Goldman Sachs Group UK Limited

Asset Encumbrance Disclosures

For the year ended December 31, 2014
Introduction

Overview

The Goldman Sachs Group, Inc. (Group Inc.) is a leading global investment banking, securities and investment management firm that provides a wide range of financial services to a substantial and diversified client base that includes corporations, financial institutions, governments and high-net-worth individuals. Goldman Sachs Group UK Limited is a wholly owned subsidiary of Group Inc. When we use the terms “Goldman Sachs” and “the firm”, we mean Group Inc., a Delaware corporation, and its consolidated subsidiaries and when we use the terms “GSGUK”, “we”, “us” and “our”, we mean Goldman Sachs Group UK Limited and its consolidated subsidiaries.

The Board of Governors of the Federal Reserve System (Federal Reserve Board) is the primary regulator of Group Inc., a bank holding company under the Bank Holding Company Act of 1956 (BHC Act) and a financial holding company under amendments to the BHC Act. As a bank holding company, the firm is subject to consolidated risk-based regulatory capital requirements which are computed in accordance with the applicable risk-based capital regulations of the Federal Reserve Board.

GSGUK is supervised on a consolidated basis by the Prudential Regulation Authority (PRA) and as such is subject to minimum capital adequacy standards. Certain subsidiaries of GSGUK are regulated by the Financial Conduct Authority (FCA) and the PRA and are also subject to minimum capital adequacy standards on a standalone basis. Prior to March 31, 2014, the primary regulator of GSGUK was the Financial Services Authority (FSA).

The GSGUK consolidated regulatory capital requirement has been produced in accordance with the requirements established under the Capital Requirements Directive (CRD) and the Capital Requirements Regulation (CRR), collectively known as CRD IV, which came into effect on January 1, 2014. These regulations are largely based on the Basel Committee’s final capital framework for strengthening international capital standards (Basel III), which is structured around three pillars: Pillar 1 “minimum capital requirements”, Pillar 2 “supervisory review process” and Pillar 3 “market discipline”. Certain provisions of CRD IV are directly applicable in the UK and certain provisions have been implemented in the PRA and FCA Rulebooks. Our Pillar 3 disclosures will be published in conjunction with the publication of our financial statements.

The purpose of these disclosures is to provide information on components of encumbered and unencumbered assets of GSGUK, as required under Article 443 of the CRR, the related guidelines issued by the European Banking Authority (EBA) and the Supervisory Statement issued by the PRA. In accordance with those requirements, assets have been treated as encumbered if pledged or subject to any form of arrangement to secure, collateralise or credit-enhance any on-balance-sheet or off-balance-sheet transaction from which they cannot be freely withdrawn. These disclosures are not required to be, and have not been, audited by our independent auditors.
Asset Encumbrance Overview

Asset encumbrance is an integral part of GSGUK’s liquidity, funding and collateral management process. The majority of our encumbrance is driven by secured financing activities, which include transactions in repo, securities lending and collateral swaps. The remaining encumbrance is driven by derivatives trading and shorts facilitation (customer and firm).

The tables below show components of our encumbered and unencumbered assets for the year ended December 31, 2014. The tables are based on UK GAAP and median values are computed over the preceding 12 months.

Table 1(a): Total on-balance-sheet assets

<table>
<thead>
<tr>
<th>$ in millions</th>
<th>Carrying Amount of Encumbered Assets</th>
<th>Fair Value of Encumbered Assets</th>
<th>Carrying Amount of Unencumbered Assets</th>
<th>Fair Value of Unencumbered Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets of the Reporting Institution</td>
<td>$ 55,876</td>
<td>N/a</td>
<td>$ 838,484</td>
<td>N/a</td>
</tr>
</tbody>
</table>

Table 1(b): Components of on-balance-sheet assets

<table>
<thead>
<tr>
<th>$ in millions</th>
<th>Carrying Amount of Encumbered Assets</th>
<th>Fair Value of Encumbered Assets</th>
<th>Carrying Amount of Unencumbered Assets</th>
<th>Fair Value of Unencumbered Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Instruments</td>
<td>$ 23,176</td>
<td>$ 23,176</td>
<td>$ 6,915</td>
<td>$ 6,915</td>
</tr>
<tr>
<td>Debt Securities</td>
<td>30,396</td>
<td>30,396</td>
<td>10,421</td>
<td>10,421</td>
</tr>
<tr>
<td>Other Assets</td>
<td>2,304</td>
<td>N/a</td>
<td>597,197</td>
<td>N/a</td>
</tr>
</tbody>
</table>

The tables below break down the securities collateral received into the portion which has been treated as encumbered and the portion which is available for encumbrance.

Table 2(a): Total collateral received

<table>
<thead>
<tr>
<th>$ in millions</th>
<th>Fair Value of Encumbered Collateral Received or Own Debt Securities Issued</th>
<th>Fair Value of Collateral Received or Own Debt Securities Issued Available for Encumbrance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collateral Received by the Reporting Institution</td>
<td>$ 248,402</td>
<td>$ 83,150</td>
</tr>
</tbody>
</table>

Table 2(b): Components of collateral received

<table>
<thead>
<tr>
<th>$ in millions</th>
<th>Fair Value of Encumbered Collateral Received or Own Debt Securities Issued</th>
<th>Fair Value of Collateral Received or Own Debt Securities Issued Available for Encumbrance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Instruments</td>
<td>$ 95,589</td>
<td>$ 12,241</td>
</tr>
<tr>
<td>Debt Securities</td>
<td>152,946</td>
<td>70,879</td>
</tr>
<tr>
<td>Other Collateral Received</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Own Debt Securities Issued other than Own Covered Bonds or ABSs</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

1. Equity Instruments, Debt Securities and Other Assets in Table 1(b) are a subset of Assets of the Reporting Institution included in Table 1(a) and may not be equal to the total in Table 1(a)
2. Cells are marked N/a to indicate those components which are not required to be reported as per EBA’s guidance
3. Fair value is the same as carrying value for Equity Instruments and Debt Securities
4. Encumbered Other Assets includes on-balance-sheet cash that has been segregated under the FCA’s Client Assets Sourcebook (CASS)
5. The majority of unencumbered Other Assets relate to derivative instruments which cannot be encumbered under UK GAAP. The remaining balance predominantly comprises receivables related to cash collateral paid to counterparties in respect of derivative financial instruments, initial margin placed with clearing organisations, collateralized receivables related to customer securities transactions and receivables related to sales of securities which have traded, but not yet settled.

The table below shows the extent to which liabilities have been matched to encumbered assets.

Table 3: Encumbered assets/collateral received and associated liabilities

| $ in millions | Matching Liabilities, Contingent Liabilities or Securities Issued other than Covered Bonds and ABSs Encumbered |
|---------------|------------------------------------------------|-------------------------------------------------|
| Carrying amount of selected financial liabilities | $ 623,324 | $ 169,416 |

1. Selected financial liabilities include derivatives, securities sold under agreement to repurchase and stock loans
2. The mismatch between matching liabilities, and encumbered assets and collateral received is driven by inclusion of derivatives presented in accordance with UK GAAP
Asset Encumbrance Commentary

The key difference between GSGUK’s level of asset encumbrance and the level of asset encumbrance implied in the preceding tables is due to differences in GAAP presentation of derivatives and encumbrance methodology. In this disclosure, derivative instruments are reported in accordance with UK GAAP and included in ‘other unencumbered assets’, however, they are not available for encumbrance in our operations. In addition, total assets include collateralised lending where the receivable is reported as a balance sheet asset in Tables 1(a) and 1(b) and the underlying collateral received is reported in Tables 2(a) and 2(b) resulting in double counting of these assets. GSGUK’s asset encumbrance ratio is higher than implied in this disclosure due to these differences.

A minor portion of the encumbrance takes place between Goldman Sachs International and Goldman Sachs International Bank. This activity is primarily driven by re-investment of excess liquidity and collateral financing (mainly European Government Bonds).

GSGUK primarily adopts standard collateral agreements and collateralises based on industry standard contractual agreements (mostly Credit Support Annexes (CSA) and Global Master Repurchase Agreements (GMRA)). The rights and obligations on collateral posted to counterparties for derivatives are dependent on the nature and jurisdiction of the CSA. Derivative liabilities are collateralised primarily using G10 currencies and government bonds.