,000**
N	May 10, 2021	$ 25,000	**675**
O	November 10, 2026	$ 25,000	**650**
P	November 10, 2022	$ 25,000	**1,500**
Q	August 10, 2024	$ 25,000	**500**
R	February 10, 2025	$ 25,000	**600**
S	February 10, 2025	$ 25,000	**350**
Total			**$11,203**

In the tables above:

- All shares have a par value of $0.01 per share and, where applicable, each share is represented by the specified number of depositary shares.
- The earliest redemption date represents the date on which each share of non-cumulative Preferred Stock is redeemable at the firm's option.
- Prior to redeeming preferred stock, the firm must receive approval from the FRB.
- In January 2020, the firm issued 14,000 shares of Series S 4.40% Fixed-Rate Reset Non-Cumulative Preferred Stock (Series S Preferred Stock).
- The redemption price per share for Series A through F and Series Q through S Preferred Stock is the liquidation preference plus declared and unpaid dividends. The redemption price per share for Series J through P Preferred Stock is the liquidation preference plus accrued and unpaid dividends. Each share of Series E and Series F Preferred Stock is redeemable at the firm's option, subject to certain covenant restrictions governing the firm's ability to redeem the preferred stock without issuing common stock or other instruments with equity-like characteristics. See Note 14 for information about the replacement capital covenants applicable to the Series E and Series F Preferred Stock.
- All series of preferred stock are pari passu and have a preference over the firm's common stock on liquidation.
- The firm's ability to declare or pay dividends on, or purchase, redeem or otherwise acquire, its common stock is subject to certain restrictions in the event that the firm fails to pay or set aside full dividends on the preferred stock for the latest completed dividend period.

In February 2021, the firm redeemed all outstanding shares of its Series M 5.375% Fixed-to-Floating Rate Non-Cumulative Preferred Stock (Series M Preferred Stock) with a redemption value of $2 billion. The difference between the redemption value and net carrying value at the time of this redemption was $21 million, which will be treated as an addition to preferred stock dividends in the first quarter of 2021.

In the first quarter of 2020, the firm redeemed the remaining 14,000 outstanding shares of its Series L 5.70% Non-Cumulative Preferred Stock (Series L Preferred Stock) with a redemption value of $350 million ($25,000 per share), plus accrued and unpaid dividends. The difference between the redemption value and net carrying value at the time of this redemption was $1 million, which was recorded as an addition to preferred stock dividends in 2020.

In 2019, the firm redeemed 38,000 shares of its outstanding Series L Preferred Stock with a redemption value of $950 million ($25,000 per share), plus accrued and unpaid dividends. In addition, in 2019, the firm redeemed the remaining 6,000 outstanding shares of its Series B 6.20% Non-Cumulative Preferred Stock (Series B Preferred Stock) with a redemption value of $150 million ($25,000 per share). The difference between the redemption value and net carrying value at the time of these redemptions was $9 million, which was recorded as an addition to preferred stock dividends in 2019.

The table below presents the dividend rates of perpetual preferred stock as of December 2020.

Series	Per Annum Dividend Rate
A	3 month LIBOR + 0.75%, with floor of 3.75%, payable quarterly
C	3 month LIBOR + 0.75%, with floor of 4.00%, payable quarterly
D	3 month LIBOR + 0.67%, with floor of 4.00%, payable quarterly
E	3 month LIBOR + 0.7675%, with floor of 4.00%, payable quarterly
F	3 month LIBOR + 0.77%, with floor of 4.00%, payable quarterly
J	5.50% to, but excluding, May 10, 2023; 3 month LIBOR + 3.64% thereafter, payable quarterly
K	6.375% to, but excluding, May 10, 2024; 3 month LIBOR + 3.55% thereafter, payable quarterly
M	3 month LIBOR + 3.922%, payable quarterly
N	6.30%, payable quarterly
O	5.30%, payable semi-annually, from issuance date to, but excluding, November 10, 2026; 3 month LIBOR + 3.834%, payable quarterly, thereafter
P	5.00%, payable semi-annually, from issuance date to, but excluding, November 10, 2022; 3 month LIBOR + 2.874%, payable quarterly, thereafter
Q	5.50%, payable semi-annually, from issuance date to, but excluding, August 10, 2024; 5 year treasury rate + 3.623%, payable semi-annually, thereafter
R	4.95%, payable semi-annually, from issuance date to, but excluding, February 10, 2025; 5 year treasury rate + 3.224%, payable semi-annually, thereafter
S	4.40%, payable semi-annually, from issuance date to, but excluding, February 10, 2025; 5 year treasury rate + 2.85%, payable semi-annually, thereafter

In the table above, dividends on each series of preferred stock are payable in arrears for the periods specified.

The table below presents preferred stock dividends declared.

	Year Ended December					
	2020		2019		2018	
Series	***per share***	***$ in millions***	*per share*	*$ in millions*	*per share*	*$ in millions*
A	**$ 947.92**	**$ 28**	$ 947.92	$ 28	$ 958.33	$ 29
B	**$ –**	**–**	$ 775.00	5	$1,550.00	19
C	**$1,011.12**	**8**	$1,011.11	8	$1,022.23	8
D	**$1,011.12**	**55**	$1,011.11	54	$1,022.23	55
E	**$4,055.55**	**31**	$4,044.44	31	$4,077.78	31
F	**$4,055.55**	**6**	$4,044.44	7	$4,077.78	7
J	**$1,375.00**	**55**	$1,375.00	55	$1,375.00	55
K	**$1,593.76**	**45**	$1,593.76	45	$1,593.76	45
L	**$ 361.54**	**4**	$1,519.67	68	$1,425.00	74
M	**$1,217.16**	**97**	$1,343.76	107	$1,343.76	107
N	**$1,575.00**	**43**	$1,575.00	43	$1,575.00	43
O	**$1,325.00**	**34**	$1,325.00	34	$1,325.00	34
P	**$1,250.00**	**75**	$1,250.00	75	$1,281.25	77
Q	**$1,577.43**	**32**	$ –	–	$ –	–
R	**$ 910.94**	**22**	$ –	–	$ –	–
S	**$ 586.67**	**8**	$ –	–	$ –	–
Total		**$543**		$560		$584

On January 13, 2021, Group Inc. declared dividends of $239.58 per share of Series A Preferred Stock, $255.56 per share of Series C Preferred Stock, $255.56 per share of Series D Preferred Stock, $343.75 per share of Series J Preferred Stock, $398.44 per share of Series K Preferred Stock, $393.75 per share of Series N Preferred Stock, $687.50 per share of Series Q Preferred Stock, $618.75 per share of Series R Preferred Stock and $550.00 per share of Series S Preferred Stock to be paid on February 10, 2021 to preferred shareholders of record on January 26, 2021. In addition, the firm declared dividends of $1,000.00 per share of Series E Preferred Stock and $1,000.00 per share of Series F Preferred Stock to be paid on March 1, 2021 to preferred shareholders of record on February 14, 2021.

Accumulated Other Comprehensive Income/(Loss)

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

$ in millions	Beginning balance	Other comprehensive income/(loss) adjustments, net of tax	Ending balance
Year Ended December 2020			
Currency translation	**$ (616)**	**$ (80)**	**$ (696)**
Debt valuation adjustment	**(572)**	**(261)**	**(833)**
Pension and postretirement liabilities	**(342)**	**(26)**	**(368)**
Available-for-sale securities	**46**	**417**	**463**
Total	**$(1,484)**	**$ 50**	**$(1,434)**
Year Ended December 2019			
Currency translation	$ (621)	$ 5	$ (616)
Debt valuation adjustment	1,507	(2,079)	(572)
Pension and postretirement liabilities	(81)	(261)	(342)
Available-for-sale securities	(112)	158	46
Total	$ 693	$(2,177)	$(1,484)
Year Ended December 2018			
Currency translation	$ (625)	$ 4	$ (621)
Debt valuation adjustment	(1,046)	2,553	1,507
Pension and postretirement liabilities	(200)	119	(81)
Available-for-sale securities	(9)	(103)	(112)
Total	$(1,880)	$ 2,573	$ 693

Note 20.

Regulation and Capital Adequacy

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

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

Capital Framework

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

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

Prior to October 1, 2020, the capital conservation buffer requirements under both the Standardized and Advanced Capital Rules were comprised of (i) a 2.5% buffer, (ii) the countercyclical capital buffer and (iii) the G-SIB surcharge. Beginning on October 1, 2020, the 2.5% buffer was replaced with the stress capital buffer under the Standardized Capital Rules. The components of the capital conservation buffer requirements under the Advanced Capital Rules remain unchanged.

The firm calculates its CET1 capital, Tier 1 capital and Total capital ratios in accordance with the Standardized and Advanced Capital Rules. Beginning on October 1, 2020, each of the ratios calculated under the Standardized and Advanced Capital Rules must meet the respective capital requirements. Prior to October 1, 2020, the lower of each risk-based capital ratio calculated under the Standardized and Advanced Capital Rules was the ratio against which the firm's compliance with its risk-based capital requirements was assessed.

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

Consolidated Regulatory Capital Requirements

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

	Standardized	Advanced
As of December 2020		
CET1 capital ratio	**13.6%**	**9.5%**
Tier 1 capital ratio	**15.1%**	**11.0%**
Total capital ratio	**17.1%**	**13.0%**
As of December 2019		
CET1 capital ratio	9.5%	9.5%
Tier 1 capital ratio	11.0%	11.0%
Total capital ratio	13.0%	13.0%

In the table above:

- As of December 2020, under both the Standardized and Advanced Capital Rules, the CET1 capital ratio requirement includes a minimum of 4.5%, the Tier 1 capital ratio requirement includes a minimum of 6.0% and the Total capital ratio requirement includes a minimum of 8.0%. These requirements also include the capital conservation buffer requirements, consisting of the G-SIB surcharge of 2.5% (Method 2) and the countercyclical capital buffer, which the FRB has set to zero percent. In addition, the capital conservation buffer requirements include the stress capital buffer of 6.6% under the Standardized Capital Rules and a buffer of 2.5% under the Advanced Capital Rules.
- As of December 2019, under both the Standardized and Advanced Capital Rules, the CET1 capital ratio requirement includes a minimum of 4.5%, the Tier 1 capital ratio requirement includes a minimum of 6.0% and the Total capital ratio requirement includes a minimum of 8.0%. These requirements also include the capital conservation buffer requirements, consisting of a buffer of 2.5%, the G-SIB surcharge of 2.5% (Method 2) and the countercyclical capital buffer, which the FRB has set to zero percent.

- The G-SIB surcharge is updated annually based on financial data from the prior year and is generally applicable for the following year. The G-SIB surcharge is calculated using two methodologies, the higher of which is reflected in the firm's risk-based capital requirements. The first calculation (Method 1) is based on the Basel Committee's methodology which, among other factors, relies upon measures of the size, activity and complexity of each G-SIB. The second calculation (Method 2) uses similar inputs but includes a measure of reliance on short-term wholesale funding.

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

$ in millions	Standardized	Advanced
As of December 2020		
CET1 capital	**$ 81,641**	**$ 81,641**
Tier 1 capital	**$ 92,730**	**$ 92,730**
Tier 2 capital	**$ 15,424**	**$ 13,279**
Total capital	**$108,154**	**$106,009**
RWAs	**$554,162**	**$609,750**
CET1 capital ratio	**14.7%**	**13.4%**
Tier 1 capital ratio	**16.7%**	**15.2%**
Total capital ratio	**19.5%**	**17.4%**
As of December 2019		
CET1 capital	$ 74,850	$ 74,850
Tier 1 capital	$ 85,440	$ 85,440
Tier 2 capital	$ 14,925	$ 13,473
Total capital	$100,365	$ 98,913
RWAs	$563,575	$544,653
CET1 capital ratio	13.3%	13.7%
Tier 1 capital ratio	15.2%	15.7%
Total capital ratio	17.8%	18.2%

In the table above:

- As of December 2019, the lower of the Standardized or Advanced ratios were the ratios against which the firm's compliance with the capital requirements was assessed under the risk-based Capital Rules, and therefore, the Standardized ratios applied to the firm.
- As permitted by the FRB, the firm has elected to temporarily delay the estimated effects of adopting CECL on regulatory capital until January 2022 and to subsequently phase-in the effects through January 2025. In addition, during 2020 and 2021, the firm has elected to increase regulatory capital by 25% of the increase in the allowance for credit losses since January 1, 2020, as permitted by the rules issued by the FRB. The impact of this increase will also be phased in over the three-year transition period. Reflecting the full impact of CECL as of December 2020 would not have had a material impact on the firm's capital ratios.

Leverage Ratios. The table below presents the leverage requirements.

	Requirements
Tier 1 leverage ratio	**4.0%**
SLR	**5.0%**

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

The table below presents information about leverage ratios.

	For the Three Months Ended or as of December	
$ in millions	**2020**	2019
Tier 1 capital	**$ 92,730**	$ 85,440
Average total assets	**$1,152,785**	$ 983,909
Deductions from Tier 1 capital	**(4,948)**	(5,275)
Average adjusted total assets	**1,147,837**	978,634
Impact of SLR temporary amendment	**(202,748)**	–
Average off-balance sheet exposures	**387,848**	396,833
Total leverage exposure	**$1,332,937**	$1,375,467
Tier 1 leverage ratio	**8.1%**	8.7%
SLR	**7.0%**	6.2%

In the table above:

- Average total assets represents the average daily assets for the quarter and, for the three months ended December 2020, reflected the impact of CECL transition.
- Impact of SLR temporary amendment represents the exclusion of average holdings of U.S. Treasury securities and average deposits at the Federal Reserve as permitted by the FRB. The impact of this temporary amendment was an increase in the firm's SLR by approximately 1.0 percentage points for the three months ended December 2020. This temporary amendment is effective through March 31, 2021.
- Average off-balance sheet exposures represents the monthly average and consists of derivatives, securities financing transactions, commitments and guarantees.
- Tier 1 leverage ratio is calculated as Tier 1 capital divided by average adjusted total assets.
- SLR is calculated as Tier 1 capital divided by total leverage exposure.

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

	As of December	
$ in millions	**2020**	2019
Common shareholders' equity	**$ 84,729**	$ 79,062
Impact of CECL transition	**1,126**	–
Deduction for goodwill	**(3,652)**	(3,529)
Deduction for identifiable intangible assets	**(601)**	(604)
Other adjustments	**39**	(79)
CET1 capital	**81,641**	74,850
Preferred stock	**11,203**	11,203
Deduction for investments in covered funds	**(106)**	(610)
Other adjustments	**(8)**	(3)
Tier 1 capital	**$ 92,730**	$ 85,440
Standardized Tier 2 and Total capital		
Tier 1 capital	**$ 92,730**	$ 85,440
Qualifying subordinated debt	**12,196**	12,847
Junior subordinated debt	**188**	284
Allowance for credit losses	**3,095**	1,802
Other adjustments	**(55)**	(8)
Standardized Tier 2 capital	**15,424**	14,925
Standardized Total capital	**$108,154**	$100,365
Advanced Tier 2 and Total capital		
Tier 1 capital	**$ 92,730**	$ 85,440
Standardized Tier 2 capital	**15,424**	14,925
Allowance for credit losses	**(3,095)**	(1,802)
Other adjustments	**950**	350
Advanced Tier 2 capital	**13,279**	13,473
Advanced Total capital	**$106,009**	$ 98,913

In the table above:

- Impact of CECL transition represents the impact of adoption as of January 1, 2020 and the impact of increasing regulatory capital by 25% of the increase in allowance for credit losses since January 1, 2020. The allowance for credit losses within Standardized and Advanced Tier 2 capital also reflects the impact of these adjustments.
- Deduction for goodwill was net of deferred tax liabilities of $680 million as of December 2020 and $667 million as of December 2019.
- Deduction for identifiable intangible assets was net of deferred tax liabilities of $29 million as of December 2020 and $37 million as of December 2019.
- Deduction for investments in covered funds represents the firm's aggregate investments in applicable covered funds, excluding investments that are subject to an extended conformance period. See Note 8 for further information about the Volcker Rule.
- Other adjustments within CET1 capital and Tier 1 capital primarily include credit valuation adjustments on derivative liabilities, the overfunded portion of the firm's defined benefit pension plan obligation net of associated deferred tax liabilities, disallowed deferred tax assets, debt valuation adjustments and other required credit risk-based deductions. Other adjustments within Advanced Tier 2 capital include eligible credit reserves.
- Qualifying subordinated debt is subordinated debt issued by Group Inc. with an original maturity of five years or greater. The outstanding amount of subordinated debt qualifying for Tier 2 capital is reduced upon reaching a remaining maturity of five years. See Note 14 for further information about the firm's subordinated debt.
- Junior subordinated debt is debt issued to a Trust. As of December 2020, 20% of this debt was included in Tier 2 capital and 80% was phased out of regulatory capital. As of December 2019, 30% of this debt was included in Tier 2 capital and 70% was phased out of regulatory capital. Junior subordinated debt 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 14 for further information about the firm's junior subordinated debt and Trust Preferred securities.

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

$ in millions	Standardized	Advanced
Year Ended December 2020		
CET1 capital		
Beginning balance	**$ 74,850**	**$ 74,850**
Change in:		
Common shareholders' equity	**5,667**	**5,667**
Impact of CECL transition	**1,126**	**1,126**
Deduction for goodwill	**(123)**	**(123)**
Deduction for identifiable intangible assets	**3**	**3**
Other adjustments	**118**	**118**
Ending balance	**$ 81,641**	**$ 81,641**
Tier 1 capital		
Beginning balance	**$ 85,440**	**$ 85,440**
Change in:		
CET1 capital	**6,791**	**6,791**
Deduction for investments in covered funds	**504**	**504**
Other adjustments	**(5)**	**(5)**
Ending balance	**92,730**	**92,730**
Tier 2 capital		
Beginning balance	**14,925**	**13,473**
Change in:		
Qualifying subordinated debt	**(651)**	**(651)**
Junior subordinated debt	**(96)**	**(96)**
Allowance for credit losses	**1,293**	**–**
Other adjustments	**(47)**	**553**
Ending balance	**15,424**	**13,279**
Total capital	**$108,154**	**$106,009**
Year Ended December 2019		
CET1 capital		
Beginning balance	$ 73,116	$ 73,116
Change in:		
Common shareholders' equity	80	80
Deduction for goodwill	(432)	(432)
Deduction for identifiable intangible assets	(307)	(307)
Other adjustments	2,393	2,393
Ending balance	$ 74,850	$ 74,850
Tier 1 capital		
Beginning balance	$ 83,702	$ 83,702
Change in:		
CET1 capital	1,734	1,734
Deduction for investments in covered funds	5	5
Other adjustments	(1)	(1)
Ending balance	85,440	85,440
Tier 2 capital		
Beginning balance	14,926	13,743
Change in:		
Qualifying subordinated debt	(300)	(300)
Junior subordinated debt	(158)	(158)
Allowance for credit losses	449	–
Other adjustments	8	188
Ending balance	14,925	13,473
Total capital	$100,365	$ 98,913

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

Credit Risk

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

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

Market Risk

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

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

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

The firm's positional losses observed on a single day exceeded its 99% one-day regulatory VaR on six occasions during 2020 (all of which occurred during March 2020) and exceeded its 99% one-day regulatory VaR on one occasion during 2019. As permitted by the FRB, the firm has permanently excluded the six exceptions that occurred in March 2020 in determining the firm's VaR multiplier used to calculate Market RWAs;

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

Operational Risk

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

The table below presents information about RWAs.

$ in millions	Standardized	Advanced
As of December 2020		
Credit RWAs		
Derivatives	**$120,292**	**$111,691**
Commitments, guarantees and loans	**176,501**	**151,587**
Securities financing transactions	**71,427**	**16,568**
Equity investments	**46,944**	**49,268**
Other	**70,274**	**83,599**
Total Credit RWAs	**485,438**	**412,713**
Market RWAs		
Regulatory VaR	**14,913**	**14,913**
Stressed VaR	**31,978**	**31,978**
Incremental risk	**7,882**	**7,882**
Comprehensive risk	**1,758**	**1,758**
Specific risk	**12,193**	**12,193**
Total Market RWAs	**68,724**	**68,724**
Total Operational RWAs	**–**	**128,313**
Total RWAs	**$554,162**	**$609,750**
As of December 2019		
Credit RWAs		
Derivatives	$120,906	$ 72,631
Commitments, guarantees and loans	179,740	134,456
Securities financing transactions	65,867	13,834
Equity investments	56,814	61,892
Other	75,660	78,266
Total Credit RWAs	498,987	361,079
Market RWAs		
Regulatory VaR	8,933	8,933
Stressed VaR	30,911	30,911
Incremental risk	4,308	4,308
Comprehensive risk	1,393	1,191
Specific risk	19,043	19,043
Total Market RWAs	64,588	64,386
Total Operational RWAs	–	119,188
Total RWAs	$563,575	$544,653

In the table above:

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

The table below presents changes in RWAs.

$ in millions	Standardized	Advanced
Year Ended December 2020		
RWAs		
Beginning balance	**$563,575**	**$544,653**
Credit RWAs		
Change in:		
Derivatives	**(614)**	**39,060**
Commitments, guarantees and loans	**(3,239)**	**17,131**
Securities financing transactions	**5,560**	**2,734**
Equity investments	**(9,870)**	**(12,624)**
Other	**(5,386)**	**5,333**
Change in Credit RWAs	**(13,549)**	**51,634**
Market RWAs		
Change in:		
Regulatory VaR	**5,980**	**5,980**
Stressed VaR	**1,067**	**1,067**
Incremental risk	**3,574**	**3,574**
Comprehensive risk	**365**	**567**
Specific risk	**(6,850)**	**(6,850)**
Change in Market RWAs	**4,136**	**4,338**
Change in Operational RWAs	**–**	**9,125**
Ending balance	**$554,162**	**$609,750**
Year Ended December 2019		
RWAs		
Beginning balance	$547,910	$558,111
Credit RWAs		
Change in:		
Derivatives	(1,605)	(9,670)
Commitments, guarantees and loans	19,435	(8,900)
Securities financing transactions	(496)	(4,425)
Equity investments	3,251	6,738
Other	5,064	8,585
Change in Credit RWAs	25,649	(7,672)
Market RWAs		
Change in:		
Regulatory VaR	1,151	1,151
Stressed VaR	2,959	2,959
Incremental risk	(6,161)	(6,161)
Comprehensive risk	(1,377)	(1,579)
Specific risk	(6,556)	(6,556)
Change in Market RWAs	(9,984)	(10,186)
Change in Operational RWAs	–	4,400
Ending balance	$563,575	$544,653

RWAs Rollforward Commentary

Year Ended December 2020. Standardized Credit RWAs as of December 2020 decreased by $13.55 billion compared with December 2019, primarily reflecting a decrease in equity investments, principally due to the sale of certain equity positions, and a decrease in other, principally due to decreased receivables as a result of changes in risk measurements. These decreases were partially offset by an increase in securities financing transactions, principally due to increased funding exposures. Standardized Market RWAs as of December 2020 increased by $4.14 billion compared with December 2019, primarily reflecting an increase in regulatory VaR, principally due to increased market volatility, and an increase in incremental risk, principally due to increased exposures in equities held for market-making purposes. These increases were partially offset by a decrease in specific risk, principally due to changes in risk measurements on certain exposures.

Advanced Credit RWAs as of December 2020 increased by $51.63 billion compared with December 2019, primarily reflecting an increase in derivatives, principally due to the impact of higher levels of volatility and counterparty credit risk and an increase in commitments, guarantees and loans, principally due to increased lending activity. These increases were partially offset by a decrease in equity investments, principally due to the sale of certain equity positions. Advanced Market RWAs as of December 2020 increased by $4.34 billion compared with December 2019, primarily reflecting an increase in regulatory VaR, principally due to increased market volatility, and an increase in incremental risk, principally due to increased exposures in equities held for market-making purposes. These increases were partially offset by a decrease in specific risk, principally due to changes in risk measurements on certain exposures. Advanced Operational RWAs as of December 2020 increased by $9.13 billion compared with December 2019. The vast majority of this increase was associated with litigation and regulatory proceedings.

Year Ended December 2019. Standardized Credit RWAs as of December 2019 increased by $25.65 billion compared with December 2018, primarily reflecting an increase in commitments, guarantees and loans, principally due to an increase in lending activity, and an increase in other credit RWAs, principally due to the recognition of operating lease right-of-use assets upon adoption of ASU No. 2016-02 and an increase in corporate debt exposures. Standardized Market RWAs as of December 2019 decreased by $9.98 billion compared with December 2018, primarily reflecting a decrease in specific risk, principally due to reduced exposures, and a decrease in incremental risk, principally due to reduced exposures and changes in risk measurements.

Advanced Credit RWAs as of December 2019 decreased by $7.67 billion compared with December 2018. Beginning in the fourth quarter of 2019, the firm made changes to the calculation of the loss given default for certain wholesale exposures which resulted in a decrease in credit RWAs, primarily in commitments, guarantees and loans and derivatives. This decrease was partially offset by an increase in other credit RWAs, principally due to the recognition of operating lease right-of-use assets upon adoption of ASU No. 2016-02 and an increase in corporate debt exposures. Advanced Market RWAs as of December 2019 decreased by $10.19 billion compared with December 2018, primarily reflecting a decrease in specific risk, principally due to reduced exposures, and a decrease in incremental risk, principally due to reduced exposures and changes in risk measurements. Advanced Operational RWAs as of December 2019 increased by $4.40 billion compared with December 2018, associated with litigation and regulatory proceedings.

Bank Subsidiaries

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

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

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

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

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

In the table above:

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

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

$ in millions	Standardized	Advanced
As of December 2020		
CET1 capital	**$ 30,656**	**$ 30,656**
Tier 1 capital	**$ 30,656**	**$ 30,656**
Tier 2 capital	**$ 6,288**	**$ 4,903**
Total capital	**$ 36,944**	**$ 35,559**
RWAs	**$266,153**	**$165,799**
CET1 capital ratio	**11.5%**	**18.5%**
Tier 1 capital ratio	**11.5%**	**18.5%**
Total capital ratio	**13.9%**	**21.4%**
As of December 2019		
CET1 capital	$ 29,176	$ 29,176
Tier 1 capital	$ 29,176	$ 29,176
Tier 2 capital	$ 5,293	$ 4,486
Total capital	$ 34,469	$ 33,662
RWAs	$258,541	$135,596
CET1 capital ratio	11.3%	21.5%
Tier 1 capital ratio	11.3%	21.5%
Total capital ratio	13.3%	24.8%

In the table above:

- The lower of the Standardized or Advanced ratio is the ratio against which GS Bank USA's compliance with the capital requirements is assessed under the risk-based Capital Rules, and therefore, the Standardized ratios applied to GS Bank USA as of both December 2020 and December 2019.
- As permitted by the FRB, GS Bank USA has elected to temporarily delay the estimated effects of adopting CECL on regulatory capital until January 2022 and to subsequently phase-in the effects through January 2025. In addition, during 2020 and 2021, GS Bank USA has elected to increase regulatory capital by 25% of the increase in the allowance for credit losses since January 1, 2020, as permitted by the rules issued by the FRB. The impact of this increase will also be phased in over the three-year transition period. Reflecting the full impact of CECL as of December 2020 would not have had a material impact on GS Bank USA's Standardized risk-based capital ratios.

- The Standardized risk-based capital ratios were essentially unchanged from December 2019 to December 2020. The Advanced risk-based capital ratios decreased from December 2019 to December 2020, reflecting an increase in both Credit and Market RWAs, partially offset by an increase in capital, principally due to net earnings.

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

	For the Three Months Ended or as of December	
$ in millions	**2020**	2019
Tier 1 capital	**$ 30,656**	$ 29,176
Average adjusted total assets	**$283,869**	$220,974
Total leverage exposure	**$343,198**	$413,852
Tier 1 leverage ratio	**10.8%**	13.2%
SLR	**8.9%**	7.0%

In the table above:

- Average adjusted total assets represents the average daily assets for the quarter adjusted for deductions from Tier 1 capital, and for the three months ended December 2020, reflected the impact of CECL transition.
- Total leverage exposure, for the three months ended December 2020, excluded average holdings of U.S. Treasury securities and average deposits at the Federal Reserve as permitted by the FRB. The impact of this temporary amendment was an increase in GS Bank USA's SLR by approximately 2.4 percentage points for the three months ended December 2020. This temporary amendment is effective through March 31, 2021.
- Tier 1 leverage ratio is calculated as Tier 1 capital divided by average adjusted total assets.
- SLR is calculated as Tier 1 capital divided by total leverage exposure.

The firm's principal non-U.S. bank subsidiaries, GSIB and GSBE, are also subject to regulatory capital requirements. GSIB is regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), and GSBE is directly supervised by the European Central Bank and additionally by BaFin and Deutsche Bundesbank in the context of the E.U. Single Supervisory Mechanism. As of both December 2020 and December 2019, GSIB and GSBE were in compliance with their regulatory capital requirements.

Other. The deposits of GS Bank USA are insured by the FDIC to the extent provided by law. The FRB requires that GS Bank USA maintain cash reserves with the Federal Reserve. The amount deposited by GS Bank USA at the Federal Reserve was $52.71 billion as of December 2020 and $50.55 billion as of December 2019, which exceeded required reserve amounts by $52.71 billion as of December 2020 (as the FRB reduced reserve requirement ratios to zero percent in 2020) and $50.29 billion as of December 2019.

Restrictions on Payments

Group Inc. may be limited in its ability to access capital held at certain subsidiaries as a result of regulatory, tax or other constraints. These limitations include provisions of applicable law and regulations and other regulatory restrictions that limit the ability of those subsidiaries to declare and pay dividends without prior regulatory approval. Also, as a result of GS Bank USA's election to exclude holdings of U.S. Treasury securities and deposits at the Federal Reserve from its total leverage exposure, any dividend by GS Bank USA during the period from July 1, 2020 through March 31, 2021 is subject to the prior approval of the FRB. Furthermore, the amount of dividends that may be paid by GS Bank USA are limited to the lesser of the amounts calculated under a recent earnings test and an undivided profits test. The FRB, the FDIC and the NYDFS have authority to prohibit or to limit the payment of dividends by the banking organizations they supervise (including GS Bank USA) if, in the regulator's opinion, payment of a dividend would constitute an unsafe or unsound practice in light of the financial condition of the banking organization.

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

Group Inc.'s equity investment in subsidiaries was $103.80 billion as of December 2020 and $95.68 billion as of December 2019, of which Group Inc. was required to maintain $63.68 billion as of December 2020 and $57.58 billion as of December 2019, of minimum equity capital in its regulated subsidiaries in order to satisfy the regulatory requirements of such subsidiaries.

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

Note 21.

Earnings Per Common Share

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

The table below presents information about basic and diluted EPS.

	Year Ended December		
in millions, except per share amounts	**2020**	2019	2018
Net earnings to common	**$8,915**	$7,897	$9,860
Weighted average basic shares	**356.4**	371.6	385.4
Effect of dilutive securities:			
RSUs	**3.9**	3.9	3.9
Stock options	**–**	–	0.9
Dilutive securities	**3.9**	3.9	4.8
Weighted average diluted shares	**360.3**	375.5	390.2
Basic EPS	**$24.94**	$21.18	$25.53
Diluted EPS	**$24.74**	$21.03	$25.27

In the table above:

- Net earnings to common represents net earnings applicable to common shareholders, which is calculated as net earnings less preferred stock dividends.
- Unvested share-based awards that have non-forfeitable rights to dividends or dividend equivalents are treated as a separate class of securities under the two-class method. Distributed earnings allocated to these securities reduce net earnings to common to calculate EPS under this method. The impact of applying this methodology was a reduction in basic EPS of $0.07 for both 2020 and 2019, and $0.05 for 2018.
- Diluted EPS does not include antidilutive RSUs of 0.1 million for both 2020 and 2019, and less than 0.1 million for 2018.

Note 22.

Transactions with Affiliated Funds

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

The tables below present information about affiliated funds.

	Year Ended December		
$ in millions	**2020**	2019	2018
Fees earned from funds	**$3,393**	$2,967	$3,571

	As of December	
$ in millions	**2020**	2019
Fees receivable from funds	**$ 803**	$ 780
Aggregate carrying value of interests in funds	**$5,068**	$5,490

The firm may periodically determine to waive certain management fees on selected money market funds. Management fees waived were $109 million for 2020, $44 million for 2019 and $51 million for 2018.

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

In March 2020, GS Bank USA and unaffiliated entities purchased certificates of deposit and commercial paper from two money market funds managed by the firm. These funds are not covered funds under the Volcker Rule. GS Bank USA's purchase price of these securities was $1.84 billion, of which $321 million was outstanding as of December 2020. These purchases were made to promote liquidity in the short-term credit markets and to increase the funds' weekly liquid assets. These securities are included within investments in the consolidated balance sheets. Group Inc. has provided a guarantee to GS Bank USA in connection with these securities. See Note 18 for information about guarantees provided by Group Inc. to subsidiaries.

In addition, the firm had an outstanding guarantee, as permitted under the Volcker Rule, on behalf of its funds of $87 million as of both December 2020 and December 2019. The firm has voluntarily provided this guarantee 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. Except as noted above, the firm has not provided any additional financial support to its affiliated funds during 2020 and 2019.

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

Note 23.

Interest Income and Interest Expense

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

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

	Year Ended December		
$ in millions	**2020**	2019	2018
Deposits with banks	**$ 245**	$ 1,211	$ 1,418
Collateralized agreements	**282**	4,397	3,852
Trading assets	**5,210**	5,899	5,157
Investments	**1,627**	1,457	1,215
Loans	**4,883**	5,411	4,689
Other interest	**1,442**	3,363	3,348
Total interest income	**13,689**	21,738	19,679
Deposits	**2,386**	3,568	2,606
Collateralized financings	**599**	2,658	2,051
Trading liabilities	**1,238**	1,213	1,554
Short-term borrowings	**542**	668	695
Long-term borrowings	**4,153**	5,359	5,555
Other interest	**20**	3,910	3,451
Total interest expense	**8,938**	17,376	15,912
Net interest income	**$ 4,751**	$ 4,362	$ 3,767

In the table above:

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

Note 24.

Income Taxes

Provision for Income Taxes

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

The table below presents information about the provision for taxes.

	Year Ended December		
$ in millions	**2020**	2019	2018
Current taxes			
U.S. federal	**$1,759**	$1,113	$ 2,986
State and local	**555**	388	379
Non-U.S.	**1,539**	950	1,302
Total current tax expense	**3,853**	2,451	4,667
Deferred taxes			
U.S. federal	**(798)**	(383)	(2,711)
State and local	**(42)**	(20)	58
Non-U.S.	**7**	69	8
Total deferred tax benefit	**(833)**	(334)	(2,645)
Provision for taxes	**$3,020**	$2,117	$ 2,022

In the table above, U.S. federal current tax expense and U.S. federal deferred tax benefit in 2018 includes the impact of the Tax Cuts and Jobs Act (Tax Legislation).

The table below presents a reconciliation of the U.S. federal statutory income tax rate to the effective income tax rate.

	Year Ended December		
	2020	2019	2018
U.S. federal statutory income tax rate	**21.0%**	21.0%	21.0%
State and local taxes, net of U.S. federal benefit	**3.1**	2.9	2.0
Settlement of employee share-based awards	**(1.0)**	(0.6)	(2.2)
Non-U.S. operations	**(2.4)**	(3.6)	(0.7)
Tax credits	**(1.2)**	(1.8)	(1.4)
Tax-exempt income, including dividends	**(0.6)**	(1.0)	(0.6)
Tax Legislation	**–**	–	(3.9)
Non-deductible legal expenses	**5.6**	2.1	1.2
Other	**(0.3)**	1.0	0.8
Effective income tax rate	**24.2%**	20.0%	16.2%

In the table above, Non-U.S. operations include the impact of the Base Erosion and Anti-Abuse Tax and Global Intangible Low Taxed Income (GILTI).

Deferred Income Taxes

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

The table below presents information about deferred tax assets and liabilities, excluding the impact of netting within tax jurisdictions.

	As of December	
$ in millions	**2020**	2019
Deferred tax assets		
Compensation and benefits	**$1,609**	$1,351
ASC 740 asset related to unrecognized tax benefits	**200**	279
Non-U.S. operations	**737**	472
Net operating losses	**510**	411
Occupancy-related	**138**	135
Other comprehensive income-related	**282**	407
Tax credits carryforward	**34**	59
Operating lease liabilities	**618**	637
Allowance for credit losses	**1,054**	433
Other, net	**333**	160
Subtotal	**5,515**	4,344
Valuation allowance	**(551)**	(467)
Total deferred tax assets	**$4,964**	$3,877
Deferred tax liabilities		
Depreciation and amortization	**$1,153**	$1,022
Unrealized gains	**1,120**	1,196
Operating lease right-of-use assets	**581**	595
Total deferred tax liabilities	**$2,854**	$2,813

The firm has recorded deferred tax assets of $510 million as of December 2020 and $411 million as of December 2019, in connection with U.S. federal, state and local and foreign net operating loss carryforwards. The firm also recorded a valuation allowance of $79 million as of both December 2020 and December 2019, related to these net operating loss carryforwards.

As of December 2020, the U.S. federal net operating loss carryforward was $1.00 billion, the state and local net operating loss carryforward was $1.07 billion, and the foreign net operating loss carryforward was $1.06 billion. If not utilized, the U.S. federal, the state and local, and foreign net operating loss carryforwards will begin to expire in 2021. If these carryforwards expire, they will not have a material impact on the firm's results of operations. As of December 2020, the firm has recorded deferred tax assets of $14 million in connection with general business credit carryforwards and $20 million in connection with state and local tax credit carryforwards. If not utilized, the general business credit carryforward will begin to expire in 2021 and the state and local tax credit carryforward will begin to expire in 2023. As of December 2020, the firm did not have any foreign tax credit carryforwards.

As of both December 2020 and December 2019, the firm had no U.S. capital loss carryforwards and no related net deferred income tax assets. As of December 2020, the firm had deferred tax assets of $258 million in connection with foreign capital loss carryforwards and a valuation allowance of $258 million related to these capital loss carryforwards.

The valuation allowance increased by $84 million during 2020 and increased by $222 million during 2019. The increases in both 2020 and 2019 were primarily due to an increase in deferred tax assets from which the firm does not expect to realize any benefit.

The firm permanently reinvested eligible earnings of certain foreign subsidiaries. As of both December 2020 and December 2019, all U.S. taxes were accrued on these subsidiaries' distributable earnings, substantially all of which resulted from the Tax Legislation repatriation tax and GILTI.

Unrecognized Tax Benefits

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

The accrued liability for interest expense related to income tax matters and income tax penalties was $129 million as of December 2020 and $198 million as of December 2019. The firm recognized interest expense and income tax penalties of $41 million for 2020, $60 million for 2019 and $18 million for 2018. It is reasonably possible that unrecognized tax benefits could change significantly during the twelve months subsequent to December 2020 due to potential audit settlements. However, at this time it is not possible to estimate any potential change.

The table below presents the changes in the liability for unrecognized tax benefits, which is included in other liabilities.

	Year Ended or as of December		
$ in millions	**2020**	2019	2018
Beginning balance	**$1,445**	$1,051	$ 665
Increases based on current year tax positions	**164**	131	197
Increases based on prior years' tax positions	**209**	441	232
Decreases based on prior years' tax positions	**(205)**	(54)	(39)
Decreases related to settlements	**(367)**	(125)	(3)
Exchange rate fluctuations	**5**	1	(1)
Ending balance	**$1,251**	$1,445	$1,051
Related deferred income tax asset	**200**	279	152
Net unrecognized tax benefit	**$1,051**	$1,166	$ 899

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 December 2020
U.S. Federal	**2011**
New York State and City	**2015**
United Kingdom	**2017**
Japan	**2015**
Hong Kong	**2014**

The firm has been accepted into the Compliance Assurance Process program by the IRS for each of the tax years from 2013 through 2020 and submitted an application for 2021. 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 fieldwork for tax years 2011 through 2017 has been completed. During 2020, the firm reached an agreement with the IRS on certain items related to tax years through 2017, which did not have a material impact on the effective tax rate. The final resolution of the audit for tax years 2011 through 2017 is not expected to have a material impact on the effective tax rate. The 2018 and 2019 tax years remain subject to post-filing review.

During 2020, New York State and City examinations (excluding GS Bank USA) of 2011 through 2014 were completed. The resolution of these examinations did not have a material impact on the effective tax rate. New York State and City examinations for GS Bank USA through 2014 were completed in 2016. New York State and City examinations of 2015 through 2018 are expected to commence in 2021.

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

Note 25.

Business Segments

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

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

The firm allocates assets (including allocations of global core liquid assets and cash, secured client financing and other assets), revenues and expenses among the 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.

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

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

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

Segment Results

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

	Year Ended December		
$ in millions	**2020**	2019	2018
Investment Banking			
Non-interest revenues	**$ 9,158**	$ 7,079	$ 7,856
Net interest income	**265**	520	322
Total net revenues	**9,423**	7,599	8,178
Provision for credit losses	**1,624**	333	124
Operating expenses	**6,134**	4,685	4,473
Pre-tax earnings	**$ 1,665**	$ 2,581	$ 3,581
Net earnings	**$ 1,262**	$ 2,065	$ 3,001
Net earnings to common	**$ 1,193**	$ 1,996	$ 2,924
Average common equity	**$11,313**	$11,167	$ 8,737
Return on average common equity	**10.5%**	17.9%	33.5%
Global Markets			
Non-interest revenues	**$18,928**	$13,109	$12,831
Net interest income	**2,229**	1,670	1,607
Total net revenues	**21,157**	14,779	14,438
Provision for credit losses	**274**	35	52
Operating expenses	**12,806**	10,851	10,585
Pre-tax earnings	**$ 8,077**	$ 3,893	$ 3,801
Net earnings	**$ 6,122**	$ 3,114	$ 3,185
Net earnings to common	**$ 5,766**	$ 2,729	$ 2,796
Average common equity	**$40,760**	$40,060	$41,237
Return on average common equity	**14.1%**	6.8%	6.8%
Asset Management			
Non-interest revenues	**$ 7,743**	$ 8,454	$ 8,353
Net interest income	**241**	511	482
Total net revenues	**7,984**	8,965	8,835
Provision for credit losses	**442**	274	160
Operating expenses	**5,142**	4,817	4,179
Pre-tax earnings	**$ 2,400**	$ 3,874	$ 4,496
Net earnings	**$ 1,819**	$ 3,099	$ 3,767
Net earnings to common	**$ 1,740**	$ 3,013	$ 3,668
Average common equity	**$20,491**	$21,575	$19,061
Return on average common equity	**8.5%**	14.0%	19.2%
Consumer & Wealth Management			
Non-interest revenues	**$ 3,980**	$ 3,542	$ 3,809
Net interest income	**2,016**	1,661	1,356
Total net revenues	**5,996**	5,203	5,165
Provision for credit losses	**758**	423	338
Operating expenses	**4,901**	4,545	4,224
Pre-tax earnings	**$ 337**	$ 235	$ 603
Net earnings	**$ 256**	$ 188	$ 506
Net earnings to common	**$ 216**	$ 159	$ 472
Average common equity	**$ 8,012**	$ 6,292	$ 4,950
Return on average common equity	**2.7%**	2.5%	9.5%
Total			
Non-interest revenues	**$39,809**	$32,184	$32,849
Net interest income	**4,751**	4,362	3,767
Total net revenues	**44,560**	36,546	36,616
Provision for credit losses	**3,098**	1,065	674
Operating expenses	**28,983**	24,898	23,461
Pre-tax earnings	**$12,479**	$10,583	$12,481
Net earnings	**$ 9,459**	$ 8,466	$10,459
Net earnings to common	**$ 8,915**	$ 7,897	$ 9,860
Average common equity	**$80,576**	$79,094	$73,985
Return on average common equity	**11.1%**	10.0%	13.3%

In the table above:

- Revenues and expenses directly associated with each segment are included in determining pre-tax earnings.
- Net revenues in the firm's segments include allocations of interest income and expense to specific positions in relation to the cash generated by, or funding requirements of, such positions. Net interest is included in segment net revenues as it is consistent with how management assesses segment performance.
- Total operating expenses included net provisions for litigation and regulatory proceedings of $3.42 billion for 2020, $1.24 billion for 2019 and $844 million for 2018, primarily reflected in Investment Banking and Global Markets.
- Net earnings included an income tax benefit of $487 million in 2018 related to Tax Legislation.
- Overhead expenses not directly allocable to specific segments are allocated ratably based on direct segment expenses.

The table below presents depreciation and amortization expense by segment.

	Year Ended December		
$ in millions	**2020**	2019	2018
Investment Banking	**$ 174**	$ 139	$ 114
Global Markets	**611**	646	563
Asset Management	**740**	618	450
Consumer & Wealth Management	**377**	301	201
Total	**$1,902**	$1,704	$1,328

Segment Assets

The table below presents assets by segment.

	As of December	
$ in millions	**2020**	2019
Investment Banking	**$ 116,242**	$ 92,009
Global Markets	**844,606**	725,060
Asset Management	**95,751**	92,102
Consumer & Wealth Management	**106,429**	83,797
Total	**$1,163,028**	$992,968

The table below presents gross loans by segment and loan type, and allowance for loan losses by segment.

	As of December	
$ in millions	**2020**	2019
Investment Banking		
Corporate	**$ 27,866**	$ 27,035
Loans, gross	**27,866**	27,035
Allowance for loan losses	**(1,322)**	(470)
Loans	**26,544**	26,565
Global Markets		
Corporate	**13,248**	11,852
Real estate	**16,915**	15,671
Other	**3,499**	3,756
Loans, gross	**33,662**	31,279
Allowance for loan losses	**(448)**	(168)
Loans	**33,214**	31,111
Asset Management		
Corporate	**7,545**	7,420
Real estate	**9,125**	9,030
Other	**675**	1,036
Loans, gross	**17,345**	17,486
Allowance for loan losses	**(787)**	(385)
Loans	**16,558**	17,101
Consumer & Wealth Management		
Wealth management	**33,023**	27,940
Installment	**3,823**	4,747
Credit cards	**4,270**	1,858
Loans, gross	**41,116**	34,545
Allowance for loan losses	**(1,317)**	(418)
Loans	**39,799**	34,127
Total		
Loans, gross	**119,989**	110,345
Allowance for loan losses	**(3,874)**	(1,441)
Loans	**$116,115**	$108,904

See Note 9 for further information about loans.

Geographic Information

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

- Investment Banking: location of the client and investment banking team.
- Global Markets: FICC and Equities intermediation: location of the market-making desk; FICC and Equities financing (excluding prime brokerage financing): location of the desk; prime brokerage financing: location of the primary market for the underlying security.
- Asset Management (excluding Equity investments and Lending and debt investments): location of the sales team; Equity investments: location of the investment; Lending and debt investments: location of the client.
- Consumer & Wealth Management: Wealth management: location of the sales team; Consumer banking: location of the client.

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

$ in millions	**2020**		2019		2018	
Year Ended December						
Americas	**$27,508**	**62%**	$22,148	60%	$22,339	61%
EMEA	**10,868**	**24%**	9,745	27%	9,244	25%
Asia	**6,184**	**14%**	4,653	13%	5,033	14%
Total net revenues	**$44,560**	**100%**	$36,546	100%	$36,616	100%
Americas	**$ 9,019**	**72%**	$ 6,623	62%	$ 8,125	65%
EMEA	**3,041**	**25%**	3,349	32%	3,244	26%
Asia	**419**	**3%**	611	6%	1,112	9%
Total pre-tax earnings	**$12,479**	**100%**	$10,583	100%	$12,481	100%
Americas	**$ 7,468**	**79%**	$ 5,514	65%	$ 7,092	68%
EMEA	**2,090**	**22%**	2,600	31%	2,522	24%
Asia	**(99)**	**(1)%**	352	4%	845	8%
Total net earnings	**$ 9,459**	**100%**	$ 8,466	100%	$10,459	100%

In the table above:

- Americas net earnings included an income tax benefit of $487 million in 2018 related to Tax Legislation.
- Asia pre-tax earnings and net earnings for 2020 and 2019 were impacted by net provisions for litigation and regulatory proceedings.
- Substantially all of the amounts in Americas were attributable to the U.S.
- Asia includes Australia and New Zealand.

Note 26.

Credit Concentrations

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

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

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

	As of December	
$ in millions	**2020**	2019
U.S. government and agency obligations	**$187,009**	$167,097
Percentage of total assets	**16.1%**	16.8%
Non-U.S. government and agency obligations	**$ 59,580**	$ 44,875
Percentage of total assets	**5.1%**	4.5%

In addition, the firm had $116.63 billion as of December 2020 and $96.97 billion as of December 2019 of cash deposits held at central banks (included in cash and cash equivalents), of which $52.71 billion as of December 2020 and $50.55 billion as of December 2019 was held at the Federal Reserve.

As of both December 2020 and December 2019, the firm did not have credit exposure to any other counterparty that exceeded 2% of total assets.

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

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

	As of December	
$ in millions	**2020**	2019
U.S. government and agency obligations	**$60,158**	$49,396
Non-U.S. government and agency obligations	**$68,001**	$55,889

In the table above:

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

Note 27.

Legal Proceedings

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

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

With respect to matters described below for which management has been able to estimate a range of reasonably possible loss where (i) actual or potential plaintiffs have claimed an amount of money damages, (ii) the firm is being, or threatened to be, sued by purchasers in a securities offering and is not being indemnified by a party that the firm believes will pay the full amount of any judgment, or (iii) the purchasers are demanding that the firm repurchase securities, management has estimated the upper end of the range of reasonably possible loss as being equal to (a) in the case of (i), the amount of money damages claimed, (b) in the case of (ii), the difference between the initial sales price of the securities that the firm sold in such offering and the estimated lowest subsequent price of such securities prior to the action being commenced and (c) in the case of (iii), the price that purchasers paid for the securities less the estimated value, if any, as of December 2020 of the relevant securities, in each of cases (i), (ii) and (iii), taking into account any other factors believed to be relevant to the particular matter or matters of that type. As of the date hereof, the firm has estimated the upper end of the range of reasonably possible aggregate loss for such matters and for any other matters described below where management has been able to estimate a range of reasonably possible aggregate loss to be approximately $0.9 billion in excess of the aggregate reserves for such matters.

Management is generally unable to estimate a range of reasonably possible loss for matters other than those included in the estimate above, including where (i) actual or potential plaintiffs have not claimed an amount of money damages, except in those instances where management can otherwise determine an appropriate amount, (ii) matters are in early stages, (iii) matters relate to regulatory investigations or reviews, except in those instances where management can otherwise determine an appropriate amount, (iv) there is uncertainty as to the likelihood of a class being certified or the ultimate size of the class, (v) there is uncertainty as to the outcome of pending appeals or motions, (vi) there are significant factual issues to be resolved, and/or (vii) there are novel legal issues presented. For example, the firm's potential liabilities with respect to the investigations and reviews described below in "Regulatory Investigations and Reviews and Related Litigation" generally are not included in management's estimate of reasonably possible loss. However, management does not believe, based on currently available information, that the outcomes of such other matters will have a material adverse effect on the firm's financial condition, though the outcomes could be material to the firm's operating results for any particular period, depending, in part, upon the operating results for such period. See Note 18 for further information about mortgage-related contingencies.

1MDB-Related Matters

Between 2012 and 2013, subsidiaries of the firm acted as arrangers or purchasers of approximately $6.5 billion of debt securities of 1MDB. On November 1, 2018, the U.S. Department of Justice (DOJ) unsealed a criminal information and guilty plea by Tim Leissner, a former participating managing director of the firm, and an indictment against Ng Chong Hwa, a former managing director of the firm, and Low Taek Jho. Leissner pleaded guilty to a two-count criminal information charging him with conspiring to launder money and conspiring to violate the U.S. Foreign Corrupt Practices Act's (FCPA) anti-bribery and internal accounting controls provisions. Low and Ng were charged in a three-count indictment with conspiring to launder money and conspiring to violate the FCPA's anti-bribery provisions. On August 28, 2018, Leissner's guilty plea was accepted by the U.S. District Court for the Eastern District of New York and Leissner was adjudicated guilty on both counts. Ng was also charged in this indictment with conspiring to violate the FCPA's internal accounting controls provisions. On May 6, 2019, Ng pleaded not guilty to the DOJ's criminal charges.

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

On October 22, 2020, the firm announced that it reached settlements of governmental and regulatory investigations relating to 1MDB with the DOJ, the SEC, the FRB, the NYDFS, the FCA, the PRA, the Singapore Attorney General's Chambers, the Singapore Commercial Affairs Department, the Monetary Authority of Singapore and the Hong Kong Securities and Futures Commission. Group Inc. entered into a three-year deferred prosecution agreement with the DOJ, in which a charge against the firm, one count of conspiracy to violate the FCPA, was filed and will later be dismissed if the firm abides by the terms of the agreement. In addition, GS Malaysia pleaded guilty to one count of conspiracy to violate the FCPA.

The firm has been working to secure necessary exemptions and authorizations from regulators so that these settlements do not impact the firm's activities or the services that it provides to clients. In October 2020, the firm submitted its application to the U.S. Department of Labor (DOL) to maintain its status as a qualified professional asset manager (QPAM) and in January 2021 the DOL published for public comment a notice of proposed exemption. The firm expects to obtain the exemption before the sentencing of GS Malaysia.

The firm has received multiple demands, beginning in November 2018, from alleged shareholders under Section 220 of the Delaware General Corporation Law for books and records relating to, among other things, the firm's involvement with 1MDB and the firm's compliance procedures. On December 13, 2019, an alleged shareholder filed a lawsuit in the Court of Chancery of the State of Delaware seeking books and records relating to, among other things, the firm's involvement with 1MDB and the firm's compliance procedures. The parties have agreed to stay proceedings pending resolution of the books and records demand.

On February 19, 2019, a purported shareholder derivative action relating to 1MDB was filed in the U.S. District Court for the Southern District of New York against Group Inc. and the directors at the time and a former chairman and chief executive officer of the firm. The second amended complaint filed on November 13, 2020, alleges breaches of fiduciary duties, including in connection with alleged insider trading by certain current and former directors, unjust enrichment and violations of the anti-fraud provisions of the Exchange Act, including in connection with Group Inc.'s common stock repurchases and solicitation of proxies and seeks unspecified damages, disgorgement and injunctive relief. Defendants moved to dismiss this action on January 15, 2021.

Beginning in March 2019, the firm has also received demands from alleged shareholders to investigate and pursue claims against certain current and former directors and executive officers based on their oversight and public disclosures regarding 1MDB and related internal controls.

On December 20, 2018, a putative securities class action lawsuit was filed in the U.S. District Court for the Southern District of New York against Group Inc. and certain former officers of the firm alleging violations of the anti-fraud provisions of the Exchange Act with respect to Group Inc.'s disclosures concerning 1MDB and seeking unspecified damages. The plaintiffs filed the second amended complaint on October 28, 2019, which the defendants moved to dismiss on January 9, 2020.

Mortgage-Related Matters

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

The consolidated amended complaint filed on July 25, 2011, which named as defendants Group Inc. and certain current and former officers and employees of Group Inc. and its affiliates, generally alleges violations of Sections 10(b) and 20(a) of the Exchange Act and seeks monetary damages. The defendants have moved for summary judgment. On April 7, 2020, the Second Circuit Court of Appeals affirmed the district court's August 14, 2018 grant of class certification. On December 11, 2020, the United States Supreme Court granted defendants' petition for writ of certiorari seeking review of the Second Circuit Court of Appeals' April 7, 2020 decision.

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

Currencies-Related Litigation

GS&Co. and Group Inc. are among the defendants named in putative class actions filed in the U.S. District Court for the Southern District of New York beginning in September 2016 on behalf of putative indirect purchasers of foreign exchange instruments. On November 28, 2018, the plaintiffs filed a second-consolidated amended complaint generally alleging a conspiracy to manipulate the foreign currency exchange markets, asserting claims under various state antitrust laws and state consumer protection laws and seeking treble damages in an unspecified amount. On November 19, 2020, the court approved a settlement among the parties. The firm has reserved the full amount of its contribution to the settlement.

GS&Co. and Group Inc. are among the defendants named in an action filed in the U.S. District Court for the Southern District of New York on November 7, 2018, and Group Inc., GSI, GSIB, GS&Co., Goldman Sachs Group UK Limited (GSG UK) and GS Bank USA are among the defendants named in an action filed in the High Court of England and Wales on November 11, 2020, in each case by certain direct purchasers of foreign exchange instruments that opted out of a class settlement reached with, among others, GS&Co. and Group Inc. The third amended complaint in the U.S. district court action, filed on August 3, 2020, generally alleges that the defendants violated federal antitrust law and state common law in connection with an alleged conspiracy to manipulate the foreign currency exchange markets and seeks declaratory and injunctive relief, as well as unspecified amounts of compensatory, punitive, treble and other damages. The summary claim form filed in the U.K. action indicates the action is for breach of U.K. and E.U. competition rules from 2003 to 2013 and alleges manipulation of foreign exchange rates and bid/offer spreads, the exchange of commercially sensitive information among defendants and collusive trading.

Financial Advisory Services

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

Underwriting Litigation

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

SunEdison, Inc. GS&Co. is among the underwriters named as defendants in several putative class actions and individual actions filed beginning in March 2016 relating to the August 2015 public offering of $650 million of SunEdison, Inc. (SunEdison) convertible preferred stock. The defendants also include certain of SunEdison's directors and officers. On April 21, 2016, SunEdison filed for Chapter 11 bankruptcy. The pending cases were transferred to the U.S. District Court for the Southern District of New York and on March 17, 2017, plaintiffs in the putative class action filed a consolidated amended complaint. GS&Co., as underwriter, sold 138,890 shares of SunEdison convertible preferred stock in the offering, representing an aggregate offering price of approximately $139 million. On April 10, 2018 and April 17, 2018, certain plaintiffs in the individual actions filed amended complaints. The defendants have reached a settlement with certain plaintiffs in the individual actions and a settlement of the class action, which the court approved on October 25, 2019. The firm has paid the full amount of its contribution to the settlement. On December 31, 2020, the parties informed the court that they had reached an agreement in principle, subject to documentation, to resolve the remaining individual actions. The firm has reserved the full amount of its proposed contribution to the settlement.

Valeant Pharmaceuticals International, Inc. GS&Co. and Goldman Sachs Canada Inc. (GS Canada) are among the underwriters and initial purchasers named as defendants in a putative class action filed on March 2, 2016 in the Superior Court of Quebec, Canada. In addition to the underwriters and initial purchasers, the defendants include Valeant Pharmaceuticals International, Inc. (Valeant), certain directors and officers of Valeant and Valeant's auditor. As to GS&Co. and GS Canada, the complaint relates to the June 2013 public offering of $2.3 billion of common stock, the June 2013 Rule 144A offering of $3.2 billion principal amount of senior notes, and the November 2013 Rule 144A offering of $900 million principal amount of senior notes. The complaint asserts claims under the Quebec Securities Act and the Civil Code of Quebec. On August 29, 2017, the court certified a class that includes only non-U.S. purchasers in the offerings. Defendants' motion for leave to appeal the certification was denied on November 30, 2017. On November 16, 2020, the court approved a settlement agreement among the parties. Under the terms of the agreement, the firm will not be required to contribute to the settlement.

GS&Co. and GS Canada, as sole underwriters, sold 5,334,897 shares of common stock in the June 2013 offering to non-U.S. purchasers representing an aggregate offering price of approximately $453 million and, as initial purchasers, had a proportional share of sales to non-U.S. purchasers of approximately CAD14.2 million in principal amount of senior notes in the June 2013 and November 2013 Rule 144A offerings.

Snap Inc. GS&Co. is among the underwriters named as defendants in putative securities class actions pending in California Superior Court, County of Los Angeles, and the U.S. District Court for the Central District of California beginning in May 2017, relating to Snap Inc.'s $3.91 billion March 2017 initial public offering. In addition to the underwriters, the defendants include Snap Inc. and certain of its officers and directors. GS&Co. underwrote 57,040,000 shares of common stock representing an aggregate offering price of approximately $970 million. The underwriter defendants, including GS&Co., were voluntarily dismissed from the district court action on September 18, 2018. In the district court action, defendants moved for summary judgment on December 19, 2019, following the court's November 20, 2019 order approving plaintiffs' motion for class certification. The state court actions have been stayed. On April 27, 2020, the district court preliminarily approved a settlement among the parties, and on November 13, 2020, the state court preliminarily approved a settlement among the parties. Under the terms of the federal and state court preliminary settlements, the firm will not be required to contribute to either settlement.

Sea Limited. GS Asia is among the underwriters named as defendants in a putative securities class action filed on November 1, 2018 in New York Supreme Court, County of New York, relating to Sea Limited's $989 million October 2017 initial public offering of American depositary shares. In addition to the underwriters, the defendants include Sea Limited and certain of its officers and directors. GS Asia underwrote 28,026,721 American depositary shares representing an aggregate offering price of approximately $420 million. On January 25, 2019, the plaintiffs filed an amended complaint. Defendants moved to dismiss on March 26, 2019. On December 1, 2020, the court preliminarily approved a settlement agreement among the parties. Under the terms of the agreement, the firm will not be required to contribute to the settlement.

Altice USA, Inc. GS&Co. is among the underwriters named as defendants in putative securities class actions pending in New York Supreme Court, County of Queens, and the U.S. District Court for the Eastern District of New York beginning in June 2018, relating to Altice USA, Inc.'s (Altice) $2.15 billion June 2017 initial public offering. In addition to the underwriters, the defendants include Altice and certain of its officers and directors. GS&Co. underwrote 12,280,042 shares of common stock representing an aggregate offering price of approximately $368 million. On June 26, 2020, the court dismissed the amended complaint in the state court action, and on September 4, 2020, plaintiffs moved for leave to file a consolidated amended complaint. Plaintiffs in the district court action filed a second amended complaint on October 7, 2020. On December 21, 2020, the parties informed the court in the district court action that they were finalizing the terms of a settlement in principle that would resolve the district court and state court actions.

Alnylam Pharmaceuticals, Inc. GS&Co. is among the underwriters named as defendants in a putative securities class action filed on September 12, 2019 in New York Supreme Court, County of New York, relating to Alnylam Pharmaceuticals, Inc.'s (Alnylam) $805 million November 2017 public offering of common stock. In addition to the underwriters, the defendants include Alnylam and certain of its officers and directors. GS&Co. underwrote 2,576,000 shares of common stock representing an aggregate offering price of approximately $322 million. On October 30, 2020, the court denied the defendants' motion to dismiss the amended complaint filed on November 7, 2019. On November 12, 2020, defendants appealed the denial to the Appellate Division of the Supreme Court of the State of New York for the First Department.

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

Venator Materials PLC. GS&Co. is among the underwriters named as defendants in putative securities class actions in Texas District Court, Dallas County, New York Supreme Court, New York County, and the U.S. District Court for the Southern District of Texas, filed beginning in February 2019, relating to Venator Materials PLC's (Venator) $522 million August 2017 initial public offering and $534 million December 2017 secondary equity offering. In addition to the underwriters, the defendants include Venator, certain of its officers and directors and certain of its shareholders. GS&Co. underwrote 6,351,347 shares of common stock in the August 2017 initial public offering representing an aggregate offering price of approximately $127 million and 5,625,768 shares of common stock in the December 2017 secondary equity offering representing an aggregate offering price of approximately $127 million. On January 21, 2020, the Texas Court of Appeals reversed the Texas District Court and dismissed the claims against the underwriter defendants, including GS&Co., in the Texas state court action for lack of personal jurisdiction. On February 18, 2020, defendants moved to dismiss the consolidated complaint in the federal action. On July 31, 2020, defendants filed a motion to dismiss the New York state court action.

XP Inc. GS&Co. is among the underwriters named as defendants in putative securities class actions pending in New York Supreme Court, County of New York, and the U.S. District Court for the Eastern District of York, filed beginning March 19, 2020, relating to XP Inc.'s (XP) $2.3 billion December 2019 initial public offering. In addition to the underwriters, the defendants include XP, certain of its officers and directors and certain of its shareholders. GS&Co. underwrote 19,326,218 shares of common stock in the December 2019 initial public offering representing an aggregate offering price of approximately $522 million. On August 5, 2020, defendants' motion to stay the state court action in favor of the federal court action was denied, and on August 21, 2020, defendants moved to dismiss the amended complaint filed in the state court action. On September 14, 2020, defendants moved to dismiss the consolidated amended complaint filed in the federal court action.

GoHealth, Inc. GS&Co. is among the underwriters named as defendants in putative securities class actions filed beginning on September 21, 2020 and consolidated in the U.S. District Court for the Northern District of Illinois relating to GoHealth, Inc.'s (GoHealth) $914 million July 2020 initial public offering. In addition to the underwriters, the defendants include GoHealth, certain of its officers and directors and certain of its shareholders. GS&Co. underwrote 11,540,550 shares of common stock representing an aggregate offering price of approximately $242 million.

Investment Management Services

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

Securities Lending Antitrust Litigation

Group Inc. and GS&Co. are among the defendants named in a putative antitrust class action and three individual actions relating to securities lending practices filed in the U.S. District Court for the Southern District of New York beginning in August 2017. The complaints generally assert claims under federal and state antitrust law and state common law in connection with an alleged conspiracy among the defendants to preclude the development of electronic platforms for securities lending transactions. The individual complaints also assert claims for tortious interference with business relations and under state trade practices law and, in the second and third individual actions, unjust enrichment under state common law. The complaints seek declaratory and injunctive relief, as well as unspecified amounts of compensatory, treble, punitive and other damages. Group Inc. was voluntarily dismissed from the putative class action on January 26, 2018. Defendants' motion to dismiss the class action complaint was denied on September 27, 2018. Defendants moved to dismiss the second individual action on December 21, 2018. Defendants' motion to dismiss the first individual action was granted on August 7, 2019.

Interest Rate Swap Antitrust Litigation

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

Variable Rate Demand Obligations Antitrust Litigation

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

Commodities-Related Litigation

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

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

Group Inc., GS&Co., GSI, J. Aron & Company and Metro are among the defendants in an action filed on February 27, 2020 in the High Court of Justice, Business and Property Courts of England and Wales. The particulars of claim seeks unspecified compensatory and exemplary damages based on alleged violations of U.K. and E.U. competition laws in connection with the storage and trading of aluminum.

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

U.S. Treasury Securities Litigation

GS&Co. is among the primary dealers named as defendants in several putative class actions relating to the market for U.S. Treasury securities, filed beginning in July 2015 and consolidated in the U.S. District Court for the Southern District of New York. GS&Co. is also among the primary dealers named as defendants in a similar individual action filed in the U.S. District Court for the Southern District of New York on August 25, 2017. The consolidated class action complaint, filed on December 29, 2017, generally alleges that the defendants violated antitrust laws in connection with an alleged conspiracy to manipulate the when-issued market and auctions for U.S. Treasury securities and that certain defendants, including GS&Co., colluded to preclude trading of U.S. Treasury securities on electronic trading platforms in order to impede competition in the bidding process. The individual action alleges a similar conspiracy regarding manipulation of the when-issued market and auctions, as well as related futures and options in violation of the Commodity Exchange Act. The complaints seek declaratory and injunctive relief, treble damages in an unspecified amount and restitution. Defendants moved to dismiss on February 23, 2018.

Corporate Bonds Antitrust Litigation

Group Inc. and GS&Co. are among the dealers named as defendants in a putative class action relating to the secondary market for odd-lot corporate bonds, filed on April 21, 2020 in the U.S. District Court for the Southern District of New York. The amended consolidated complaint, filed on October 29, 2020, asserts claims under federal antitrust law in connection with alleged anti-competitive conduct by the defendants in the secondary market for odd-lots of corporate bonds, and seeks declaratory and injunctive relief, as well as unspecified monetary damages, including treble and punitive damages and restitution. Defendants moved to dismiss on December 15, 2020.

Employment-Related Matters

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

On March 30, 2018, the district court certified a damages class as to the plaintiffs' disparate impact and treatment claims. On September 4, 2018, the Second Circuit Court of Appeals denied defendants' petition for interlocutory review of the district court's class certification decision and subsequently denied defendants' petition for rehearing. On September 27, 2018, plaintiffs advised the district court that they would not seek to certify a class for injunctive and declaratory relief. On March 26, 2020, the Magistrate Judge in the district court granted in part a motion to compel arbitration as to class members who are parties to certain agreements with Group Inc. and/or GS&Co. in which they agreed to arbitrate employment-related disputes. On April 16, 2020, plaintiffs submitted objections to the Magistrate Judge's order and defendants submitted conditional objections in the event that the district judge overturns any portion of the Magistrate Judge's order.

Regulatory Investigations and Reviews and Related Litigation

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

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

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

Note 28.

Employee Benefit Plans

The firm sponsors various pension plans and certain other postretirement benefit plans, primarily healthcare and life insurance. The firm also provides certain benefits to former or inactive employees prior to retirement.

Defined Benefit Pension Plans and Postretirement Plans

Employees of certain non-U.S. subsidiaries participate in various defined benefit pension plans. These plans generally provide benefits based on years of credited service and a percentage of eligible compensation. The firm maintains a defined benefit pension plan for certain U.K. employees. As of April 2008, the U.K. defined benefit plan was closed to new participants and frozen for existing participants as of March 31, 2016. The non-U.S. plans do not have a material impact on the firm's consolidated results of operations.

The firm also maintains a defined benefit pension plan for substantially all U.S. employees hired prior to November 1, 2003. As of November 2004, this plan was closed to new participants and frozen for existing participants. In addition, the firm maintains unfunded postretirement benefit plans that provide medical and life insurance for eligible retirees and their dependents covered under these programs. These plans do not have a material impact on the firm's consolidated results of operations.

The firm recognizes the funded status of its defined benefit pension and postretirement plans, measured as the difference between the fair value of the plan assets and the benefit obligation, in the consolidated balance sheets. As of December 2020, other assets included $343 million (related to overfunded pension plans) and other liabilities included $478 million, related to these plans. As of December 2019, other assets included $257 million (related to overfunded pension plans) and other liabilities included $415 million, related to these plans.

Defined Contribution Plans

The firm contributes to employer-sponsored U.S. and non-U.S. defined contribution plans. The firm's contribution to these plans was $261 million for 2020, $254 million for 2019 and $240 million for 2018.

Note 29.

Employee Incentive Plans

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

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

The firm generally issues new shares of common stock upon delivery of share-based awards. In 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.

Stock Incentive Plan

The firm sponsors a stock incentive plan, The Goldman Sachs Amended and Restated Stock Incentive Plan (2018) (2018 SIP), which provides for grants of RSUs, restricted stock, dividend equivalent rights, incentive stock options, nonqualified stock options, stock appreciation rights, and other share-based awards, each of which may be subject to performance conditions. On May 2, 2018, shareholders approved the 2018 SIP. The 2018 SIP replaced The Goldman Sachs Amended and Restated Stock Incentive Plan (2015) (2015 SIP) previously in effect, and applies to awards granted on or after the date of approval. The 2015 SIP had previously replaced The Goldman Sachs Amended and Restated Stock Incentive Plan (2013) (2013 SIP).

As of December 2020, 55.5 million shares were available for grant under the 2018 SIP. If any shares of common stock underlying awards granted under the 2018 SIP, 2015 SIP or 2013 SIP are not delivered due to forfeiture, termination or cancellation or are surrendered or withheld, those shares will become available to be delivered under the 2018 SIP. Shares available for grant are also subject to adjustment for certain changes in corporate structure as permitted under the 2018 SIP. The 2018 SIP is scheduled to terminate on the date of the annual meeting of shareholders that occurs in 2022.

Restricted Stock Units

The firm grants RSUs (including RSUs subject to performance conditions) to employees, which are generally valued based on the closing price of the underlying shares on the date of grant after taking into account a liquidity discount for any applicable post-vesting and delivery transfer restrictions. RSUs generally vest and underlying shares of common stock deliver (net of required withholding tax) as outlined in the applicable award agreements. Award agreements generally provide that vesting is accelerated in certain circumstances, such as on retirement, death, disability and, in certain cases, conflicted employment. Delivery of the underlying shares of common stock is conditioned on the grantees satisfying certain vesting and other requirements outlined in the award agreements. RSUs not subject to performance conditions generally deliver over a three-year period. RSUs that are subject to performance conditions generally deliver after the end of a three-year performance period. For these awards, based on performance, the final award is adjusted from zero to 150% of the original grant. Dividends that accrue during the performance period are paid at settlement.

The table below presents the 2020 activity related to stock settled RSUs.

	Restricted Stock Units Outstanding		Weighted Average Grant-Date Fair Value of Restricted Stock Units Outstanding	
	Future Service Required	No Future Service Required	Future Service Required	No Future Service Required
Beginning balance	4,513,476	14,698,855	$196.69	$191.25
Granted	**3,527,884**	**5,395,829**	**$218.17**	**$221.94**
Forfeited	**(412,352)**	**(217,114)**	**$208.89**	**$198.33**
Delivered	**–**	**(8,292,011)**	**$ –**	**$194.55**
Vested	**(3,637,660)**	**3,637,660**	**$204.57**	**$204.57**
Ending balance	**3,991,348**	**15,223,219**	**$207.23**	**$203.41**

In the table above:

- The weighted average grant-date fair value of RSUs granted was $220.45 during 2020, $177.42 during 2019 and $218.06 during 2018. The fair value of the RSUs granted included a liquidity discount of 10.1% during 2020, 10.5% during 2019 and 11.9% during 2018, to reflect post-vesting and delivery transfer restrictions, generally of up to 4 years.
- The aggregate fair value of awards that vested was $2.01 billion during 2020, $2.00 billion during 2019 and $1.79 billion during 2018.
- The ending balance included restricted stock subject to future service requirements of 72,369 shares as of December 2020 and 23,068 shares as of December 2019.
- The ending balance included RSUs subject to performance conditions and future service requirements of 210,692 RSUs as of December 2020 and 224,898 RSUs as of December 2019, and represents the maximum amount of such RSUs that may be earned as of December 2020 and December 2019.
- The ending balance also included RSUs subject to performance conditions but not subject to future service requirements of 489,602 RSUs as of December 2020 and 268,433 RSUs as of December 2019, and the maximum amount of such RSUs that may be earned was 734,403 RSUs as of December 2020 and 402,650 RSUs as of December 2019.

In relation to 2020 year-end, during the first quarter of 2021, the firm granted to its employees 9.0 million RSUs, of which 3.0 million RSUs require future service as a condition of delivery for the related shares of common stock. These awards are subject to additional conditions as outlined in the award agreements. Generally, shares underlying these awards, net of required withholding tax, deliver over a three-year period, but are subject to post-vesting and delivery transfer restrictions through January 2026. These grants are not included in the table above.

As of December 2020, there was $408 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements. This cost is expected to be recognized over a weighted average period of 1.69 years.

Stock Options

Stock options generally vested as outlined in the applicable stock option agreement. In general, options expired on the tenth anniversary of the grant date, although they may have been subject to earlier termination or cancellation under certain circumstances in accordance with the terms of the stock option agreement and the SIP in effect at the time of grant.

There were no options outstanding as of both December 2020 and December 2019. During 2020 and 2019, no options were exercised. The total intrinsic value of options exercised was $288 million during 2018.

The table below presents the share-based compensation and the related excess tax benefit.

	Year Ended December		
$ in millions	**2020**	2019	2018
Share-based compensation	**$1,985**	$2,120	$1,850
Excess net tax benefit for options exercised	**$ –**	$ –	$ 64
Excess net tax benefit for share-based awards	**$ 120**	$ 63	$ 269

In the table above, excess net tax benefit for share-based awards includes the net tax benefit on dividend equivalents paid on RSUs and the delivery of common stock underlying share-based awards, as well as the excess net tax benefit for options exercised.

Note 30.

Parent Company

Group Inc. — Condensed Statements of Earnings

$ in millions	Year Ended December 2020	2019	2018
Revenues			
Dividends from subsidiaries and other affiliates:			
Bank	**$ 40**	$ 63	$ 102
Nonbank	**11,860**	4,199	16,368
Other revenues	**774**	335	(1,376)
Total non-interest revenues	**12,674**	4,597	15,094
Interest income	**4,020**	7,575	6,617
Interest expense	**5,861**	8,545	8,114
Net interest loss	**(1,841)**	(970)	(1,497)
Total net revenues	**10,833**	3,627	13,597
Operating expenses			
Compensation and benefits	**367**	331	299
Other expenses	**3,339**	1,365	1,192
Total operating expenses	**3,706**	1,696	1,491
Pre-tax earnings	**7,127**	1,931	12,106
Benefit for taxes	**(696)**	(538)	(1,173)
Undistributed earnings/(loss) of subsidiaries and other affiliates	**1,636**	5,997	(2,820)
Net earnings	**9,459**	8,466	10,459
Preferred stock dividends	**544**	569	599
Net earnings applicable to common shareholders	**$ 8,915**	$7,897	$ 9,860

Supplemental Disclosures:

In the condensed statements of earnings above, revenues and expenses included the following with subsidiaries and other affiliates:

- Dividends from bank subsidiaries included cash dividends of $38 million for 2020, $60 million for 2019 and $76 million for 2018.
- Dividends from nonbank subsidiaries and other affiliates included cash dividends of $11.32 billion for 2020, $4.18 billion for 2019 and $10.78 billion for 2018.
- Other revenues included $2.62 billion for 2020, $1.29 billion for 2019 and $(1.69) billion for 2018.
- Interest income included $3.68 billion for 2020, $7.26 billion for 2019 and $6.33 billion for 2018.
- Interest expense included $1.73 billion for 2020, $3.15 billion for 2019 and $2.39 billion for 2018.
- Other expenses included $100 million for 2020, $138 million for 2019 and $159 million for 2018.

Group Inc.'s other comprehensive income/(loss) was $50 million for 2020, $(2.18) billion for 2019 and $2.57 billion for 2018.

Group Inc. — Condensed Balance Sheets

$ in millions	As of December 2020	2019
Assets		
Cash and cash equivalents:		
With third-party banks	**$ 26**	$ 33
With subsidiary bank	**–**	7
Loans to and receivables from subsidiaries:		
Bank	**357**	2,398
Nonbank (includes **$7,242** and $6,460 at fair value)	**239,483**	239,241
Investments in subsidiaries and other affiliates:		
Bank	**31,116**	30,376
Nonbank	**72,689**	65,301
Trading assets (at fair value)	**951**	691
Investments (includes **$16,642** and $16,930 at fair value)	**20,204**	20,499
Other assets	**4,811**	4,262
Total assets	**$369,637**	$362,808
Liabilities and shareholders' equity		
Secured borrowings with subsidiaries	**$ 35,228**	$ 42,083
Payables to subsidiaries	**503**	640
Trading liabilities (at fair value)	**320**	417
Unsecured short-term borrowings:		
With third parties (includes **$1,723** and $4,751 at fair value)	**20,563**	25,635
With subsidiaries	**7,385**	917
Unsecured long-term borrowings:		
With third parties (includes **$11,145** and $15,611 at fair value)	**171,934**	168,602
With subsidiaries	**32,419**	28,576
Other liabilities	**5,353**	5,673
Total liabilities	**273,705**	272,543
Commitments, contingencies and guarantees		
Shareholders' equity		
Preferred stock	**11,203**	11,203
Common stock	**9**	9
Share-based awards	**3,468**	3,195
Additional paid-in capital	**55,679**	54,883
Retained earnings	**112,947**	106,465
Accumulated other comprehensive loss	**(1,434)**	(1,484)
Stock held in treasury, at cost	**(85,940)**	(84,006)
Total shareholders' equity	**95,932**	90,265
Total liabilities and shareholders' equity	**$369,637**	$362,808

Supplemental Disclosures:

Goldman Sachs Funding LLC (Funding IHC), a wholly-owned, direct subsidiary of Group Inc., has provided Group Inc. with a committed line of credit that allows Group Inc. to draw sufficient funds to meet its cash needs in the ordinary course of business.

Trading assets included derivative contracts with subsidiaries of $843 million as of December 2020 and $584 million as of December 2019.

Trading liabilities included derivative contracts with subsidiaries of $320 million as of December 2020 and $365 million as of December 2019.

As of December 2020, unsecured long-term borrowings with subsidiaries by maturity date are $30.97 billion in 2022, $241 million in 2023, $193 million in 2024, $308 million in 2025 and $704 million in 2026-thereafter.

Group Inc. — Condensed Statements of Cash Flows

	Year Ended December		
$ in millions	**2020**	2019	2018
Cash flows from operating activities			
Net earnings	**$ 9,459**	$ 8,466	$ 10,459
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Undistributed (earnings)/loss of subsidiaries and other affiliates	**(1,636)**	(5,997)	2,820
Depreciation and amortization	**6**	26	51
Deferred income taxes	**(160)**	(210)	(2,817)
Share-based compensation	**127**	118	105
Gain related to extinguishment of unsecured borrowings	**(1)**	(20)	(160)
Changes in operating assets and liabilities:			
Collateralized transactions (excluding secured borrowings, net)	**332**	77	147
Trading assets	**3,484**	5,145	(1,431)
Trading liabilities	**(97)**	136	27
Other, net	**(1,492)**	(1,208)	1,492
Net cash provided by operating activities	**10,022**	6,533	10,693
Cash flows from investing activities			
Purchase of property, leasehold improvements and equipment	**(26)**	(34)	(63)
Repayments/(issuances) of short-term loans to subsidiaries, net	**7,021**	2,079	10,829
Issuance of term loans to subsidiaries	**(32,472)**	(7,374)	(30,336)
Repayments of term loans by subsidiaries	**29,568**	1,894	25,956
Purchase of investments	**(3,767)**	(16,776)	(3,141)
Proceeds from sales and paydowns of investments	**4,135**	9,768	–
Capital distributions from/(contributions to) subsidiaries, net	**(5,617)**	(415)	1,807
Net cash provided by/(used for) investing activities	**(1,158)**	(10,858)	5,052
Cash flows from financing activities			
Secured borrowings with subsidiary (short-term), net	**(6,360)**	26,398	(12,853)
Unsecured short-term borrowings, net:			
With third parties	**(1,372)**	(22)	(1,541)
With subsidiaries	**12,603**	4,649	11,855
Proceeds from issuance of unsecured long-term borrowings	**24,789**	8,804	26,157
Repayment of unsecured long-term borrowings, including the current portion	**(33,432)**	(27,172)	(32,429)
Purchase of Trust Preferred securities	**(11)**	(206)	(35)
Preferred stock redemption	**(350)**	(1,100)	(650)
Common stock repurchased	**(1,928)**	(5,335)	(3,294)
Settlement of share-based awards in satisfaction of withholding tax requirements	**(830)**	(745)	(1,118)
Dividends and dividend equivalents paid on common stock, preferred stock and share-based awards	**(2,336)**	(2,104)	(1,810)
Proceeds from issuance of preferred stock, net of issuance costs	**349**	1,098	–
Proceeds from issuance of common stock, including exercise of share-based awards	**–**	–	38
Other financing, net	**–**	(3)	–
Net cash provided by/(used for) financing activities	**(8,878)**	4,262	(15,680)
Net increase/(decrease) in cash and cash equivalents	**(14)**	(63)	65
Cash and cash equivalents, beginning balance	**40**	103	38
Cash and cash equivalents, ending balance	**$ 26**	$ 40	$ 103

Supplemental Disclosures:

Cash payments for interest, net of capitalized interest, were $5.92 billion for 2020, $9.53 billion for 2019 and $9.83 billion for 2018, and included $1.90 billion for 2020, $3.01 billion for 2019 and $3.05 billion for 2018 of payments to subsidiaries.

Cash payments/(refunds) for income taxes, net, were $1.37 billion for 2020, $272 million for 2019 and $(98) million for 2018.

Non-cash activities during the year ended December 2020:

- Group Inc. exchanged $11.2 million of Trust Preferred securities and common beneficial interests for $12.5 million of certain of the Group Inc.'s junior subordinated debt.

Non-cash activities during the year ended December 2019:

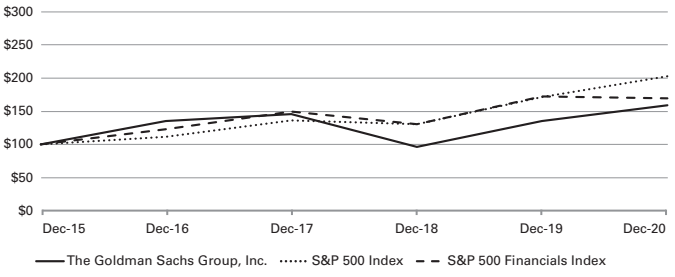
- Group Inc. acquired $8.50 billion of deposits with GS Bank USA from Funding IHC in exchange for borrowings.
- Group Inc. exchanged $211 million of Trust Preferred securities and common beneficial interests for $231 million of certain of the Group Inc.'s junior subordinated debt.

Non-cash activities during the year ended December 2018:

- Group Inc. restructured funding for GSG UK and GSI, both wholly-owned subsidiaries of Group Inc., which resulted in a net increase in loans to subsidiaries of $5.71 billion and a decrease in equity interest of $5.71 billion.
- Group Inc. exchanged $150 million of liabilities and $46 million of related deferred tax assets for $104 million of equity interest in GS&Co., a wholly-owned subsidiary of Group Inc.
- Group Inc. exchanged $36 million of Trust Preferred securities and common beneficial interests for $36 million of certain of the Group Inc.'s junior subordinated debt.

Common Stock Performance

The graph and table below compare the performance of an investment in the firm's common stock from December 31, 2015 (the last trading day before the firm's 2016 fiscal year) through December 31, 2020, with the S&P 500 Index (S&P 500) and the S&P 500 Financials Index (S&P 500 Financials).



	As of December					
	2015	2016	2017	2018	2019	**2020**
Group Inc.	$100.00	$134.91	$145.35	$ 96.63	$135.73	**$159.45**
S&P 500	$100.00	$111.95	$136.38	$130.39	$171.44	**$202.96**
S&P 500 Financials	$100.00	$122.75	$149.93	$130.38	$172.21	**$169.18**

The graph and table above assume $100 was invested on December 31, 2015 in each of the firm's common stock, the S&P 500 and the S&P 500 Financials, and the dividends were reinvested without payment of any commissions. The performance shown represents past performance and should not be considered an indication of future performance.

Statistical Disclosures

Distribution of Assets, Liabilities and Shareholders' Equity

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

	Average Balance for the Year Ended December		
$ in millions	**2020**	2019	2018
Assets			
U.S.	**$ 55,662**	$ 41,250	$ 65,888
Non-U.S.	**71,312**	49,161	52,773
Total deposits with banks	**126,974**	90,411	118,661
U.S.	**138,447**	156,769	161,783
Non-U.S.	**114,974**	123,069	140,411
Total collateralized agreements	**253,421**	279,838	302,194
U.S.	**204,118**	157,266	127,771
Non-U.S.	**118,642**	118,086	105,105
Total trading assets	**322,760**	275,352	232,876
U.S.	**56,167**	38,419	32,619
Non-U.S.	**17,156**	15,100	12,729
Total investments	**73,323**	53,519	45,348
U.S.	**94,115**	84,416	77,884
Non-U.S.	**18,867**	13,839	9,246
Total loans	**112,982**	98,255	87,130
U.S.	**57,149**	39,961	41,854
Non-U.S.	**45,672**	36,768	42,292
Total other interest-earning assets	**102,821**	76,729	84,146
Total interest-earning assets	**992,281**	874,104	870,355
Cash and due from banks	**10,303**	10,998	11,380
Other non-interest-earning assets	**116,750**	86,137	85,846
Total assets	**$1,119,334**	$971,239	$967,581
Liabilities			
U.S.	**$ 188,767**	$131,937	$117,121
Non-U.S.	**51,997**	34,993	30,071
Total interest-bearing deposits	**240,764**	166,930	147,192
U.S.	**77,727**	65,170	59,129
Non-U.S.	**35,284**	31,875	45,747
Total collateralized financings	**113,011**	97,045	104,876
U.S.	**42,213**	29,333	33,193
Non-U.S.	**55,119**	45,816	49,295
Total trading liabilities	**97,332**	75,149	82,488
U.S.	**34,449**	34,284	40,360
Non-U.S.	**22,113**	17,323	16,909
Total short-term borrowings	**56,562**	51,607	57,269
U.S.	**199,196**	205,324	212,200
Non-U.S.	**30,941**	28,079	24,173
Total long-term borrowings	**230,137**	233,403	236,373
U.S.	**127,489**	128,846	124,657
Non-U.S.	**66,403**	55,101	63,428
Total other interest-bearing liabilities	**193,892**	183,947	188,085
Total interest-bearing liabilities	**931,698**	808,081	816,283
Non-interest-bearing deposits	**6,672**	5,503	4,273
Other non-interest-bearing liabilities	**89,185**	67,358	61,787
Total liabilities	**1,027,555**	880,942	882,343
Shareholders' equity			
Preferred stock	**11,203**	11,203	11,253
Common stock	**80,576**	79,094	73,985
Total shareholders' equity	**91,779**	90,297	85,238
Total liabilities and shareholders' equity	**$1,119,334**	$971,239	$967,581
Percentage attributable to non-U.S. operations			
Interest-earnings assets	**38.96%**	40.73%	41.67%
Interest-bearing liabilities	**28.11%**	26.38%	28.13%

Supplemental Financial Information

	Interest for the Year Ended December		
$ in millions	**2020**	2019	2018
Assets			
U.S.	**$ 219**	$ 918	$ 1,247
Non-U.S.	**26**	293	171
Total deposits with banks	**245**	1,211	1,418
U.S.	**371**	3,925	3,340
Non-U.S.	**(89)**	472	512
Total collateralized agreements	**282**	4,397	3,852
U.S.	**3,649**	3,622	3,200
Non-U.S.	**1,561**	2,277	1,957
Total trading assets	**5,210**	5,899	5,157
U.S.	**1,081**	972	807
Non-U.S.	**546**	485	408
Total investments	**1,627**	1,457	1,215
U.S.	**4,061**	4,655	4,166
Non-U.S.	**822**	756	523
Total loans	**4,883**	5,411	4,689
U.S.	**1,099**	2,313	2,382
Non-U.S.	**343**	1,050	966
Total other interest-earning assets	**1,442**	3,363	3,348
Total interest-earning assets	**$13,689**	$21,738	$19,679
Liabilities			
U.S.	**$ 1,967**	$ 3,099	$ 2,317
Non-U.S.	**419**	469	289
Total interest-bearing deposits	**2,386**	3,568	2,606
U.S.	**554**	2,374	1,760
Non-U.S.	**45**	284	291
Total collateralized financings	**599**	2,658	2,051
U.S.	**477**	466	803
Non-U.S.	**761**	747	751
Total trading liabilities	**1,238**	1,213	1,554
U.S.	**492**	642	672
Non-U.S.	**50**	26	23
Total short-term borrowings	**542**	668	695
U.S.	**4,034**	5,234	5,474
Non-U.S.	**119**	125	81
Total long-term borrowings	**4,153**	5,359	5,555
U.S.	**(148)**	4,048	3,245
Non-U.S.	**168**	(138)	206
Total other interest-bearing liabilities	**20**	3,910	3,451
Total interest-bearing liabilities	**$ 8,938**	$17,376	$15,912
Net interest income			
U.S.	**$ 3,104**	$ 542	$ 871
Non-U.S.	**1,647**	3,820	2,896
Net interest income	**$ 4,751**	$ 4,362	$ 3,767

	Average Rate for the Year Ended December		
	2020	2019	2018
Assets			
U.S.	**0.39%**	2.23%	1.89%
Non-U.S.	**0.04%**	0.60%	0.32%
Total deposits with banks	**0.19%**	1.34%	1.20%
U.S.	**0.27%**	2.50%	2.06%
Non-U.S.	**(0.08)%**	0.38%	0.36%
Total collateralized agreements	**0.11%**	1.57%	1.27%
U.S.	**1.79%**	2.30%	2.50%
Non-U.S.	**1.32%**	1.93%	1.86%
Total trading assets	**1.61%**	2.14%	2.21%
U.S.	**1.92%**	2.53%	2.47%
Non-U.S.	**3.18%**	3.21%	3.21%
Total investments	**2.22%**	2.72%	2.68%
U.S.	**4.31%**	5.51%	5.35%
Non-U.S.	**4.36%**	5.46%	5.66%
Total loans	**4.32%**	5.51%	5.38%
U.S.	**1.92%**	5.79%	5.69%
Non-U.S.	**0.75%**	2.86%	2.28%
Total other interest-earning assets	**1.40%**	4.38%	3.98%
Total interest-earning assets	**1.38%**	2.49%	2.26%
Liabilities			
U.S.	**1.04%**	2.35%	1.98%
Non-U.S.	**0.81%**	1.34%	0.96%
Total interest-bearing deposits	**0.99%**	2.14%	1.77%
U.S.	**0.71%**	3.64%	2.98%
Non-U.S.	**0.13%**	0.89%	0.64%
Total collateralized financings	**0.53%**	2.74%	1.96%
U.S.	**1.13%**	1.59%	2.42%
Non-U.S.	**1.38%**	1.63%	1.52%
Total trading liabilities	**1.27%**	1.61%	1.88%
U.S.	**1.43%**	1.87%	1.67%
Non-U.S.	**0.23%**	0.15%	0.14%
Total short-term borrowings	**0.96%**	1.29%	1.21%
U.S.	**2.03%**	2.55%	2.58%
Non-U.S.	**0.38%**	0.45%	0.34%
Total long-term borrowings	**1.80%**	2.30%	2.35%
U.S.	**(0.12)%**	3.14%	2.60%
Non-U.S.	**0.25%**	(0.25)%	0.32%
Total other interest-bearing liabilities	**0.01%**	2.13%	1.83%
Total interest-bearing liabilities	**0.96%**	2.15%	1.95%
Interest rate spread	**0.42%**	0.34%	0.31%
U.S.	**0.51%**	0.10%	0.17%
Non-U.S.	**0.43%**	1.07%	0.80%
Net yield on interest-earning assets	**0.48%**	0.50%	0.43%

In the tables above:

- Assets, liabilities and interest are classified as U.S. and non-U.S. based on the location of the entity in which the assets and liabilities are held.
- Derivative instruments and commodities are included in other non-interest-earning assets and other non-interest-bearing liabilities.
- Total other interest-earning assets primarily consists of certain receivables from customers and counterparties.
- Collateralized financings consists of repurchase agreements and securities loaned.
- Substantially all of the total other interest-bearing liabilities consists of certain payables to customers and counterparties.
- Interest rates for borrowings include the effects of interest rate swaps accounted for as hedges.

- Total loans exclude loans held for sale that are accounted for at the lower of cost or fair value. Such loans are included within other interest-earning assets.
- Total short- and long-term borrowings include both secured and unsecured borrowings.

Changes in Net Interest Income, Volume and Rate Analysis

The tables below present the effect on net interest income of volume and rate changes. In this analysis, changes due to volume/rate variance have been allocated to volume.

	Year Ended December 2020 versus December 2019		
	Increase (decrease) due to change in:		
$ in millions	Volume	Rate	Net Change
Interest-earning assets			
U.S.	**$ 57**	**$ (756)**	**$ (699)**
Non-U.S.	**8**	**(275)**	**(267)**
Total deposits with banks	**65**	**(1,031)**	**(966)**
U.S.	**(49)**	**(3,505)**	**(3,554)**
Non-U.S.	**6**	**(567)**	**(561)**
Total collateralized agreements	**(43)**	**(4,072)**	**(4,115)**
U.S.	**838**	**(811)**	**27**
Non-U.S.	**7**	**(723)**	**(716)**
Total trading assets	**845**	**(1,534)**	**(689)**
U.S.	**342**	**(233)**	**109**
Non-U.S.	**65**	**(4)**	**61**
Total investments	**407**	**(237)**	**170**
U.S.	**419**	**(1,013)**	**(594)**
Non-U.S.	**219**	**(153)**	**66**
Total loans	**638**	**(1,166)**	**(528)**
U.S.	**331**	**(1,545)**	**(1,214)**
Non-U.S.	**67**	**(774)**	**(707)**
Total other interest-earning assets	**398**	**(2,319)**	**(1,921)**
Change in interest income	**2,310**	**(10,359)**	**(8,049)**
Interest-bearing liabilities			
U.S.	**592**	**(1,724)**	**(1,132)**
Non-U.S.	**137**	**(187)**	**(50)**
Total interest-bearing deposits	**729**	**(1,911)**	**(1,182)**
U.S.	**90**	**(1,910)**	**(1,820)**
Non-U.S.	**4**	**(243)**	**(239)**
Total collateralized financings	**94**	**(2,153)**	**(2,059)**
U.S.	**146**	**(135)**	**11**
Non-U.S.	**128**	**(114)**	**14**
Total trading liabilities	**274**	**(249)**	**25**
U.S.	**2**	**(152)**	**(150)**
Non-U.S.	**11**	**13**	**24**
Total short-term borrowings	**13**	**(139)**	**(126)**
U.S.	**(124)**	**(1,076)**	**(1,200)**
Non-U.S.	**11**	**(17)**	**(6)**
Total long-term borrowings	**(113)**	**(1,093)**	**(1,206)**
U.S.	**2**	**(4,198)**	**(4,196)**
Non-U.S.	**29**	**277**	**306**
Total other interest-bearing liabilities	**31**	**(3,921)**	**(3,890)**
Change in interest expense	**1,028**	**(9,466)**	**(8,438)**
Change in net interest income	**$1,282**	**$ (893)**	**$ 389**

	Year Ended December 2019 versus December 2018		
	Increase (decrease) due to change in:		
$ in millions	Volume	Rate	Net Change
Interest-earning assets			
U.S.	$(548)	$ 219	$ (329)
Non-U.S.	(22)	144	122
Total deposits with banks	(570)	363	(207)
U.S.	(126)	711	585
Non-U.S.	(67)	27	(40)
Total collateralized agreements	(193)	738	545
U.S.	679	(257)	422
Non-U.S.	250	70	320
Total trading assets	929	(187)	742
U.S.	147	18	165
Non-U.S.	76	1	77
Total investments	223	19	242
U.S.	360	129	489
Non-U.S.	251	(18)	233
Total loans	611	111	722
U.S.	(110)	41	(69)
Non-U.S.	(158)	242	84
Total other interest-earning assets	(268)	283	15
Change in interest income	732	1,327	2,059
Interest-bearing liabilities			
U.S.	348	434	782
Non-U.S.	66	114	180
Total interest-bearing deposits	414	548	962
U.S.	220	394	614
Non-U.S.	(124)	117	(7)
Total collateralized financings	96	511	607
U.S.	(61)	(276)	(337)
Non-U.S.	(57)	53	(4)
Total trading liabilities	(118)	(223)	(341)
U.S.	(114)	84	(30)
Non-U.S.	1	2	3
Total short-term borrowings	(113)	86	(27)
U.S.	(175)	(65)	(240)
Non-U.S.	17	27	44
Total long-term borrowings	(158)	(38)	(196)
U.S.	132	671	803
Non-U.S.	21	(365)	(344)
Total other interest-bearing liabilities	153	306	459
Change in interest expense	274	1,190	1,464
Change in net interest income	$ 458	$ 137	$ 595

Deposits

The table below presents information about interest-bearing deposits.

	Year Ended December		
$ in millions	**2020**	2019	2018
Average balances			
U.S.			
Savings and demand	**$125,264**	$ 86,108	$ 76,428
Time	**63,503**	45,829	40,693
Total U.S.	**188,767**	131,937	117,121
Non-U.S.			
Demand	**34,838**	20,733	9,579
Time	**17,159**	14,260	20,492
Total non-U.S.	**51,997**	34,993	30,071
Total	**$240,764**	$166,930	$147,192
Average interest rates			
U.S.			
Savings and demand	**0.72%**	2.23%	1.85%
Time	**1.68%**	2.58%	2.21%
Total U.S.	**1.04%**	2.35%	1.98%
Non-U.S.			
Demand	**0.79%**	1.51%	1.29%
Time	**0.84%**	1.09%	0.81%
Total non-U.S.	**0.81%**	1.34%	0.96%
Total	**0.99%**	2.14%	1.77%

In the table above, deposits are classified as U.S. and non-U.S. based on the location of the entity in which such deposits are held.

As of December 2020, deposits in U.S. offices included $21.72 billion and non-U.S. offices included $12.57 billion of time deposits that were greater than $100,000.

As of December 2020, deposits in U.S. offices included $4.53 billion held by non-U.S. depositors.

The table below presents maturities of these time deposits held in U.S. offices.

$ in millions	**As of December 2020**
3 months or less	**$ 8,093**
3 to 6 months	**6,023**
6 to 12 months	**5,317**
Greater than 12 months	**2,282**
Total	**$21,715**

Short-Term and Other Borrowed Funds

The table below presents information about securities loaned and repurchase agreements, and short-term borrowings.

	As of December		
$ in millions	**2020**	2019	2018
Securities loaned and securities sold under agreements to repurchase			
Amounts outstanding at year-end	**$148,192**	$132,741	$ 90,531
Average outstanding during the year	**$113,011**	$ 97,045	$104,876
Maximum month-end outstanding	**$148,192**	$132,741	$123,805
Weighted average interest rate			
During the year	**0.53%**	2.74%	1.96%
At year-end	**(0.14)%**	1.61%	3.31%
Short-term borrowings			
Amounts outstanding at year-end	**$ 66,088**	$ 55,611	$ 50,057
Average outstanding during the year	**$ 56,562**	$ 51,607	$ 57,269
Maximum month-end outstanding	**$ 66,088**	$ 57,209	$ 63,743
Weighted average interest rate			
During the year	**0.96%**	1.29%	1.21%
At year-end	**0.83%**	1.24%	1.30%

In the table above:

- These borrowings generally mature within one year of the financial statement date and include borrowings that are redeemable at the option of the holder within one year of the financial statement date.
- Amounts outstanding at year-end for short-term borrowings included short-term secured financings of $13.22 billion as of December 2020, $7.32 billion as of December 2019 and $9.56 billion as of December 2018.
- The weighted average interest rates for these borrowings include the effect of hedging activities.

Loan Portfolio

The table below presents information about loans.

	As of December				
$ in millions	**2020**	2019	2018	2017	2016
Corporate	**$ 37,322**	$ 37,161	$37,518	$32,616	$28,889
Wealth management	**29,000**	24,783	22,649	21,591	19,225
Commercial real estate	**15,374**	12,836	11,052	8,239	3,604
Residential real estate	**5,131**	6,290	7,820	7,299	4,305
Consumer:					
Installment	**3,823**	4,747	4,536	1,912	208
Credit card	**4,270**	1,858	–	–	–
Other	**3,443**	4,186	4,461	5,014	3,428
Total U.S.	**98,363**	91,861	88,036	76,671	59,659
Corporate	**11,337**	9,146	4,857	3,686	2,529
Wealth management	**4,023**	3,157	2,119	2,102	1,442
Commercial real estate	**4,916**	4,907	3,126	3,149	2,805
Residential real estate	**619**	668	481	600	556
Other	**731**	606	284	32	21
Total non-U.S.	**21,626**	18,484	10,867	9,569	7,353
Total loans, gross	**119,989**	110,345	98,903	86,240	67,012
Allowance for loan losses					
U.S.	**3,038**	1,146	848	604	476
Non-U.S.	**836**	295	218	199	33
Total allowance for loan losses	**3,874**	1,441	1,066	803	509
Total loans	**$116,115**	$108,904	$97,837	$85,437	$66,503

In the table above, loans are classified as U.S. and non-U.S. based on the location of the entity in which such loans are held.

Allowance for Loan Losses

The table below presents changes in the allowance for loan losses.

	As of December				
$ in millions	**2020**	2019	2018	2017	2016
Allowance for loan losses					
Beginning balance	**$1,441**	$1,066	$ 803	$509	$414
Impact of CECL adoption	**727**	–	–	–	–
Net charge-offs	**(907)**	(490)	(337)	(203)	(8)
Provision for loan losses	**2,853**	990	654	574	138
Other	**(240)**	(125)	(54)	(77)	(35)
Ending balance	**$3,874**	$1,441	$1,066	$803	$509

In the table above:

- Allowance for loan losses as of 2020, 2019 and 2018 primarily related to corporate loans and consumer loans that were held in entities located in the U.S. Allowance for loan losses as of 2017 and earlier primarily related to corporate and wealth management loans that were held in entities located in the U.S.
- Net charge-offs for 2020 were primarily related to corporate loans held in entities located in the U.S. Net charge-offs for 2019 were primarily related to consumer loans held in entities located in the U.S. Net charge-offs for 2018 were primarily related to consumer loans held in entities located in the U.S. and commercial real estate PCI loans held in entities located outside of the U.S. Net charge-offs for 2017 and earlier were primarily related to corporate loans held in entities located in the U.S.

Maturities and Sensitivity to Changes in Interest Rates

The table below presents gross loans by tenor and a distribution of such loans between fixed and floating interest rates.

	Maturities and Sensitivity to Changes in Interest Rates as of December 2020			
$ in millions	Less than 1 year	1 - 5 years	Greater than 5 years	Total
Corporate	$ 4,058	$29,591	$ 3,673	$ 37,322
Wealth management	17,374	3,775	7,851	29,000
Commercial real estate	2,146	12,443	785	15,374
Residential real estate	865	3,453	813	5,131
Consumer:				
Installment	208	3,613	2	3,823
Credit card	4,270	–	–	4,270
Other	354	2,258	831	3,443
Total U.S.	29,275	55,133	13,955	98,363
Corporate	868	6,832	3,637	11,337
Wealth management	3,958	65	–	4,023
Commercial real estate	1,606	2,329	981	4,916
Residential real estate	80	448	91	619
Other	39	692	–	731
Total non-U.S.	6,551	10,366	4,709	21,626
Total loans, gross	$35,826	$65,499	$18,664	$119,989
Loans at fixed interest rates	$ 722	$ 3,987	$ 264	$ 4,973
Loans at variable interest rates	35,104	61,512	18,400	115,016
Total	$35,826	$65,499	$18,664	$119,989

Cross-border Outstandings

Cross-border outstandings are based on the Federal Financial Institutions Examination Council's (FFIEC) guidelines for reporting cross-border information and represent the amounts that the firm may not be able to obtain from a foreign country due to country-specific events, including unfavorable economic and political conditions, economic and social instability, and changes in government policies.

Credit exposure represents the potential for loss due to the default or deterioration in credit quality of a counterparty or an issuer of securities or other instruments and is measured based on the potential loss in an event of non-payment by a counterparty. Credit exposure is reduced through the effect of risk mitigants, such as netting agreements with counterparties that permit the firm to offset receivables and payables with such counterparties or obtaining collateral from counterparties.

The table below does not include all the effects of such risk mitigants and does not represent the firm's credit exposure.

The table below presents cross-border outstandings and commitments for each country in which cross-border outstandings exceed 0.75% of consolidated assets in accordance with the FFIEC guidelines.

$ in millions	Banks	Governments	Other	Total	Commitments
As of December 2020					
Cayman Islands	$ 7	$ 1	$62,427	$62,435	$ 7,001
Japan	$7,106	$21,795	$ 5,962	$34,863	$16,384
Canada	$4,380	$ 158	$14,440	$18,978	$ 1,992
France	$1,197	$ 1,787	$15,219	$18,203	$18,618
China	$2,608	$ 153	$14,730	$17,491	$ 374
Ireland	$ 416	$ 15	$12,831	$13,262	$ 1,501
U.K.	$2,511	$ 6	$ 8,173	$10,690	$13,026
South Korea	$ 478	$ 1,549	$ 8,273	$10,300	$ –
Taiwan	$ 532	$ 1,981	$ 7,510	$10,023	$ –
Germany	$1,525	$ 1,128	$ 6,338	$ 8,991	$ 7,476
As of December 2019					
Cayman Islands	$ 7	$ 2	$35,920	$35,929	$ 5,014
Germany	$1,790	$22,828	$ 7,058	$31,676	$ 6,562
France	$1,311	$ 1,910	$15,146	$18,367	$24,497
Canada	$3,079	$ 192	$14,609	$17,880	$ 1,743
Ireland	$ 733	$ 96	$15,083	$15,912	$ 1,238
Japan	$7,203	$ 132	$ 6,889	$14,224	$13,930
China	$3,103	$ 251	$ 9,834	$13,188	$ 1,059
U.K.	$1,776	$ 18	$ 8,421	$10,215	$14,074
South Korea	$ 150	$ 1,021	$ 8,775	$ 9,946	$ 60
Luxembourg	$ 40	$ 92	$ 7,984	$ 8,116	$ 4,136
As of December 2018					
Germany	$2,028	$43,730	$ 4,755	$50,513	$ 3,834
Cayman Islands	$ 27	$ 2	$47,595	$47,624	$ 4,207
France	$1,193	$ 5,094	$11,549	$17,836	$10,307
Japan	$9,106	$ 1,686	$ 6,146	$16,938	$12,553
Ireland	$ 146	$ 55	$12,390	$12,591	$ 822
Canada	$2,383	$ 470	$ 7,845	$10,698	$ 1,513
Luxembourg	$ 22	$ 41	$ 9,799	$ 9,862	$ 2,838
U.K.	$1,101	$ 77	$ 8,458	$ 9,636	$20,336
China	$1,952	$ 66	$ 6,882	$ 8,900	$ 271
South Korea	$ 162	$ 2,935	$ 3,989	$ 7,086	$ 10

In the table above:

- Cross-border outstandings includes cash, receivables, collateralized agreements and cash financial instruments, but exclude derivative instruments.
- Collateralized agreements are presented gross, without reduction for related securities collateral held.
- Margin loans (included in receivables) are presented based on the amount of collateral advanced by the counterparty.
- Substantially all commitments consists of commitments to extend credit and collateralized agreement commitments.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in or disagreements with accountants on accounting and financial disclosure during the last two years.

Item 9A. Controls and Procedures

As of the end of the period covered by this report, an evaluation was carried out by Goldman Sachs management, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of the end of the period covered by this report. In addition, no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) occurred during the fourth quarter of our year ended December 31, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting and the Report of Independent Registered Public Accounting Firm are set forth in Part II, Item 8 of this Form 10-K.

Item 9B. Other Information

On February 16, 2021, Group Inc. filed a Certificate of Elimination with the Secretary of State of the State of Delaware which, upon filing, had the effect of eliminating from its Restated Certificate of Incorporation all matters set forth therein with respect to shares of its 5.375% Fixed-To-Floating Rate Non-Cumulative Preferred Stock, Series M, which had previously been redeemed in full. A copy of the Certificate of Elimination is attached as Exhibit 3.3 to this Form 10-K and incorporated by reference herein. A Restated Certificate of Incorporation reflecting these changes was filed with the Secretary of State of the State of Delaware on February 16, 2021, and a copy is included as Exhibit 3.1 to this Form 10-K.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information about our executive officers is included on page 23 of this Form 10-K. Information about our directors, including our audit committee and audit committee financial experts and the procedures by which shareholders can recommend director nominees, and our executive officers will be in our definitive Proxy Statement for our 2021 Annual Meeting of Shareholders, which will be filed within 120 days of the end of 2020 (2021 Proxy Statement) and is incorporated in this Form 10-K by reference. Information about our Code of Business Conduct and Ethics, which applies to our senior financial officers, is included in "Business — Available Information" in Part I, Item 1 of this Form 10-K.

Item 11. Executive Compensation

Information relating to our executive officer and director compensation and the compensation committee of the Board will be in the 2021 Proxy Statement and is incorporated in this Form 10-K by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information relating to security ownership of certain beneficial owners of our common stock and information relating to the security ownership of our management will be in the 2021 Proxy Statement and is incorporated in this Form 10-K by reference.

The table below presents information as of December 31, 2020 regarding securities to be issued pursuant to outstanding restricted stock units (RSUs) and securities remaining available for issuance under our equity compensation plans that were in effect during 2020.

Plan Category	Securities to be Issued Upon Exercise of Outstanding Options and Rights (a)	Weighted Average Exercise Price of Outstanding Options (b)	Securities Available For Future Issuance Under Equity Compensation Plans (c)
Equity compensation plans:			
Approved by security holders	**19,386,999**	**N/A**	**55,515,851**
Not approved by security holders	**–**	**–**	**–**
Total	**19,386,999**		**55,515,851**

In the table above:

- Securities to be Issued Upon Exercise of Outstanding Options and Rights includes 19,386,999 shares that may be issued pursuant to outstanding RSUs. These awards are subject to vesting and other conditions to the extent set forth in the respective award agreements, and the underlying shares will be delivered net of any required tax withholding. As of December 31, 2020, there were no outstanding options.
- Shares underlying RSUs are deliverable without the payment of any consideration, and therefore these awards have not been taken into account in calculating the weighted average exercise price.
- Securities Available For Future Issuance Under Equity Compensation Plans represents shares remaining to be issued under our current stock incentive plan (SIP), excluding shares reflected in column (a). If any shares of common stock underlying awards granted under our current SIP, our SIP adopted in 2015 or our SIP adopted in 2013 are not delivered due to forfeiture, termination or cancellation or are surrendered or withheld, those shares will again become available to be delivered under our current SIP. Shares available for grant are also subject to adjustment for certain changes in corporate structure as permitted under our current SIP.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information regarding certain relationships and related transactions and director independence will be in the 2021 Proxy Statement and is incorporated in this Form 10-K by reference.

Item 14. Principal Accountant Fees and Services

Information regarding principal accountant fees and services will be in the 2021 Proxy Statement and is incorporated in this Form 10-K by reference.

PART IV

Item 15. Exhibit and Financial Statement Schedules

(a) Documents filed as part of this Report:

1. Consolidated Financial Statements

The consolidated financial statements required to be filed in this Form 10-K are included in Part II, Item 8 hereof.

2. Exhibits

2.1 Plan of Incorporation (incorporated by reference to Exhibit 2.1 to the Registrant's Registration Statement on Form S-1 (No. 333-74449)).

3.1 Restated Certificate of Incorporation of The Goldman Sachs Group, Inc., amended as of February 16, 2021 (incorporated by reference to Exhibit 4.2 to the Registrant's Post-Effective Amendment No. 1 to Form S-3, filed on February 18, 2021).

3.2 Amended and Restated By-Laws of The Goldman Sachs Group, Inc., amended as of February 18, 2016 (incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015).

3.3 Certificate of Elimination of 5.375% Fixed-To-Floating Rate Non-Cumulative Preferred Stock, Series M, of The Goldman Sachs Group, Inc.

4.1 Description of The Goldman Sachs Group, Inc.'s Securities registered pursuant to Section 12 of the Securities Exchange Act of 1934.

4.2 Indenture, dated as of May 19, 1999, between The Goldman Sachs Group, Inc. and The Bank of New York, as trustee (incorporated by reference to Exhibit 6 to the Registrant's Registration Statement on Form 8-A, filed on June 29, 1999).

4.3 Subordinated Debt Indenture, dated as of February 20, 2004, between The Goldman Sachs Group, Inc. and The Bank of New York, as trustee (incorporated by reference to Exhibit 4.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended November 28, 2003).

4.4 Warrant Indenture, dated as of February 14, 2006, between The Goldman Sachs Group, Inc. and The Bank of New York, as trustee (incorporated by reference to Exhibit 4.34 to the Registrant's Post-Effective Amendment No. 3 to Form S-3, filed on March 1, 2006).

4.5 Senior Debt Indenture, dated as of December 4, 2007, among GS Finance Corp., as issuer, The Goldman Sachs Group, Inc., as guarantor, and The Bank of New York, as trustee (incorporated by reference to Exhibit 4.69 to the Registrant's Post-Effective Amendment No. 10 to Form S-3, filed on December 4, 2007).

4.6 Senior Debt Indenture, dated as of July 16, 2008, between The Goldman Sachs Group, Inc. and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.82 to the Registrant's Post-Effective Amendment No. 11 to Form S-3 (No. 333-130074), filed on July 17, 2008).

4.7 Fourth Supplemental Indenture, dated as of December 31, 2016, between The Goldman Sachs Group, Inc. and The Bank of New York Mellon, as trustee, with respect to the Senior Debt Indenture, dated as of July 16, 2008 (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K, filed on January 6, 2017).

4.8 Senior Debt Indenture, dated as of October 10, 2008, among GS Finance Corp., as issuer, The Goldman Sachs Group, Inc., as guarantor, and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.70 to the Registrant's Registration Statement on Form S-3 (No. 333-154173), filed on October 10, 2008).

4.9 First Supplemental Indenture, dated as of February 20, 2015, among GS Finance Corp., as issuer, The Goldman Sachs Group, Inc., as guarantor, and The Bank of New York Mellon, as trustee, with respect to the Senior Debt Indenture, dated as of October 10, 2008 (incorporated by reference to Exhibit 4.7 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014).

4.10 Fourth Supplemental Indenture, dated as of August 21, 2018, among GS Finance Corp., as issuer, The Goldman Sachs Group, Inc., as guarantor, and The Bank of New York Mellon (incorporated by reference to Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2018).

4.11 Ninth Supplemental Subordinated Debt Indenture, dated as of May 20, 2015, between The Goldman Sachs Group, Inc. and The Bank of New York Mellon, as trustee, with respect to the Subordinated Debt Indenture, dated as of February 20, 2004 (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K, filed on May 22, 2015).

4.12 Tenth Supplemental Subordinated Debt Indenture, dated as of July 7, 2017, between The Goldman Sachs Group, Inc. and The Bank of New York Mellon, as trustee, with respect to the Subordinated Debt Indenture, dated as of February 20, 2004 (incorporated by reference to Exhibit 4.89 to the Registrant's Registration Statement on Form S-3 (No. 333-219206), filed on July 10, 2017).

4.13 Eighth Supplemental Indenture, dated as of October 14, 2020, among GS Finance Corp., as issuer, The Goldman Sachs Group, Inc., as guarantor, and The Bank of New York Mellon (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K, filed on October 14, 2020).

Certain instruments defining the rights of holders of long-term debt securities of the Registrant and its subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. The Registrant hereby undertakes to furnish to the SEC, upon request, copies of any such instruments.

10.1 The Goldman Sachs Amended and Restated Stock Incentive Plan (2018) (incorporated by reference to Exhibit 10.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2018). †

10.2 The Goldman Sachs Partner Compensation Plan (incorporated by reference to Exhibit 10.18 to the Registrant's Registration Statement on Form S-1 (No. 333-74449)). †

10.3 The Goldman Sachs Amended and Restated Restricted Partner Compensation Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the period ended February 24, 2006). †

10.4 Form of Employment Agreement for Participating Managing Directors (applicable to executive officers) (incorporated by reference to Exhibit 10.19 to the Registrant's Registration Statement on Form S-1 (No. 333-75213)). †

10.5 Form of Agreement Relating to Noncompetition and Other Covenants (incorporated by reference to Exhibit 10.20 to the Registrant's Registration Statement on Form S-1 (No. 333-75213)). †

10.6 Amended and Restated Shareholders' Agreement, effective as of December 31, 2019, among The Goldman Sachs Group, Inc. and various parties (incorporated by reference to Exhibit 10.6 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2019).

10.7 Instrument of Indemnification (incorporated by reference to Exhibit 10.27 to the Registrant's Registration Statement on Form S-1 (No. 333-75213)).

10.8 Form of Indemnification Agreement (incorporated by reference to Exhibit 10.28 to the Registrant's Annual Report on Form 10-K for the fiscal year ended November 26, 1999).

10.9 Form of Indemnification Agreement (incorporated by reference to Exhibit 10.44 to the Registrant's Annual Report on Form 10-K for the fiscal year ended November 26, 1999).

10.10 Form of Indemnification Agreement, dated as of July 5, 2000 (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the period ended August 25, 2000).

10.11 Form of Amendment, dated November 27, 2004, to Agreement Relating to Noncompetition and Other Covenants, dated May 7, 1999 (incorporated by reference to Exhibit 10.32 to the Registrant's Annual Report on Form 10-K for the fiscal year ended November 26, 2004). †

10.12 The Goldman Sachs Group, Inc. Non-Qualified Deferred Compensation Plan for U.S. Participating Managing Directors (terminated as of December 15, 2008) (incorporated by reference to Exhibit 10.36 to the Registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 2007). †

10.13 Form of Year-End Option Award Agreement (incorporated by reference to Exhibit 10.36 to the Registrant's Annual Report on Form 10-K for the fiscal year ended November 28, 2008). †

10.14 Form of Non-Employee Director Option Award Agreement (incorporated by reference to Exhibit 10.34 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2009). †

10.15 Form of Non-Employee Director RSU Award Agreement (pre-2015) (incorporated by reference to Exhibit 10.21 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014). †

10.16 Ground Lease, dated August 23, 2005, between Battery Park City Authority d/b/a/ Hugh L. Carey Battery Park City Authority, as Landlord, and Goldman Sachs Headquarters LLC, as Tenant (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed on August 26, 2005).

10.17 General Guarantee Agreement, dated January 30, 2006, made by The Goldman Sachs Group, Inc. relating to certain obligations of Goldman Sachs & Co. LLC (incorporated by reference to Exhibit 10.45 to the Registrant's Annual Report on Form 10-K for the fiscal year ended November 25, 2005).

10.18 Goldman Sachs & Co. LLC Executive Life Insurance Policy and Certificate with Metropolitan Life Insurance Company for Participating Managing Directors (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the period ended August 25, 2006). †

10.19 Form of Goldman Sachs & Co. LLC Executive Life Insurance Policy with Pacific Life & Annuity Company for Participating Managing Directors, including policy specifications and form of restriction on Policy Owner's Rights (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the period ended August 25, 2006). †

10.20 Form of Second Amendment, dated November 25, 2006, to Agreement Relating to Noncompetition and Other Covenants, dated May 7, 1999, as amended effective November 27, 2004 (incorporated by reference to Exhibit 10.51 to the Registrant's Annual Report on Form 10-K for the fiscal year ended November 24, 2006). †

10.21 Description of PMD Retiree Medical Program. †

10.22 Letter, dated June 28, 2008, from The Goldman Sachs Group, Inc. to Mr. Lakshmi N. Mittal (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K, filed on June 30, 2008). †

10.23 General Guarantee Agreement, dated December 1, 2008, made by The Goldman Sachs Group, Inc. relating to certain obligations of Goldman Sachs Bank USA (incorporated by reference to Exhibit 4.80 to the Registrant's Post-Effective Amendment No. 2 to Form S-3, filed on March 19, 2009).

10.24 Form of One-Time RSU Award Agreement (pre-2015) (incorporated by reference to Exhibit 10.32 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014). †

10.25 Amendments to Certain Non-Employee Director Equity Award Agreements (incorporated by reference to Exhibit 10.69 to the Registrant's Annual Report on Form 10-K for the fiscal year ended November 28, 2008). †

10.26 Form of Year-End RSU Award Agreement (not fully vested) (pre-2015) (incorporated by reference to Exhibit 10.36 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014). †

10.27 Form of Year-End RSU Award Agreement (fully vested) (pre-2015) (incorporated by reference to Exhibit 10.37 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014). †

10.28 Form of Year-End RSU Award Agreement (Base and/or Supplemental) (pre-2015) (incorporated by reference to Exhibit 10.38 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014). †

10.29 Form of Year-End Restricted Stock Award Agreement (fully vested) (pre-2015) (incorporated by reference to Exhibit 10.41 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2013). †

10.30 Form of Year-End Restricted Stock Award Agreement (Base and/or Supplemental) (pre-2015) (incorporated by reference to Exhibit 10.41 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014). †

10.31 Form of Fixed Allowance RSU Award Agreement (pre-2015) (incorporated by reference to Exhibit 10.43 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014). †

10.32 Form of Deed of Gift (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2010). †

10.33 The Goldman Sachs Long-Term Performance Incentive Plan, dated December 17, 2010 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed on December 23, 2010). †

10.34 Form of Performance-Based Restricted Stock Unit Award Agreement (pre-2015) (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K, filed on December 23, 2010). †

10.35 Form of Performance-Based Option Award Agreement (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K, filed on December 23, 2010). †

10.36 Form of Performance-Based Cash Compensation Award Agreement (pre-2015) (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K, filed on December 23, 2010). †

10.37 Amended and Restated General Guarantee Agreement, dated November 21, 2011, made by The Goldman Sachs Group, Inc. relating to certain obligations of Goldman Sachs Bank USA (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K, filed on November 21, 2011).

10.38 Form of Aircraft Time Sharing Agreement (incorporated by reference to Exhibit 10.61 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011). †

10.39 The Goldman Sachs Group, Inc. Clawback Policy, effective as of January 1, 2015 (incorporated by reference to Exhibit 10.53 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014).

10.40 Form of Non-Employee Director RSU Award Agreement. †

10.41 Form of One-Time RSU Award Agreement. †

10.42 Form of Year-End RSU Award Agreement (not fully vested). †

10.43 Form of Year-End RSU Award Agreement (fully vested). †

10.44 Form of Year-End RSU Award Agreement (Base (not fully vested) and/or Supplemental). †

10.45 Form of Year-End Short-Term RSU Award Agreement. †

10.46 Form of Year-End Restricted Stock Award Agreement (not fully vested). †

10.47 Form of Year-End Restricted Stock Award Agreement (fully vested) (incorporated by reference to Exhibit 10.53 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2017). †

10.48 Form of Year-End Short-Term Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.57 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015). †

10.49 Form of Fixed Allowance RSU Award Agreement. †

10.50 Form of Fixed Allowance Restricted Stock Award Agreement. †

10.51 Form of Fixed Allowance Deferred Cash Award Agreement (incorporated by reference to Exhibit 10.59 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015). †

10.52 Form of Performance-Based Restricted Stock Unit Award Agreement (fully vested). †

10.53 Form of Performance-Based Restricted Stock Unit Award Agreement (not fully vested). †

10.54 Form of Performance-Based Cash Compensation Award Agreement (incorporated by reference to Exhibit 10.61 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015). †

10.55 Form of Signature Card for Equity Awards. †

10.56 Amended and Restated General Guarantee Agreement, dated September 28, 2018, made by The Goldman Sachs Group, Inc. relating to certain obligations of Goldman Sachs Bank USA (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K, filed on September 28, 2018).

10.57 Amended and Restated General Guarantee Agreement, dated September 28, 2018, made by The Goldman Sachs Group, Inc. relating to certain obligations of Goldman Sachs & Co. LLC (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K, filed on September 28, 2018).

10.58 Lease, dated August 17, 2018, between Farringdon Street Partners Limited and Farringdon Street (Nominee) Limited, as Landlord, and Goldman Sachs International, as Tenant (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2018).

21.1 List of significant subsidiaries of The Goldman Sachs Group, Inc.

22.1 Issuers of guaranteed securities (incorporated by reference to Exhibit 22.1 to the Registrant's Post-Effective Amendment No. 1 to Form S-3, filed on February 18, 2021).

23.1 Consent of Independent Registered Public Accounting Firm.

31.1 Rule 13a-14(a) Certifications.

32.1 Section 1350 Certifications (This information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934).

101 Pursuant to Rules 405 and 406 of Regulation S-T, the following information is formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Consolidated Statements of Earnings for the years ended December 31, 2020, December 31, 2019 and December 31, 2018, (ii) the Consolidated Statements of Comprehensive Income for the years ended December 31, 2020, December 31, 2019 and December 31, 2018, (iii) the Consolidated Balance Sheets as of December 31, 2020 and December 31, 2019, (iv) the Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2020, December 31, 2019 and December 31, 2018, (v) the Consolidated Statements of Cash Flows for the years ended December 31, 2020, December 31, 2019 and December 31, 2018, (vi) the notes to the Consolidated Financial Statements and (vii) the cover page.

104 Cover Page Interactive Data File (formatted in iXBRL in Exhibit 101).

† This exhibit is a management contract or a compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE GOLDMAN SACHS GROUP, INC.

By:	/s/	Stephen M. Scherr
Name:		Stephen M. Scherr
Title:		Chief Financial Officer
Date:		February 19, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By:	/s/	David M. Solomon
Name:		David M. Solomon
Capacity:		Director, Chairman and Chief Executive Officer (Principal Executive Officer)
Date:		February 19, 2021

By:	/s/	M. Michele Burns
Name:		M. Michele Burns
Capacity:		Director
Date:		February 19, 2021

By:	/s/	Drew G. Faust
Name:		Drew G. Faust
Capacity:		Director
Date:		February 19, 2021

By:	/s/	Mark A. Flaherty
Name:		Mark A. Flaherty
Capacity:		Director
Date:		February 19, 2021

By:	/s/	Ellen J. Kullman
Name:		Ellen J. Kullman
Capacity:		Director
Date:		February 19, 2021

By:	/s/	Lakshmi N. Mittal
Name:		Lakshmi N. Mittal
Capacity:		Director
Date:		February 19, 2021

By:	/s/	Adebayo O. Ogunlesi
Name:		Adebayo O. Ogunlesi
Capacity:		Director
Date:		February 19, 2021

By:	/s/	Peter Oppenheimer
Name:		Peter Oppenheimer
Capacity:		Director
Date:		February 19, 2021

By:	/s/	Jan E. Tighe
Name:		Jan E. Tighe
Capacity:		Director
Date:		February 19, 2021

By:	/s/	David A. Viniar
Name:		David A. Viniar
Capacity:		Director
Date:		February 19, 2021

By:	/s/	Mark O. Winkelman
Name:		Mark O. Winkelman
Capacity:		Director
Date:		February 19, 2021

By:	/s/	Stephen M. Scherr
Name:		Stephen M. Scherr
Capacity:		Chief Financial Officer (Principal Financial Officer)
Date:		February 19, 2021

By:	/s/	Sheara Fredman
Name:		Sheara Fredman
Capacity:		Chief Accounting Officer (Principal Accounting Officer)
Date:		February 19, 2021

Shareholder Information

Executive Offices

The Goldman Sachs Group, Inc.
200 West Street
New York, New York 10282
1-212-902-1000
www.goldmansachs.com

Common Stock

The common stock of The Goldman Sachs Group, Inc. is listed on the New York Stock Exchange and trades under the ticker symbol "GS."

Shareholder Inquiries

Information about the firm, including all quarterly earnings releases and financial filings with the U.S. Securities and Exchange Commission, can be accessed via our Web site at www.goldmansachs.com.

Shareholder inquiries can also be directed to Investor Relations via email at gs-investor-relations@gs.com or by calling 1-212-902-0300.

2020 Annual Report on Form 10-K

Copies of the firm's 2020 Annual Report on Form 10-K as filed with the U.S. Securities and Exchange Commission can be accessed via our Web site at www.goldmansachs.com/investor-relations.

Copies can also be obtained by contacting Investor Relations via email at gs-investor-relations@gs.com or by calling 1-212-902-0300.

Transfer Agent and Registrar for Common Stock

Questions from registered shareholders of The Goldman Sachs Group, Inc. regarding lost or stolen stock certificates, dividends, changes of address, and other issues related to registered share ownership should be addressed (by regular mail or phone) to:

Computershare
P.O. Box 505000
Louisville, KY 40233-5000
U.S. and Canada: 1-800-419-2595
International: 1-201-680-6541
www.computershare.com

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP
300 Madison Avenue
New York, New York 10017

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