Consolidated Statements of Earnings

in millions, except per share amounts	Year Ended December 2014	2013	2012
Revenues			
Investment banking	$ 6,464	$ 6,004	$ 4,941
Investment management	5,748	5,194	4,968
Commissions and fees	3,316	3,255	3,161
Market making	8,365	9,368	11,348
Other principal transactions	6,588	6,993	5,865
Total non-interest revenues	30,481	30,814	30,283
Interest income	9,604	10,060	11,381
Interest expense	5,557	6,668	7,501
Net interest income	4,047	3,392	3,880
Net revenues, including net interest income	34,528	34,206	34,163
Operating expenses			
Compensation and benefits	12,691	12,613	12,944
Brokerage, clearing, exchange and distribution fees	2,501	2,341	2,208
Market development	549	541	509
Communications and technology	779	776	782
Depreciation and amortization	1,337	1,322	1,738
Occupancy	827	839	875
Professional fees	902	930	867
Insurance reserves	—	176	598
Other expenses	2,585	2,931	2,435
Total non-compensation expenses	9,480	9,856	10,012
Total operating expenses	22,171	22,469	22,956
Pre-tax earnings	12,357	11,737	11,207
Provision for taxes	3,880	3,697	3,732
Net earnings	8,477	8,040	7,475
Preferred stock dividends	400	314	183
Net earnings applicable to common shareholders	$ 8,077	$ 7,726	$ 7,292
Earnings per common share			
Basic	$ 17.55	$ 16.34	$ 14.63
Diluted	17.07	15.46	14.13
Average common shares outstanding			
Basic	458.9	471.3	496.2
Diluted	473.2	499.6	516.1

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

Consolidated Statements of Comprehensive Income

$ in millions	Year Ended December 2014	2013	2012
Net earnings	**$8,477**	$8,040	$7,475
Other comprehensive income/(loss) adjustments, net of tax:			
Currency translation	**(109)**	(50)	(89)
Pension and postretirement liabilities	**(102)**	38	168
Available-for-sale securities	**—**	(327)	244
Cash flow hedges	**(8)**	8	—
Other comprehensive income/(loss)	**(219)**	(331)	323
Comprehensive income	**$8,258**	$7,709	$7,798

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

Consolidated Statements of Financial Condition

$ in millions, except per share amounts	As of December 2014	2013
Assets		
Cash and cash equivalents	**$ 57,600**	$ 61,133
Cash and securities segregated for regulatory and other purposes (includes $34,291 and $31,937 at fair value as of December 2014 and December 2013, respectively)	**51,716**	49,671
Collateralized agreements:		
Securities purchased under agreements to resell and federal funds sold (includes $126,036 and $161,297 at fair value as of December 2014 and December 2013, respectively)	**127,938**	161,732
Securities borrowed (includes $66,769 and $60,384 at fair value as of December 2014 and December 2013, respectively)	**160,722**	164,566
Receivables:		
Brokers, dealers and clearing organizations	**30,671**	23,840
Customers and counterparties (includes $6,944 and $7,416 at fair value as of December 2014 and December 2013, respectively)	**63,808**	74,040
Loans receivable	**28,938**	14,895
Financial instruments owned, at fair value (includes $64,473 and $62,348 pledged as collateral as of December 2014 and December 2013, respectively)	**312,248**	339,121
Other assets (includes $18 at fair value as of December 2013)	**22,599**	22,509
Total assets	**$856,240**	$911,507
Liabilities and shareholders' equity		
Deposits (includes $13,523 and $7,255 at fair value as of December 2014 and December 2013, respectively)	**$ 83,008**	$ 70,807
Collateralized financings:		
Securities sold under agreements to repurchase, at fair value	**88,215**	164,782
Securities loaned (includes $765 and $973 at fair value as of December 2014 and December 2013, respectively)	**5,570**	18,745
Other secured financings (includes $21,450 and $23,591 at fair value as of December 2014 and December 2013, respectively)	**22,809**	24,814
Payables:		
Brokers, dealers and clearing organizations	**6,636**	5,349
Customers and counterparties	**206,936**	199,416
Financial instruments sold, but not yet purchased, at fair value	**132,083**	127,426
Unsecured short-term borrowings, including the current portion of unsecured long-term borrowings (includes $18,826 and $19,067 at fair value as of December 2014 and December 2013, respectively)	**44,540**	44,692
Unsecured long-term borrowings (includes $16,005 and $11,691 at fair value as of December 2014 and December 2013, respectively)	**167,571**	160,965
Other liabilities and accrued expenses (includes $831 and $388 at fair value as of December 2014 and December 2013, respectively)	**16,075**	16,044
Total liabilities	**773,443**	833,040
Commitments, contingencies and guarantees		
Shareholders' equity		
Preferred stock, par value $0.01 per share; aggregate liquidation preference of $9,200 and $7,200 as of December 2014 and December 2013, respectively	**9,200**	7,200
Common stock, par value $0.01 per share; 4,000,000,000 shares authorized, 852,784,764 and 837,219,068 shares issued as of December 2014 and December 2013, respectively, and 430,259,102 and 446,359,012 shares outstanding as of December 2014 and December 2013, respectively	**9**	8
Share-based awards	**3,766**	3,839
Nonvoting common stock, par value $0.01 per share; 200,000,000 shares authorized, no shares issued and outstanding	**—**	—
Additional paid-in capital	**50,049**	48,998
Retained earnings	**78,984**	71,961
Accumulated other comprehensive loss	**(743)**	(524)
Stock held in treasury, at cost, par value $0.01 per share; 422,525,664 and 390,860,058 shares as of December 2014 and December 2013, respectively	**(58,468)**	(53,015)
Total shareholders' equity	**82,797**	78,467
Total liabilities and shareholders' equity	**$856,240**	$911,507

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

Consolidated Statements of Changes in Shareholders' Equity

	Year Ended December		
$ in millions	**2014**	2013	2012
Preferred stock			
Balance, beginning of year	**$ 7,200**	$ 6,200	$ 3,100
Issued	**2,000**	1,000	3,100
Balance, end of year	**9,200**	7,200	6,200
Common stock			
Balance, beginning of year	**8**	8	8
Issued	**1**	—	—
Balance, end of year	**9**	8	8
Share-based awards			
Balance, beginning of year	**3,839**	3,298	5,681
Issuance and amortization of share-based awards	**2,079**	2,017	1,368
Delivery of common stock underlying share-based awards	**(1,725)**	(1,378)	(3,659)
Forfeiture of share-based awards	**(92)**	(79)	(90)
Exercise of share-based awards	**(335)**	(19)	(2)
Balance, end of year	**3,766**	3,839	3,298
Additional paid-in capital			
Balance, beginning of year	**48,998**	48,030	45,553
Delivery of common stock underlying share-based awards	**2,206**	1,483	3,939
Cancellation of share-based awards in satisfaction of withholding tax requirements	**(1,922)**	(599)	(1,437)
Preferred stock issuance costs	**(20)**	(9)	(13)
Excess net tax benefit/(provision) related to share-based awards	**788**	94	(11)
Cash settlement of share-based awards	**(1)**	(1)	(1)
Balance, end of year	**50,049**	48,998	48,030
Retained earnings			
Balance, beginning of year	**71,961**	65,223	58,834
Net earnings	**8,477**	8,040	7,475
Dividends and dividend equivalents declared on common stock and share-based awards	**(1,054)**	(988)	(903)
Dividends declared on preferred stock	**(400)**	(314)	(183)
Balance, end of year	**78,984**	71,961	65,223
Accumulated other comprehensive loss			
Balance, beginning of year	**(524)**	(193)	(516)
Other comprehensive income/(loss)	**(219)**	(331)	323
Balance, end of year	**(743)**	(524)	(193)
Stock held in treasury, at cost			
Balance, beginning of year	**(53,015)**	(46,850)	(42,281)
Repurchased	**(5,469)**	(6,175)	(4,637)
Reissued	**49**	40	77
Other	**(33)**	(30)	(9)
Balance, end of year	**(58,468)**	(53,015)	(46,850)
Total shareholders' equity	**$ 82,797**	$ 78,467	$ 75,716

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

Consolidated Statements of Cash Flows

$ in millions	Year Ended December 2014	2013	2012
Cash flows from operating activities			
Net earnings	$ 8,477	$ 8,040	$ 7,475
Adjustments to reconcile net earnings to net cash provided by/(used for) operating activities			
Depreciation and amortization	1,337	1,322	1,738
Deferred income taxes	495	29	(356)
Share-based compensation	2,085	2,015	1,319
Gain on sale of hedge fund administration business	—	—	(494)
Gain on sale of European insurance business	—	(211)	—
Gain on extinguishment of junior subordinated debt	(289)	—	—
Changes in operating assets and liabilities			
Cash and securities segregated for regulatory and other purposes	(2,046)	(143)	10,817
Receivables and payables (excluding loans receivable), net	12,328	(3,682)	(20,499)
Collateralized transactions (excluding other secured financings), net	(52,104)	(51,669)	76,558
Financial instruments owned, at fair value	27,547	51,079	(48,783)
Financial instruments sold, but not yet purchased, at fair value	4,642	933	(18,867)
Other, net	(10,095)	(3,170)	3,971
Net cash provided by/(used for) operating activities	(7,623)	4,543	12,879
Cash flows from investing activities			
Purchase of property, leasehold improvements and equipment	(678)	(706)	(961)
Proceeds from sales of property, leasehold improvements and equipment	30	62	49
Business acquisitions, net of cash acquired	(1,732)	(2,274)	(593)
Proceeds from sales of investments	1,514	2,503	1,195
Purchase of available-for-sale securities	—	(738)	(5,220)
Proceeds from sales of available-for-sale securities	—	817	4,537
Loans receivable, net	(14,043)	(8,392)	(2,741)
Net cash used for investing activities	(14,909)	(8,728)	(3,734)
Cash flows from financing activities			
Unsecured short-term borrowings, net	1,659	1,336	(1,952)
Other secured financings (short-term), net	(837)	(7,272)	1,540
Proceeds from issuance of other secured financings (long-term)	6,900	6,604	4,687
Repayment of other secured financings (long-term), including the current portion	(7,636)	(3,630)	(11,576)
Proceeds from issuance of unsecured long-term borrowings	39,857	30,851	27,734
Repayment of unsecured long-term borrowings, including the current portion	(28,138)	(30,473)	(36,435)
Purchase of trust preferred securities	(1,611)	—	—
Derivative contracts with a financing element, net	643	874	1,696
Deposits, net	12,201	683	24,015
Common stock repurchased	(5,469)	(6,175)	(4,640)
Dividends and dividend equivalents paid on common stock, preferred stock and share-based awards	(1,454)	(1,302)	(1,086)
Proceeds from issuance of preferred stock, net of issuance costs	1,980	991	3,087
Proceeds from issuance of common stock, including exercise of share-based awards	123	65	317
Excess tax benefit related to share-based awards	782	98	130
Cash settlement of share-based awards	(1)	(1)	(1)
Net cash provided by/(used for) financing activities	18,999	(7,351)	7,516
Net increase/(decrease) in cash and cash equivalents	(3,533)	(11,536)	16,661
Cash and cash equivalents, beginning of year	61,133	72,669	56,008
Cash and cash equivalents, end of year	**$ 57,600**	**$ 61,133**	**$ 72,669**

SUPPLEMENTAL DISCLOSURES:

Cash payments for interest, net of capitalized interest, were $6.43 billion, $5.69 billion and $9.25 billion for 2014, 2013 and 2012, respectively.

Cash payments for income taxes, net of refunds, were $3.05 billion, $4.07 billion and $1.88 billion for 2014, 2013 and 2012, respectively.

Non-cash activities:

During 2014, the firm exchanged $1.58 billion of Trust Preferred Securities, common beneficial interests and senior guaranteed trust securities held by the firm for $1.87 billion of the firm's junior subordinated debt held by the issuing trusts. Following the exchange, this junior subordinated debt was extinguished.

During 2014, the firm sold certain consolidated investments and provided seller financing, which resulted in a non-cash increase to loans receivable of $115 million.

During 2012, the firm assumed $77 million of debt in connection with business acquisitions.

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

Note 1.

Description of Business

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

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

Investment Banking

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

Institutional Client Services

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

Investing & Lending

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

Investment Management

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

Note 2.

Basis of Presentation

These 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 2014, 2013 and 2012 refer to the firm’s years ended, or the dates, as the context requires, December 31, 2014, December 31, 2013 and December 31, 2012, respectively. Any reference to a future year refers to a year ending on December 31 of that year. Certain reclassifications have been made to previously reported amounts to conform to the current presentation.

Note 3.

Significant Accounting Policies

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

Financial Instruments Owned, at Fair Value and Financial Instruments Sold, But Not Yet Purchased, at Fair Value	Note 4
Fair Value Measurements	Note 5
Cash Instruments	Note 6
Derivatives and Hedging Activities	Note 7
Fair Value Option	Note 8
Loans Receivable	Note 9
Collateralized Agreements and Financings	Note 10
Securitization Activities	Note 11
Variable Interest Entities	Note 12
Other Assets, including Goodwill and Identifiable Intangible Assets	Note 13
Deposits	Note 14
Short-Term Borrowings	Note 15
Long-Term Borrowings	Note 16
Other Liabilities and Accrued Expenses	Note 17
Commitments, Contingencies and Guarantees	Note 18
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
Business Segments	Note 25
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 majority voting interest in a voting interest entity, the entity is consolidated.

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

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

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

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

Use of Estimates

Preparation of these consolidated financial statements requires management to make certain estimates and assumptions, the most important of which relate to fair value measurements, accounting for goodwill and identifiable intangible assets, and the provisions for losses that may arise from litigation, regulatory proceedings and 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 Financial Liabilities at Fair Value. Financial instruments owned, at fair value and Financial instruments sold, but not yet purchased, at fair value are recorded at fair value either under the fair value option or in accordance with other U.S. GAAP. In addition, the firm has elected to account for certain of its other financial assets and financial liabilities at fair value by electing the fair value option. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. Fair value gains or losses are generally included in "Market making" for positions in Institutional Client Services and "Other principal transactions" for positions in Investing & Lending. See Notes 5 through 8 for further information about fair value measurements.

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

Investment Management. The firm earns management fees and incentive fees for investment management services. Management fees for mutual funds are calculated as a percentage of daily net asset value and are received monthly. Management fees for hedge funds and separately managed accounts are calculated as a percentage of month-end net asset value and are generally received quarterly. Management fees for private equity funds are calculated as a percentage of monthly invested capital or commitments and are received quarterly, semi-annually or annually, depending on the fund. All management fees are recognized over the period that the related service is provided. Incentive fees are calculated as a percentage of a fund's or separately managed account's return, or excess return above a specified benchmark or other performance target. Incentive fees are generally based on investment performance over a 12-month period or over the life of a fund. Fees that are based on performance over a 12-month period are subject to adjustment prior to the end of the measurement period. For fees that are based on investment performance over the life of the fund, future investment underperformance may require fees previously distributed to the firm to be returned to the fund. Incentive fees are recognized only when all material contingencies have been resolved. Management and incentive fee revenues are included in "Investment management" revenues.

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

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

Transfers of Assets

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

Cash and Cash Equivalents

The firm defines cash equivalents as highly liquid overnight deposits held in the ordinary course of business. As of December 2014 and December 2013, "Cash and cash equivalents" included $5.79 billion and $4.14 billion, respectively, of cash and due from banks, and $51.81 billion and $56.99 billion, respectively, of interest-bearing deposits with banks.

Receivables from Customers and Counterparties

Receivables from customers and counterparties generally relate to collateralized transactions. Such receivables are primarily comprised of customer margin loans, certain transfers of assets accounted for as secured loans rather than purchases at fair value and collateral posted in connection with certain derivative transactions. Certain of the firm's receivables from customers and counterparties are accounted for at fair value under the fair value option, with changes in fair value generally included in "Market making" revenues. See Note 8 for further information about receivables from customers and counterparties accounted for at fair value under the fair value option.

Receivables from customers and counterparties not accounted for at fair value are accounted for at amortized cost net of estimated uncollectible amounts, which generally approximates fair value. While these items are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm's fair value hierarchy in Notes 6 through 8. Had these items been included in the firm's fair value hierarchy, substantially all would have been classified in level 2 as of December 2014 and December 2013. Interest on receivables from customers and counterparties is recognized over the life of the transaction and included in "Interest income."

Receivables from and Payables to Brokers, Dealers and Clearing Organizations

Receivables from and payables to brokers, dealers and clearing organizations are accounted for at cost plus accrued interest, which generally approximates fair value. While these receivables and payables are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm's fair value hierarchy in Notes 6 through 8. Had these receivables and payables been included in the firm's fair value hierarchy, substantially all would have been classified in level 2 as of December 2014 and December 2013.

Payables to Customers and Counterparties

Payables to customers and counterparties primarily consist of customer credit balances related to the firm's prime brokerage activities. Payables to customers and counterparties are accounted for at cost plus accrued interest, which generally approximates fair value. While these payables are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm's fair value hierarchy in Notes 6 through 8. Had these payables been included in the firm's fair value hierarchy, substantially all would have been classified in level 2 as of December 2014 and December 2013. Interest on payables to customers and counterparties 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 statements of financial condition when a legal right of setoff exists under an enforceable netting agreement. Resale and repurchase agreements and securities borrowed and loaned transactions with the same term and currency are presented on a net-by-counterparty basis in the consolidated statements of financial condition when such transactions meet certain settlement criteria and are subject to netting agreements.

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

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

Recent Accounting Developments

Investment Companies (ASC 946). In June 2013, the FASB issued ASU No. 2013-08, "Financial Services — Investment Companies (Topic 946) — Amendments to the Scope, Measurement, and Disclosure Requirements." ASU No. 2013-08 clarifies the approach to be used for determining whether an entity is an investment company and provides new measurement and disclosure requirements. ASU No. 2013-08 was effective for interim and annual reporting periods in fiscal years that began after December 15, 2013. Adoption of ASU No. 2013-08 on January 1, 2014 did not affect the firm's financial condition, results of operations, or cash flows.

Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes (ASC 815). In July 2013, the FASB issued ASU No. 2013-10, "Derivatives and Hedging (Topic 815) — Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes." ASU No. 2013-10 permits the use of the Fed Funds Effective Swap Rate (OIS) as a U.S. benchmark interest rate for hedge accounting purposes. The ASU also removes the restriction on using different benchmark rates for similar hedges. ASU No. 2013-10 was effective for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013 and adoption did not materially affect the firm's financial condition, results of operations, or cash flows.

Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. In April 2014, the FASB issued ASU No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) — Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." ASU No. 2014-08 limits discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity's operations and financial results. The ASU requires expanded disclosures for discontinued operations and disposals of individually significant components of an entity that do not qualify for discontinued operations reporting. The ASU is effective for disposals and components classified as held for sale that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. Early adoption is permitted. The firm early adopted ASU No. 2014-08 in 2014 and adoption did not materially affect the firm's financial condition, results of operations, or cash flows.

Revenue from Contracts with Customers (ASC 606). In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU No. 2014-09 provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services. The ASU also provides guidance on accounting for certain contract costs, and requires new disclosures. ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. The firm is still evaluating the effect of the ASU on its financial condition, results of operations, and cash flows.

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

Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures (ASC 860). In June 2014, the FASB issued ASU No. 2014-11, "Transfers and Servicing (Topic 860) — Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures." ASU No. 2014-11 changes the accounting for repurchase- and resale-to-maturity agreements by requiring that such agreements be recognized as financing arrangements, and requires that a transfer of a financial asset and a repurchase agreement entered into contemporaneously be accounted for separately. ASU No. 2014-11 also requires additional disclosures about certain transferred financial assets accounted for as sales and certain securities financing transactions. The accounting changes and additional disclosures about certain transferred financial assets accounted for as sales are effective for the first interim and annual reporting periods beginning after December 15, 2014. The additional disclosures for securities financing transactions are required for annual reporting periods beginning after December 15, 2014 and for interim reporting periods beginning after March 15, 2015. Adoption of the accounting changes in ASU No. 2014-11 on January 1, 2015 did not materially affect the firm's financial condition, results of operations, or cash flows.

Amendments to the Consolidation Analysis (ASC 810). In February 2015, the FASB issued ASU No. 2015-02, "Consolidation (Topic 810) — Amendments to the Consolidation Analysis." ASU No. 2015-02 eliminates the deferral of the requirements of ASU No. 2009-17, "Consolidations (Topic 810) — Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities" for certain interests in investment funds and provides a scope exception from Topic 810 for certain investments in money market funds. The ASU also makes several modifications to the consolidation guidance for VIEs and general partners' investments in limited partnerships, as well as modifications to the evaluation of whether limited partnerships are VIEs or voting interest entities. ASU No. 2015-02 is effective for interim and annual reporting periods beginning after December 15, 2015. Early adoption is permitted. Adoption of ASU No. 2015-02 is not expected to materially affect the firm's financial condition, results of operations, or cash flows.

Note 4.

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

Financial instruments owned, at fair value and financial instruments sold, but not yet purchased, at fair value are accounted for at fair value either under the fair value option or in accordance with other U.S. GAAP. See Note 8 for further information about other financial assets and financial liabilities accounted for at fair value primarily under the fair value option. The table below presents the firm's financial instruments owned, at fair value, including those pledged as collateral, and financial instruments sold, but not yet purchased, at fair value.

	As of December 2014		As of December 2013	
$ in millions	Financial Instruments Owned	Financial Instruments Sold, But Not Yet Purchased	Financial Instruments Owned	Financial Instruments Sold, But Not Yet Purchased
Commercial paper, certificates of deposit, time deposits and other money market instruments	$ 3,654	$ —	$ 8,608	$ —
U.S. government and federal agency obligations	48,002	12,762	71,072	20,920
Non-U.S. government and agency obligations	37,059	20,500	40,944	26,999
Mortgage and other asset-backed loans and securities:				
Loans and securities backed by commercial real estate	6,582 [1]	1	6,596 [1]	1
Loans and securities backed by residential real estate	11,717 [2]	—	9,025 [2]	2
Bank loans and bridge loans	15,613	464 [4]	17,400	925 [4]
Corporate debt securities	21,603	5,800	17,412	5,253
State and municipal obligations	1,203	—	1,476	51
Other debt obligations	3,257 [3]	2	3,129 [3]	4
Equities and convertible debentures	96,442	28,314	101,024	22,583
Commodities	3,846	1,224	4,556	966
Subtotal	248,978	69,067	281,242	77,704
Derivatives	63,270	63,016	57,879	49,722
Total	$312,248	$132,083	$339,121	$127,426

1. Includes $4.41 billion and $3.75 billion of loans backed by commercial real estate as of December 2014 and December 2013, respectively.

2. Includes $6.43 billion and $4.17 billion of loans backed by residential real estate as of December 2014 and December 2013, respectively.

3. Includes $618 million and $681 million of loans backed by consumer loans and other assets as of December 2014 and December 2013, respectively.

4. Primarily relates to the fair value of unfunded lending commitments for which the fair value option was elected.

Gains and Losses from Market Making and Other Principal Transactions

The table below presents "Market making" revenues by major product type, as well as "Other principal transactions" revenues. These gains/(losses) are primarily related to the firm's financial instruments owned, at fair value and financial instruments sold, but not yet purchased, at fair value, including both derivative and non-derivative financial instruments. These gains/(losses) exclude related interest income and interest expense. See Note 23 for further information about interest income and interest expense.

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

$ in millions	Year Ended December		
Product Type	**2014**	2013	2012
Interest rates	**$ (5,316)** [2]	$ 930	$ 4,445
Credit	**2,982**	1,845	4,263
Currencies	**6,566**	2,446	(1,001)
Equities	**2,683**	2,655	2,482
Commodities	**1,450**	902	492
Other	**—**	590 [3]	667 [4]
Market making	**8,365**	9,368	11,348
Other principal transactions [1]	**6,588**	6,993	5,865
Total	**$14,953**	$16,361	$17,213

1. Other principal transactions are included in the firm's Investing & Lending segment. See Note 25 for net revenues, including net interest income, by product type for Investing & Lending, as well as the amount of net interest income included in Investing & Lending. The "Other" category in Note 25 relates to the firm's consolidated investments, and primarily includes commodities and real estate-related net revenues.
2. Includes a gain of $289 million ($270 million of which was recorded at extinguishment in the third quarter) related to the extinguishment of certain of the firm's junior subordinated debt. See Note 16 for further information.
3. Includes a gain of $211 million on the sale of a majority stake in the firm's European insurance business.
4. Includes a gain of $494 million on the sale of the firm's hedge fund administration business.

Note 5.

Fair Value Measurements

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

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

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

The fair value hierarchy is as follows:

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

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

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

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

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

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

	As of December	
$ in millions	**2014**	2013
Total level 1 financial assets	**$ 140,221**	$156,030
Total level 2 financial assets	**468,678**	499,480
Total level 3 financial assets	**42,005**	40,013
Counterparty and cash collateral netting	**(104,616)**	(95,350)
Total financial assets at fair value	**$ 546,288**	$600,173
Total assets [1]	**$ 856,240**	$911,507
Total level 3 financial assets as a percentage of Total assets	**4.9%**	4.4%
Total level 3 financial assets as a percentage of Total financial assets at fair value	**7.7%**	6.7%
Total level 1 financial liabilities	**$ 59,697**	$ 68,412
Total level 2 financial liabilities	**253,364**	300,583
Total level 3 financial liabilities	**15,904**	12,046
Counterparty and cash collateral netting	**(37,267)**	(25,868)
Total financial liabilities at fair value	**$ 291,698**	$355,173
Total level 3 financial liabilities as a percentage of Total financial liabilities at fair value	**5.5%**	3.4%

1. Includes approximately $834 billion and $890 billion as of December 2014 and December 2013, respectively, that is carried at fair value or at amounts that generally approximate fair value.

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

	Level 3 Financial Assets as of December	
$ in millions	**2014**	2013
Cash instruments	**$34,875**	$32,639
Derivatives	**7,074**	7,076
Other financial assets	**56**	298
Total	**$42,005**	$40,013

Level 3 financial assets as of December 2014 increased compared with December 2013, reflecting an increase in cash instruments. See Note 6 for further information about changes in level 3 cash instruments.

Note 6.

Cash Instruments

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

Level 1 Cash Instruments

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

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

Level 2 Cash Instruments

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

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

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

Level 3 Cash Instruments

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

Valuation Techniques and Significant Inputs

The table below presents the valuation techniques and the nature of significant inputs. These valuation techniques and significant inputs are generally used to determine the fair values of each type of level 3 cash instrument.

Level 3 Cash Instruments	Valuation Techniques and Significant Inputs
Loans and securities backed by commercial real estate • Collateralized by a single commercial real estate property or a portfolio of properties • May include tranches of varying levels of subordination	Valuation techniques vary by instrument, but are generally based on discounted cash flow techniques. Significant inputs are generally determined based on relative value analyses and include: • Transaction prices in both the underlying collateral and instruments with the same or similar underlying collateral and the basis, or price difference, to such prices • Market yields implied by transactions of similar or related assets and/or current levels and changes in market indices such as the CMBX (an index that tracks the performance of commercial mortgage bonds) • A measure of expected future cash flows in a default scenario (recovery rates) implied by the value of the underlying collateral, which is mainly driven by current performance of the underlying collateral, capitalization rates and multiples. Recovery rates are expressed as a percentage of notional or face value of the instrument and reflect the benefit of credit enhancements on certain instruments • Timing of expected future cash flows (duration) which, in certain cases, may incorporate the impact of other unobservable inputs (e.g., prepayment speeds)
Loans and securities backed by residential real estate • Collateralized by portfolios of residential real estate • May include tranches of varying levels of subordination	Valuation techniques vary by instrument, but are generally based on discounted cash flow techniques. Significant inputs are generally determined based on relative value analyses, which incorporate comparisons to instruments with similar collateral and risk profiles. Significant inputs include: • Transaction prices in both the underlying collateral and instruments with the same or similar underlying collateral • Market yields implied by transactions of similar or related assets • Cumulative loss expectations, driven by default rates, home price projections, residential property liquidation timelines and related costs • Duration, driven by underlying loan prepayment speeds and residential property liquidation timelines
Bank loans and bridge loans	Valuation techniques vary by instrument, but are generally based on discounted cash flow techniques. Significant inputs are generally determined based on relative value analyses, which incorporate comparisons both to prices of credit default swaps that reference the same or similar underlying instrument or entity and to other debt instruments for the same issuer for which observable prices or broker quotations are available. Significant inputs include: • Market yields implied by transactions of similar or related assets and/or current levels and trends of market indices such as CDX and LCDX (indices that track the performance of corporate credit and loans, respectively) • Current performance and recovery assumptions and, where the firm uses credit default swaps to value the related cash instrument, the cost of borrowing the underlying reference obligation • Duration
Non-U.S. government and agency obligations Corporate debt securities State and municipal obligations Other debt obligations	Valuation techniques vary by instrument, but are generally based on discounted cash flow techniques. Significant inputs are generally determined based on relative value analyses, which incorporate comparisons both to prices of credit default swaps that reference the same or similar underlying instrument or entity and to other debt instruments for the same issuer for which observable prices or broker quotations are available. Significant inputs include: • Market yields implied by transactions of similar or related assets and/or current levels and trends of market indices such as CDX, LCDX and MCDX (an index that tracks the performance of municipal obligations) • Current performance and recovery assumptions and, where the firm uses credit default swaps to value the related cash instrument, the cost of borrowing the underlying reference obligation • Duration
Equities and convertible debentures (including private equity investments and investments in real estate entities)	Recent third-party completed or pending transactions (e.g., merger proposals, tender offers, debt restructurings) are considered to be the best evidence for any change in fair value. When these are not available, the following valuation methodologies are used, as appropriate: • Industry multiples (primarily EBITDA multiples) and public comparables • Transactions in similar instruments • Discounted cash flow techniques • Third-party appraisals • Net asset value per share (NAV) The firm also considers changes in the outlook for the relevant industry and financial performance of the issuer as compared to projected performance. Significant inputs include: • Market and transaction multiples • Discount rates, long-term growth rates, earnings compound annual growth rates and capitalization rates • For equity instruments with debt-like features: market yields implied by transactions of similar or related assets, current performance and recovery assumptions, and duration

Significant Unobservable Inputs

The tables below present the ranges of significant unobservable inputs used to value the firm's level 3 cash instruments. These ranges represent the significant unobservable inputs that were used in the valuation of each type of cash instrument. Weighted averages in the tables below are calculated by weighting each input by the relative fair value of the respective financial instruments. The ranges and weighted averages of these inputs are not representative of the appropriate inputs to use when calculating the fair value of any one cash instrument. For example, the highest multiple presented in the tables below for private equity investments is appropriate for valuing a specific private equity investment but may not be appropriate for valuing any other private equity investment. Accordingly, the ranges of inputs presented below do not represent uncertainty in, or possible ranges of, fair value measurements of the firm's level 3 cash instruments.

Level 3 Cash Instruments	Level 3 Assets as of December 2014 (*$ in millions*)	Valuation Techniques and Significant Unobservable Inputs	Range of Significant Unobservable Inputs (Weighted Average) as of December 2014
Loans and securities backed by commercial real estate • Collateralized by a single commercial real estate property or a portfolio of properties • May include tranches of varying levels of subordination	**$3,394**	Discounted cash flows: • Yield • Recovery rate • Duration (years) • Basis	 3.2% to 20.0% (10.5%) 24.9% to 100.0% (68.3%) 0.3 to 4.7 (2.0) (8) points to 13 points (2 points)
Loans and securities backed by residential real estate • Collateralized by portfolios of residential real estate • May include tranches of varying levels of subordination	**$2,545**	Discounted cash flows: • Yield • Cumulative loss rate • Duration (years)	 1.9% to 17.5% (7.6%) 0.0% to 95.1% (24.4%) 0.5 to 13.0 (4.3)
Bank loans and bridge loans	**$7,346**	Discounted cash flows: • Yield • Recovery rate • Duration (years)	 1.4% to 29.5% (8.7%) 26.6% to 92.5% (60.6%) 0.3 to 7.8 (2.5)
Non-U.S. government and agency obligations Corporate debt securities State and municipal obligations Other debt obligations	**$4,931**	Discounted cash flows: • Yield • Recovery rate • Duration (years)	 0.9% to 24.4% (9.2%) 0.0% to 71.9% (59.2%) 0.5 to 19.6 (3.7)
Equities and convertible debentures (including private equity investments and investments in real estate entities)	**$16,659** [1]	Comparable multiples: • Multiples Discounted cash flows: • Discount rate/yield • Long-term growth rate/ compound annual growth rate • Capitalization rate	 0.8x to 16.6x (6.5x) 3.7% to 30.0% (14.4%) 1.0% to 10.0% (6.0%) 3.8% to 13.0% (7.6%)

1. 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 Cash Instruments	Level 3 Assets as of December 2013 *($ in millions)*	Valuation Techniques and Significant Unobservable Inputs	Range of Significant Unobservable Inputs (Weighted Average) as of December 2013
Loans and securities backed by commercial real estate • Collateralized by a single commercial real estate property or a portfolio of properties • May include tranches of varying levels of subordination	$2,692	Discounted cash flows: • Yield • Recovery rate • Duration (years) • Basis	 2.7% to 29.1% (10.1%) 26.2% to 88.1% (74.4%) 0.6 to 5.7 (2.0) (9) points to 20 points (5 points)
Loans and securities backed by residential real estate • Collateralized by portfolios of residential real estate • May include tranches of varying levels of subordination	$1,961	Discounted cash flows: • Yield • Cumulative loss rate • Duration (years)	 2.6% to 25.8% (10.1%) 9.8% to 56.6% (24.9%) 1.4 to 16.7 (3.6)
Bank loans and bridge loans	$9,324	Discounted cash flows: • Yield • Recovery rate • Duration (years)	 1.0% to 39.6% (9.3%) 40.0% to 85.0% (54.9%) 0.5 to 5.3 (2.1)
Non-U.S. government and agency obligations Corporate debt securities State and municipal obligations Other debt obligations	$3,977	Discounted cash flows: • Yield • Recovery rate • Duration (years)	 1.5% to 40.2% (8.9%) 0.0% to 70.0% (61.9%) 0.6 to 16.1 (4.2)
Equities and convertible debentures (including private equity investments and investments in real estate entities)	$14,685 [1]	Comparable multiples: • Multiples Discounted cash flows: • Discount rate/yield • Long-term growth rate/ compound annual growth rate • Capitalization rate	 0.6x to 18.8x (6.9x) 6.0% to 29.1% (14.6%) 1.0% to 19.0% (8.1%) 4.6% to 11.3% (7.1%)

1. 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.

Increases in yield, discount rate, capitalization rate, duration or cumulative loss rate used in the valuation of the firm's level 3 cash instruments would result in a lower fair value measurement, while increases in recovery rate, basis, multiples, long-term growth rate or compound annual growth rate would result in a higher fair value measurement. Due to the distinctive nature of each of the firm's level 3 cash instruments, the interrelationship of inputs is not necessarily uniform within each product type.

Fair Value of Cash Instruments by Level

The tables below present, by level within the fair value hierarchy, cash instrument assets and liabilities, at fair value. Cash instrument assets and liabilities are included in "Financial instruments owned, at fair value" and "Financial instruments sold, but not yet purchased, at fair value," respectively.

	Cash Instrument Assets at Fair Value as of December 2014			
$ in millions	Level 1	Level 2	Level 3	Total
Commercial paper, certificates of deposit, time deposits and other money market instruments	$ —	$ 3,654	$ —	$ 3,654
U.S. government and federal agency obligations	18,540	29,462	—	48,002
Non-U.S. government and agency obligations	30,255	6,668	136	37,059
Mortgage and other asset-backed loans and securities:				
Loans and securities backed by commercial real estate	—	3,188	3,394	6,582
Loans and securities backed by residential real estate	—	9,172	2,545	11,717
Bank loans and bridge loans	—	8,267	7,346	15,613
Corporate debt securities	249	17,539	3,815	21,603
State and municipal obligations	—	1,093	110	1,203
Other debt obligations	—	2,387	870	3,257
Equities and convertible debentures	69,711	10,072	16,659 [2]	96,442
Commodities	—	3,846	—	3,846
Total [1]	$118,755	$95,348	$34,875	$248,978

	Cash Instrument Liabilities at Fair Value as of December 2014			
$ in millions	Level 1	Level 2	Level 3	Total
U.S. government and federal agency obligations	$ 12,746	$ 16	$ —	$ 12,762
Non-U.S. government and agency obligations	19,256	1,244	—	20,500
Mortgage and other asset-backed loans and securities:				
Loans and securities backed by commercial real estate	—	1	—	1
Bank loans and bridge loans	—	286	178	464
Corporate debt securities	—	5,741	59	5,800
Other debt obligations	—	—	2	2
Equities and convertible debentures	27,587	722	5	28,314
Commodities	—	1,224	—	1,224
Total	$ 59,589	$ 9,234	$ 244	$ 69,067

1. Includes collateralized debt obligations (CDOs) and collateralized loan obligations (CLOs) backed by real estate and corporate obligations of $234 million in level 2 and $1.34 billion in level 3.

2. Includes $14.93 billion of private equity investments, $1.17 billion of investments in real estate entities and $562 million of convertible debentures.

$ in millions	Cash Instrument Assets at Fair Value as of December 2013			
	Level 1	Level 2	Level 3	Total
Commercial paper, certificates of deposit, time deposits and other money market instruments	$ 216	$ 8,392	$ —	$ 8,608
U.S. government and federal agency obligations	29,582	41,490	—	71,072
Non-U.S. government and agency obligations	29,451	11,453	40	40,944
Mortgage and other asset-backed loans and securities:				
Loans and securities backed by commercial real estate	—	3,904	2,692	6,596
Loans and securities backed by residential real estate	—	7,064	1,961	9,025
Bank loans and bridge loans	—	8,076	9,324	17,400
Corporate debt securities	240	14,299	2,873	17,412
State and municipal obligations	—	1,219	257	1,476
Other debt obligations	—	2,322	807	3,129
Equities and convertible debentures	76,945	9,394	14,685 [2]	101,024
Commodities	—	4,556	—	4,556
Total [1]	$136,434	$112,169	$32,639	$281,242

$ in millions	Cash Instrument Liabilities at Fair Value as of December 2013			
	Level 1	Level 2	Level 3	Total
U.S. government and federal agency obligations	$ 20,871	$ 49	$ —	$ 20,920
Non-U.S. government and agency obligations	25,325	1,674	—	26,999
Mortgage and other asset-backed loans and securities:				
Loans and securities backed by commercial real estate	—	—	1	1
Loans and securities backed by residential real estate	—	2	—	2
Bank loans and bridge loans	—	641	284	925
Corporate debt securities	10	5,241	2	5,253
State and municipal obligations	—	50	1	51
Other debt obligations	—	3	1	4
Equities and convertible debentures	22,107	468	8	22,583
Commodities	—	966	—	966
Total	$ 68,313	$ 9,094	$ 297	$ 77,704

1. Includes CDOs and CLOs backed by real estate and corporate obligations of $746 million in level 2 and $2.03 billion in level 3.

2. Includes $12.82 billion of private equity investments, $1.37 billion of investments in real estate entities and $491 million of convertible debentures.

Transfers Between Levels of the Fair Value Hierarchy

Transfers between levels of the fair value hierarchy are reported at the beginning of the reporting period in which they occur. During 2014, transfers into level 2 from level 1 of cash instruments were $60 million, including $47 million of public equity securities and $13 million of U.S. government and federal agency obligations due to decreased market activity in these instruments. Transfers into level 1 from level 2 of cash instruments were $92 million, reflecting transfers of public equity securities due to increased market activity in these instruments.

During 2013, transfers into level 2 from level 1 of cash instruments were $1 million, reflecting transfers of public equity securities due to decreased market activity in these instruments. Transfers into level 1 from level 2 of cash instruments were $79 million, reflecting transfers of public equity securities, primarily due to increased market activity in these instruments.

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

Level 3 Rollforward

If a cash instrument asset or liability was transferred to level 3 during a reporting period, its entire gain or loss for the period is included in level 3.

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

The tables below present changes in fair value for all cash instrument assets and liabilities categorized as level 3 as of the end of the year. Purchases in the tables below include both originations and secondary market purchases.

	Level 3 Cash Instrument Assets at Fair Value for the Year Ended December 2014								
$ in millions	Balance, beginning of year	Net realized gains/ (losses)	Net unrealized gains/(losses) relating to instruments still held at year-end	Purchases	Sales	Settlements	Transfers into level 3	Transfers out of level 3	Balance, end of year
Non-U.S. government and agency obligations	$ 40	$ 7	$ 3	$ 95	$ (20)	$ 3	$ 8	$ —	$ 136
Mortgage and other asset-backed loans and securities:									
Loans and securities backed by commercial real estate	2,692	173	64	1,891	(436)	(977)	176	(189)	3,394
Loans and securities backed by residential real estate	1,961	123	224	1,008	(363)	(497)	235	(146)	2,545
Bank loans and bridge loans	9,324	696	(194)	3,863	(1,367)	(4,673)	294	(597)	7,346
Corporate debt securities	2,873	252	(9)	2,645	(1,031)	(926)	427	(416)	3,815
State and municipal obligations	257	4	3	12	(112)	(2)	25	(77)	110
Other debt obligations	807	24	41	448	(212)	(164)	21	(95)	870
Equities and convertible debentures	14,685	131	2,557	3,596	(1,902)	(1,443)	1,300	(2,265)	16,659
Total	$32,639	$1,410 [1]	$2,689 [1]	$13,558	$(5,443)	$(8,679)	$2,486	$(3,785)	$34,875

	Level 3 Cash Instrument Liabilities at Fair Value for the Year Ended December 2014								
$ in millions	Balance, beginning of year	Net realized (gains)/ losses	Net unrealized (gains)/losses relating to instruments still held at year-end	Purchases	Sales	Settlements	Transfers into level 3	Transfers out of level 3	Balance, end of year
Total	$ 297	$ (12)	$ 1	$ (223)	$ 121	$ 23	$ 49	$ (12)	$ 244

1. The aggregate amounts include gains of approximately $247 million, $2.98 billion and $875 million reported in "Market making," "Other principal transactions" and "Interest income," respectively.

The net unrealized gain on level 3 cash instruments of $2.69 billion (reflecting a $2.69 billion gain on cash instrument assets and a $1 million loss on cash instrument liabilities) for 2014 primarily reflected gains on private equity investments principally driven by company-specific events and strong corporate performance.

Transfers into level 3 during 2014 primarily reflected transfers of certain private equity investments and corporate debt securities from level 2 principally due to reduced price transparency as a result of a lack of market evidence, including fewer market transactions in these instruments.

Transfers out of level 3 during 2014 primarily reflected transfers of certain private equity investments, bank loan and bridge loans 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.

	Level 3 Cash Instrument Assets at Fair Value for the Year Ended December 2013								
$ in millions	Balance, beginning of year	Net realized gains/ (losses)	Net unrealized gains/(losses) relating to instruments still held at year-end	Purchases	Sales	Settlements	Transfers into level 3	Transfers out of level 3	Balance, end of year
Non-U.S. government and agency obligations	$ 26	$ 7	$ 5	$ 12	$ (20)	$ —	$ 10	$ —	$ 40
Mortgage and other asset-backed loans and securities:									
Loans and securities backed by commercial real estate	3,389	206	224	733	(894)	(1,055)	262	(173)	2,692
Loans and securities backed by residential real estate	1,619	143	150	660	(467)	(269)	209	(84)	1,961
Bank loans and bridge loans	11,235	529	444	3,725	(2,390)	(4,778)	942	(383)	9,324
Corporate debt securities	2,821	407	398	1,140	(1,584)	(576)	404	(137)	2,873
State and municipal obligations	619	6	(2)	134	(492)	(2)	6	(12)	257
Other debt obligations	1,185	47	38	648	(445)	(161)	14	(519)	807
Equities and convertible debentures	14,855	189	1,709	1,866	(862)	(1,610)	882	(2,344)	14,685
Total	$35,749	$1,534 [1]	$2,966 [1]	$8,918	$(7,154)	$(8,451)	$2,729	$(3,652)	$32,639

	Level 3 Cash Instrument Liabilities at Fair Value for the Year Ended December 2013								
$ in millions	Balance, beginning of year	Net realized (gains)/ losses	Net unrealized (gains)/losses relating to instruments still held at year-end	Purchases	Sales	Settlements	Transfers into level 3	Transfers out of level 3	Balance, end of year
Total	$ 642	$ (1)	$ (64)	$ (432)	$ 269	$ 8	$ 35	$ (160)	$ 297

1. The aggregate amounts include gains of approximately $1.09 billion, $2.69 billion and $723 million reported in "Market making," "Other principal transactions" and "Interest income," respectively.

The net unrealized gain on level 3 cash instruments of $3.03 billion (reflecting $2.97 billion on cash instrument assets and $64 million on cash instrument liabilities) for 2013 primarily consisted of gains on private equity investments, principally driven by strong corporate performance, bank loans and bridge loans, primarily due to tighter credit spreads and favorable company-specific events, and corporate debt securities, primarily due to tighter credit spreads.

Transfers into level 3 during 2013 primarily reflected transfers of certain bank loans and bridge loans and private equity investments from level 2, principally due to a lack of market transactions in these instruments.

Transfers out of level 3 during 2013 primarily reflected transfers of certain private equity investments to level 2, principally due to increased transparency of market prices as a result of market transactions in these instruments.

Investments in Funds That Are Calculated Using Net Asset Value Per Share

Cash instruments at fair value include investments in funds that are calculated based on the net asset value per share (NAV) of the investment fund. The firm uses NAV as its measure of fair value for 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 underlying investments at fair value.

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

Private equity funds primarily invest in a broad range of industries worldwide in a variety of situations, 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 mid- to large-sized leveraged and management buyout transactions, recapitalizations, financings, refinancings, acquisitions and restructurings for private equity firms, private family companies and corporate issuers. Real estate funds invest globally, primarily in real estate companies, loan portfolios, debt recapitalizations and property. The private equity, credit and real estate funds are primarily closed-end funds in which the firm's investments are generally not eligible for redemption. Distributions will be received from these funds as the underlying assets are liquidated or distributed.

The firm also invests in hedge funds, primarily multi-disciplinary hedge funds that employ a fundamental bottom-up investment approach across various asset classes and strategies including long/short equity, credit, convertibles, risk arbitrage, special situations and capital structure arbitrage. As of December 2014, the firm's investments in hedge funds primarily include interests where the underlying assets are illiquid in nature, and proceeds from redemptions will not be received until the underlying assets are liquidated or distributed.

Many of the funds described above are "covered funds" as defined by the Volcker Rule of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The Board of Governors of the Federal Reserve System (Federal Reserve Board) extended the conformance period through July 2016 for investments in, and relationships with, covered funds that were in place prior to December 31, 2013, and indicated that it intends to further extend the conformance period through July 2017.

The firm continues to manage its existing funds, taking into account the extension outlined above. Since March 2012, the firm has redeemed $2.97 billion of its interests in hedge funds, including $762 million during 2014 and $1.15 billion during 2013. In order to be compliant with the Volcker Rule, the firm will be required to reduce most of its interests in the funds in the table below by the prescribed compliance date.

The tables below present the fair value of the firm's investments in, and unfunded commitments to, funds that are calculated using NAV.

	As of December 2014	
$ in millions	Fair Value of Investments	Unfunded Commitments
Private equity funds	$ 6,356	$2,181
Credit funds [1]	1,021	390
Hedge funds	863	—
Real estate funds	1,604	344
Total	**$ 9,844**	**$2,915**

	As of December 2013	
$ in millions	Fair Value of Investments	Unfunded Commitments
Private equity funds	$ 7,446	$2,575
Credit funds [1]	3,624	2,515
Hedge funds	1,394	—
Real estate funds	1,908	471
Total	$14,372	$5,561

1. The decreases from December 2013 to December 2014 primarily reflect both cash and in-kind distributions received and the related cancellations of the firm's commitments to certain credit funds.

Note 7.

Derivatives and Hedging Activities

Derivative Activities

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

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

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

The firm enters into various types of derivatives, including:

- **Futures and Forwards.** Contracts that commit counterparties to purchase or sell financial instruments, commodities or currencies in the future.
- **Swaps.** Contracts that require counterparties to exchange cash flows such as currency or interest payment streams. The amounts exchanged are based on the specific terms of the contract with reference to specified rates, financial instruments, commodities, currencies or indices.
- **Options.** Contracts in which the option purchaser has the right, but not the obligation, to purchase from or sell to the option writer financial instruments, commodities or currencies within a defined time period for a specified price.

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

The tables below present the fair value of derivatives on a net-by-counterparty basis.

	As of December 2014	
$ in millions	**Derivative Assets**	**Derivative Liabilities**
Exchange-traded	**$ 2,533**	**$ 2,070**
OTC	**60,737**	**60,946**
Total	**$63,270**	**$63,016**

	As of December 2013	
$ in millions	Derivative Assets	Derivative Liabilities
Exchange-traded	$ 4,277	$ 6,366
OTC	53,602	43,356
Total	$57,879	$49,722

The table below presents the fair value and the notional amount of derivative contracts by major product type on a gross basis. Gross fair values exclude the effects of both counterparty netting and collateral, and therefore are not representative of the firm's exposure. The table below also presents the amounts of counterparty and cash collateral netting in the consolidated statements of financial condition, as well as cash and securities collateral posted and received under enforceable credit support agreements that do not meet the criteria for netting under U.S. GAAP. 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 in the table below. Notional amounts, which represent the sum of gross long and short derivative contracts, provide an indication of the volume of the firm's derivative activity and do not represent anticipated losses.

	As of December 2014			As of December 2013		
$ in millions	**Derivative Assets**	**Derivative Liabilities**	**Notional Amount**	Derivative Assets	Derivative Liabilities	Notional Amount
Derivatives not accounted for as hedges						
Interest rates	**$ 786,362**	**$739,607**	**$47,112,518**	$ 641,186	$587,110	$44,110,483
Exchange-traded	**228**	**238**	**3,151,865**	157	271	2,366,448
OTC-cleared	**351,801**	**330,298**	**30,408,636**	266,230	252,596	24,888,301
Bilateral OTC	**434,333**	**409,071**	**13,552,017**	374,799	334,243	16,855,734
Credit	**54,848**	**50,154**	**2,500,958**	60,751	56,340	2,946,376
OTC-cleared	**5,812**	**5,663**	**378,099**	3,943	4,482	348,848
Bilateral OTC	**49,036**	**44,491**	**2,122,859**	56,808	51,858	2,597,528
Currencies	**109,916**	**108,607**	**5,566,203**	70,757	63,659	4,311,971
Exchange-traded	**69**	**69**	**17,214**	98	122	23,908
OTC-cleared	**100**	**96**	**13,304**	88	97	11,319
Bilateral OTC	**109,747**	**108,442**	**5,535,685**	70,571	63,440	4,276,744
Commodities	**28,990**	**28,546**	**669,479**	18,007	18,228	701,101
Exchange-traded	**7,683**	**7,166**	**321,378**	4,323	3,661	346,057
OTC-cleared	**313**	**315**	**3,036**	11	12	135
Bilateral OTC	**20,994**	**21,065**	**345,065**	13,673	14,555	354,909
Equities	**58,931**	**58,649**	**1,525,495**	56,719	55,472	1,406,499
Exchange-traded	**9,592**	**9,636**	**541,711**	10,544	13,157	534,840
Bilateral OTC	**49,339**	**49,013**	**983,784**	46,175	42,315	871,659
Subtotal	**1,039,047**	**985,563**	**57,374,653**	847,420	780,809	53,476,430
Derivatives accounted for as hedges						
Interest rates	**14,272**	**262**	**126,498**	11,403	429	132,879
OTC-cleared	**2,713**	**228**	**31,109**	1,327	27	10,637
Bilateral OTC	**11,559**	**34**	**95,389**	10,076	402	122,242
Currencies	**125**	**16**	**9,636**	74	56	9,296
OTC-cleared	**12**	**3**	**1,205**	1	10	869
Bilateral OTC	**113**	**13**	**8,431**	73	46	8,427
Commodities	**—**	**—**	**—**	36	—	335
Exchange-traded	**—**	**—**	**—**	—	—	23
Bilateral OTC	**—**	**—**	**—**	36	—	312
Subtotal	**14,397**	**278**	**136,134**	11,513	485	142,510
Gross fair value/notional amount of derivatives	**$1,053,444** [1]	**$985,841** [1]	**$57,510,787**	$858,933 [1]	$781,294 [1]	$53,618,940
Amounts that have been offset in the consolidated statements of financial condition						
Counterparty netting	**(886,670)**	**(886,670)**		(707,411)	(707,411)	
Exchange-traded	**(15,039)**	**(15,039)**		(10,845)	(10,845)	
OTC-cleared	**(335,792)**	**(335,792)**		(254,756)	(254,756)	
Bilateral OTC	**(535,839)**	**(535,839)**		(441,810)	(441,810)	
Cash collateral netting	**(103,504)**	**(36,155)**		(93,643)	(24,161)	
OTC-cleared	**(24,801)**	**(738)**		(16,353)	(2,515)	
Bilateral OTC	**(78,703)**	**(35,417)**		(77,290)	(21,646)	
Fair value included in financial instruments owned/ financial instruments sold, but not yet purchased	**$ 63,270**	**$ 63,016**		$ 57,879	$ 49,722	
Amounts that have not been offset in the consolidated statements of financial condition						
Cash collateral received/posted	**(980)**	**(2,940)**		(636)	(2,806)	
Securities collateral received/posted	**(14,742)**	**(18,159)**		(13,225)	(10,521)	
Total	**$ 47,548**	**$ 41,917**		$ 44,018	$ 36,395	

1. Includes derivative assets and derivative liabilities of $25.93 billion and $26.19 billion, respectively, as of December 2014, and derivative assets and derivative liabilities of $23.18 billion and $23.46 billion, respectively, as of December 2013, 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.

Valuation Techniques for Derivatives

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

- **Interest Rate.** In general, the key inputs used to value interest rate derivatives are transparent, even for most long-dated contracts. Interest rate swaps and options denominated in the currencies of leading industrialized nations are characterized by high trading volumes and tight bid/offer spreads. Interest rate derivatives that reference indices, such as an inflation index, or the shape of the yield curve (e.g., 10-year swap rate vs. 2-year swap rate) are more complex, but the key inputs are generally observable.
- **Credit.** Price transparency for credit default swaps, including both single names and baskets of credits, varies by market and underlying reference entity or obligation. Credit default swaps that reference indices, large corporates and major sovereigns generally exhibit the most price transparency. For credit default swaps with other underliers, price transparency varies based on credit rating, the cost of borrowing the underlying reference obligations, and the availability of the underlying reference obligations for delivery upon the default of the issuer. Credit default swaps that reference loans, asset-backed securities and emerging market debt instruments tend to have less price transparency than those that reference corporate bonds. In addition, more complex credit derivatives, such as those sensitive to the correlation between two or more underlying reference obligations, generally have less price transparency.
- **Currency.** Prices for currency derivatives based on the exchange rates of leading industrialized nations, including those with longer tenors, are generally transparent. The primary difference between the price transparency of developed and emerging market currency derivatives is that emerging markets tend to be observable for contracts with shorter tenors.
- **Commodity.** Commodity derivatives include transactions referenced to energy (e.g., oil and natural gas), metals (e.g., precious and base) and soft commodities (e.g., agricultural). Price transparency varies based on the underlying commodity, delivery location, tenor and product quality (e.g., diesel fuel compared to unleaded gasoline). In general, price transparency for commodity derivatives is greater for contracts with shorter tenors and contracts that are more closely aligned with major and/or benchmark commodity indices.
- **Equity.** Price transparency for equity derivatives varies by market and underlier. Options on indices and the common stock of corporates included in major equity indices exhibit the most price transparency. Equity derivatives generally have observable market prices, except for contracts with long tenors or reference prices that differ significantly from current market prices. More complex equity derivatives, such as those sensitive to the correlation between two or more individual stocks, generally have less price transparency.

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

Level 1 Derivatives

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

Level 2 Derivatives

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

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

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

Level 3 Derivatives

Level 3 derivatives are valued using models which utilize observable level 1 and/or level 2 inputs, as well as unobservable level 3 inputs.

- For the majority of the firm's interest rate and currency derivatives classified within level 3, significant unobservable inputs include correlations of certain currencies and interest rates (e.g., the correlation between Euro inflation and Euro interest rates) and specific interest rate volatilities.
- For level 3 credit derivatives, significant unobservable inputs include illiquid credit spreads and upfront credit points, which are unique to specific reference obligations and reference entities, recovery rates and certain correlations required to value credit and mortgage derivatives (e.g., the likelihood of default of the underlying reference obligation relative to one another).
- For level 3 equity derivatives, significant unobservable inputs generally include equity volatility inputs for options that are very 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.
- 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.

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

Valuation Adjustments

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

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

Significant Unobservable Inputs

The tables below present the ranges of significant unobservable inputs used to value the firm's level 3 derivatives as well as averages and medians of these inputs. The ranges represent the significant unobservable inputs that were used in the valuation of each type of derivative. Averages represent the arithmetic average of the inputs and are not weighted by the relative fair value or notional of the respective financial instruments. An average greater than the median indicates that the majority of inputs are below the average. The ranges, averages and medians of these inputs are not representative of the appropriate inputs to use when calculating the fair value of any one derivative. For example, the highest correlation presented in the tables below 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 presented below do not represent uncertainty in, or possible ranges of, fair value measurements of the firm's level 3 derivatives.

Level 3 Derivative Product Type	Net Level 3 Assets/(Liabilities) as of December 2014 *($ in millions)*	Valuation Techniques and Significant Unobservable Inputs	Range of Significant Unobservable Inputs (Average / Median) as of December 2014
Interest rates	**$(40)**	Option pricing models:	
		Correlation [1]	(16)% to 84% (37% / 40%)
		Volatility	36 basis points per annum (bpa) to 156 bpa (100 bpa / 115 bpa)
Credit	**$3,530**	Option pricing models, correlation models and discounted cash flows models [2]:	
		Correlation [1]	5% to 99% (71% / 72%)
		Credit spreads	1 basis points (bps) to 700 bps (116 bps / 79 bps) [3]
		Upfront credit points	0 points to 99 points (40 points / 30 points)
		Recovery rates	14% to 87% (44% / 40%)
Currencies	**$(267)**	Option pricing models:	
		Correlation [1]	55% to 80% (69% / 73%)
Commodities	**$(1,142)**	Option pricing models and discounted cash flows models [2]:	
		Volatility	16% to 68% (33% / 32%)
		Spread per million British Thermal units (MMBTU) of natural gas	$(1.66) to $4.45 ($(0.13) / $(0.03)) [3]
		Spread per Metric Tonne (MT) of coal	$(10.50) to $3.00 ($(4.04) / $(6.74))
		Spread per barrel of oil and refined products	$(15.35) to $80.55 ($22.32 / $13.50) [3]
Equities	**$(1,375)**	Option pricing models:	
		Correlation [1]	30% to 99% (62% / 55%)
		Volatility	5% to 90% (23% / 21%)

1. The range of unobservable inputs for correlation across derivative product types (i.e., cross-asset correlation) was (34)% to 80% (Average: 33% / Median: 35%) as of December 2014.
2. 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.
3. The difference between the average and the median for these spread inputs indicates that the majority of the inputs fall in the lower end of the range.

Level 3 Derivative Product Type	Net Level 3 Assets/(Liabilities) as of December 2013 *($ in millions)*	Valuation Techniques and Significant Unobservable Inputs	Range of Significant Unobservable Inputs (Average / Median) as of December 2013
Interest rates	$(86)	Option pricing models:	
		Correlation [1]	22% to 84% (58% / 60%)
		Volatility	36 bpa to 165 bpa (107 bpa / 112 bpa)
Credit	$4,176	Option pricing models, correlation models and discounted cash flows models [2]:	
		Correlation [1]	5% to 93% (61% / 61%)
		Credit spreads	1 bps to 1,395 bps (153 bps / 116 bps) [3]
		Upfront credit points	0 points to 100 points (46 points / 43 points)
		Recovery rates	20% to 85% (50% / 40%)
Currencies	$(200)	Option pricing models:	
		Correlation [1]	65% to 79% (72% / 72%)
Commodities	$60	Option pricing models and discounted cash flows models [2]:	
		Volatility	15% to 52% (23% / 21%)
		Spread per MMBTU of natural gas	$(1.74) to $5.62 ($(0.11) / $(0.04))
		Spread per MT of coal	$(17.00) to $0.50 ($(6.54) / $(5.00))
Equities	$(959)	Option pricing models:	
		Correlation [1]	23% to 99% (58% / 59%)
		Volatility	6% to 63% (20% / 20%)

1. The range of unobservable inputs for correlation across derivative product types (i.e., cross-asset correlation) was (42)% to 78% (Average: 25% / Median: 30%) as of December 2013.
2. 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.
3. The difference between the average and the median for these credit spread inputs indicates that the majority of the inputs fall in the lower end of the range.

Range of Significant Unobservable Inputs

The following provides further information about the ranges of significant unobservable inputs used to value the firm's level 3 derivative instruments.

- **Correlation.** Ranges for correlation cover a variety of underliers both within one market (e.g., equity index and equity single stock names) and across markets (e.g., correlation of an interest rate and a foreign exchange rate), as well as across regions. Generally, cross-asset correlation inputs are used to value more complex instruments and are lower than correlation inputs on assets within the same derivative product type.
- **Volatility.** Ranges for volatility cover numerous underliers across a variety of markets, maturities and strike prices. For example, volatility of equity indices is generally lower than volatility of single stocks.
- **Credit spreads, upfront credit points and recovery rates.** The ranges for credit spreads, upfront credit points and recovery rates cover a variety of underliers (index and single names), regions, sectors, maturities and credit qualities (high-yield and investment-grade). The broad range of this population gives rise to the width of the ranges of significant unobservable inputs.
- **Commodity prices and spreads.** The ranges for commodity prices and spreads cover variability in products, maturities and locations.

Sensitivity of Fair Value Measurement to Changes in Significant Unobservable Inputs

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

- **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.

Fair Value of Derivatives by Level

The tables below present the fair value of derivatives on a gross basis by level and major product type as well as the impact of netting. The gross fair values exclude the effects of both counterparty netting and collateral netting, and therefore are not representative of the firm's exposure. Counterparty netting is reflected in each level to the extent that receivable and payable balances are netted within the same level and is included in "Counterparty and cash collateral netting." Where the counterparty netting is across levels, the netting is reflected in "Cross-Level Netting."

	Derivative Assets at Fair Value as of December 2014					
$ in millions	Level 1	Level 2	Level 3	Cross-Level Netting	Cash Collateral Netting	Total
Interest rates	$123	$ 800,028	$ 483	$ —	$ —	$ 800,634
Credit	—	47,190	7,658	—	—	54,848
Currencies	—	109,891	150	—	—	110,041
Commodities	—	28,124	866	—	—	28,990
Equities	175	58,122	634	—	—	58,931
Gross fair value of derivative assets	298	1,043,355	9,791	—	—	1,053,444
Counterparty and cash collateral netting	—	(882,841)	(2,717)	(1,112)	(103,504)	(990,174)
Fair value included in financial instruments owned	**$298**	**$ 160,514**	**$ 7,074**	**$(1,112)**	**$(103,504)**	**$ 63,270**

	Derivative Liabilities at Fair Value as of December 2014					
$ in millions	Level 1	Level 2	Level 3	Cross-Level Netting	Cash Collateral Netting	Total
Interest rates	$ 14	$ 739,332	$ 523	$ —	$ —	$ 739,869
Credit	—	46,026	4,128	—	—	50,154
Currencies	—	108,206	417	—	—	108,623
Commodities	—	26,538	2,008	—	—	28,546
Equities	94	56,546	2,009	—	—	58,649
Gross fair value of derivative liabilities	108	976,648	9,085	—	—	985,841
Counterparty and cash collateral netting	—	(882,841)	(2,717)	(1,112)	(36,155)	(922,825)
Fair value included in financial instruments sold, but not yet purchased	**$108**	**$ 93,807**	**$ 6,368**	**$(1,112)**	**$ (36,155)**	**$ 63,016**

	Derivative Assets at Fair Value as of December 2013					
$ in millions	Level 1	Level 2	Level 3	Cross-Level Netting	Cash Collateral Netting	Total
Interest rates	$ 91	$ 652,104	$ 394	$ —	$ —	$ 652,589
Credit	—	52,834	7,917	—	—	60,751
Currencies	—	70,481	350	—	—	70,831
Commodities	—	17,517	526	—	—	18,043
Equities	3	55,826	890	—	—	56,719
Gross fair value of derivative assets	94	848,762	10,077	—	—	858,933
Counterparty and cash collateral netting	—	(702,703)	(3,001)	(1,707)	(93,643)	(801,054)
Fair value included in financial instruments owned	$ 94	$ 146,059	$ 7,076	$(1,707)	$ (93,643)	$ 57,879

	Derivative Liabilities at Fair Value as of December 2013					
$ in millions	Level 1	Level 2	Level 3	Cross-Level Netting	Cash Collateral Netting	Total
Interest rates	$ 93	$ 586,966	$ 480	$ —	$ —	$ 587,539
Credit	—	52,599	3,741	—	—	56,340
Currencies	—	63,165	550	—	—	63,715
Commodities	—	17,762	466	—	—	18,228
Equities	6	53,617	1,849	—	—	55,472
Gross fair value of derivative liabilities	99	774,109	7,086	—	—	781,294
Counterparty and cash collateral netting	—	(702,703)	(3,001)	(1,707)	(24,161)	(731,572)
Fair value included in financial instruments sold, but not yet purchased	$ 99	$ 71,406	$ 4,085	$(1,707)	$ (24,161)	$ 49,722

Level 3 Rollforward

If a derivative was transferred to level 3 during a reporting period, its entire gain or loss for the period is included in level 3. Transfers between levels are reported at the beginning of the reporting period in which they occur. In the tables below, negative amounts for transfers into level 3 and positive amounts for transfers out of level 3 represent net transfers of derivative liabilities.

Gains and losses on level 3 derivatives should be considered in the context of the following:

- A derivative with level 1 and/or level 2 inputs is classified in level 3 in its entirety if it has at least one significant level 3 input.
- If there is one significant level 3 input, the entire gain or loss from adjusting only observable inputs (i.e., level 1 and level 2 inputs) is classified as level 3.
- Gains or losses that have been reported in level 3 resulting from changes in level 1 or level 2 inputs are frequently offset by gains or losses attributable to level 1 or level 2 derivatives and/or level 1, level 2 and level 3 cash instruments. As a result, gains/(losses) included in the level 3 rollforward below do not necessarily represent the overall impact on the firm's results of operations, liquidity or capital resources.

The tables below present changes in fair value for all derivatives categorized as level 3 as of the end of the year.

	Level 3 Derivative Assets and Liabilities at Fair Value for the Year Ended December 2014								
$ in millions	Asset/ (liability) balance, beginning of year	Net realized gains/ (losses)	Net unrealized gains/(losses) relating to instruments still held at year-end	Purchases	Sales	Settlements	Transfers into level 3	Transfers out of level 3	Asset/ (liability) balance, end of year
Interest rates — net	$ (86)	$ (50)	$ (101)	$ 97	$ (2)	$ 92	$ 14	$ (4)	$ (40)
Credit — net	4,176	64	1,625	151	(138)	(1,693)	(194)	(461)	3,530
Currencies — net	(200)	(70)	(175)	19	—	172	(9)	(4)	(267)
Commodities — net	60	(19)	(1,096)	38	(272)	95	84	(32)	(1,142)
Equities — net	(959)	(48)	(436)	344	(979)	270	(115)	548	(1,375)
Total derivatives — net	**$2,991**	**$(123)** [1]	**$ (183)** [1]	**$649**	**$(1,391)**	**$(1,064)**	**$(220)**	**$ 47**	**$ 706**

1. The aggregate amounts include losses of approximately $276 million and $30 million reported in "Market making" and "Other principal transactions," respectively.

The net unrealized loss on level 3 derivatives of $183 million for 2014 was primarily attributable to the impact of a decrease in commodity prices on certain commodity derivatives, a decrease in equity prices on certain equity derivatives, and the impact of changes in foreign exchange rates on certain currency derivatives, largely offset by the impact of tighter credit spreads and a decrease in interest rates on certain credit derivatives.

Transfers into level 3 derivatives during 2014 primarily reflected transfers of certain credit derivative liabilities from level 2, principally due to unobservable credit spread inputs becoming significant to the valuation of these derivatives and transfers of certain equity derivative liabilities from level 2, primarily due to reduced transparency of volatility inputs used to value these derivatives.

Transfers out of level 3 derivatives during 2014 primarily reflected transfers of certain equity derivative liabilities to level 2, principally due to unobservable correlation inputs no longer being significant to the valuation of these derivatives, and transfers of certain credit derivative assets to level 2, principally due to unobservable credit spread inputs no longer being significant to the net risk of certain portfolios.

Level 3 Derivative Assets and Liabilities at Fair Value for the Year Ended December 2013

$ in millions	Asset/ (liability) balance, beginning of year	Net realized gains/ (losses)	Net unrealized gains/(losses) relating to instruments still held at year-end	Purchases	Sales	Settlements	Transfers into level 3	Transfers out of level 3	Asset/ (liability) balance, end of year
Interest rates — net	$ (355)	$ (78)	$ 168	$ 1	$ (8)	$ 196	$ (9)	$ (1)	$ (86)
Credit — net	6,228	(1)	(977)	201	(315)	(1,508)	695	(147)	4,176
Currencies — net	35	(93)	(419)	22	(6)	169	139	(47)	(200)
Commodities — net	(304)	(6)	58	21	(48)	281	50	8	60
Equities — net	(1,248)	(67)	(202)	77	(472)	1,020	(15)	(52)	(959)
Total derivatives — net	$4,356	$(245) [1]	$(1,372) [1]	$322	$(849)	$ 158	$860	$(239)	$2,991

1. The aggregate amounts include losses of approximately $1.29 billion and $324 million reported in "Market making" and "Other principal transactions," respectively.

The net unrealized loss on level 3 derivatives of $1.37 billion for 2013 principally resulted from changes in level 2 inputs and was primarily attributable to losses on certain credit derivatives, principally due to the impact of tighter credit spreads, and losses on certain currency derivatives, primarily due to changes in foreign exchange rates.

Transfers into level 3 derivatives during 2013 primarily reflected transfers of credit derivative assets from level 2, principally due to reduced transparency of upfront credit points and correlation inputs used to value these derivatives.

Transfers out of level 3 derivatives during 2013 primarily reflected transfers of certain credit derivatives to level 2, principally due to unobservable credit spread and correlation inputs no longer being significant to the valuation of these derivatives and unobservable inputs not being significant to the net risk of certain portfolios.

Impact of Credit Spreads on Derivatives

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

The net gain/(loss), including hedges, attributable to the impact of changes in credit exposure and credit spreads (counterparty and the firm's) on derivatives was $135 million for 2014, $(66) million for 2013 and $(735) million for 2012.

Bifurcated Embedded Derivatives

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

	As of December	
$ in millions	2014	2013
Fair value of assets	$ 390	$ 285
Fair value of liabilities	690	373
Net liability	**$ 300**	$ 88
Notional amount	$7,735	$7,580

OTC Derivatives

The tables below present the fair values of OTC derivative assets and liabilities by tenor and major product type. Tenor is based on expected duration for mortgage-related credit derivatives and generally on remaining contractual maturity for other derivatives. Counterparty netting within the same product type and tenor category is included within such product type and tenor category. Counterparty netting across product types within the same tenor category is included in "Counterparty and cash collateral netting." Where the counterparty netting is across tenor categories, the netting is reflected in "Cross-Tenor Netting."

	OTC Derivative Assets as of December 2014					
$ in millions	**0 - 12 Months**	**1 - 5 Years**	**5 Years or Greater**	**Cross-Tenor Netting**	**Cash Collateral Netting**	**Total**
Interest rates	**$ 7,064**	**$25,049**	**$ 90,553**	**$ —**	**$ —**	**$ 122,666**
Credit	**1,696**	**6,093**	**5,707**	**—**	**—**	**13,496**
Currencies	**17,835**	**9,897**	**6,386**	**—**	**—**	**34,118**
Commodities	**8,298**	**4,068**	**161**	**—**	**—**	**12,527**
Equities	**4,771**	**9,285**	**3,750**	**—**	**—**	**17,806**
Counterparty and cash collateral netting	**(4,479)**	**(7,016)**	**(4,058)**	**(20,819)**	**(103,504)**	**(139,876)**
Total	**$35,185**	**$47,376**	**$102,499**	**$(20,819)**	**$ (103,504)**	**$ 60,737**

	OTC Derivative Liabilities as of December 2014					
$ in millions	**0 - 12 Months**	**1 - 5 Years**	**5 Years or Greater**	**Cross-Tenor Netting**	**Cash Collateral Netting**	**Total**
Interest rates	**$ 7,001**	**$17,649**	**$ 37,242**	**$ —**	**$ —**	**$ 61,892**
Credit	**2,154**	**4,942**	**1,706**	**—**	**—**	**8,802**
Currencies	**18,549**	**7,667**	**6,482**	**—**	**—**	**32,698**
Commodities	**5,686**	**4,105**	**2,810**	**—**	**—**	**12,601**
Equities	**7,064**	**6,845**	**3,571**	**—**	**—**	**17,480**
Counterparty and cash collateral netting	**(4,479)**	**(7,016)**	**(4,058)**	**(20,819)**	**(36,155)**	**(72,527)**
Total	**$35,975**	**$34,192**	**$ 47,753**	**$(20,819)**	**$ (36,155)**	**$ 60,946**

	OTC Derivative Assets as of December 2013					
$ in millions	0 - 12 Months	1 - 5 Years	5 Years or Greater	Cross-Tenor Netting	Cash Collateral Netting	Total
Interest rates	$ 7,235	$26,029	$ 75,731	$ —	$ —	$ 108,995
Credit	1,233	8,410	5,787	—	—	15,430
Currencies	9,499	8,478	7,361	—	—	25,338
Commodities	2,843	4,040	143	—	—	7,026
Equities	7,016	9,229	4,972	—	—	21,217
Counterparty and cash collateral netting	(2,559)	(5,063)	(3,395)	(19,744)	(93,643)	(124,404)
Total	$25,267	$51,123	$ 90,599	$(19,744)	$ (93,643)	$ 53,602

	OTC Derivative Liabilities as of December 2013					
$ in millions	0 - 12 Months	1 - 5 Years	5 Years or Greater	Cross-Tenor Netting	Cash Collateral Netting	Total
Interest rates	$ 5,019	$16,910	$ 21,903	$ —	$ —	$ 43,832
Credit	2,339	6,778	1,901	—	—	11,018
Currencies	8,843	5,042	4,313	—	—	18,198
Commodities	3,062	2,424	2,387	—	—	7,873
Equities	6,325	6,964	4,068	—	—	17,357
Counterparty and cash collateral netting	(2,559)	(5,063)	(3,395)	(19,744)	(24,161)	(54,922)
Total	$23,029	$33,055	$ 31,177	$(19,744)	$ (24,161)	$ 43,356

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

	As of December	
$ in millions	**2014**	2013
Net derivative liabilities under bilateral agreements	**$35,764**	$22,176
Collateral posted	**30,824**	18,178
Additional collateral or termination payments for a one-notch downgrade	**1,072**	911
Additional collateral or termination payments for a two-notch downgrade	**2,815**	2,989

Credit Derivatives

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

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

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

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

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

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.

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 2014, written and purchased credit derivatives had total gross notional amounts of $1.22 trillion and $1.28 trillion, respectively, for total net notional purchased protection of $59.35 billion. As of December 2013, written and purchased credit derivatives had total gross notional amounts of $1.43 trillion and $1.52 trillion, respectively, for total net notional purchased protection of $81.55 billion. Substantially all of the firm's written and purchased credit derivatives are in the form of credit default swaps.

The table below presents certain information about credit derivatives. In the table below:

- Fair values exclude the effects of both netting of receivable balances with payable balances under enforceable netting agreements, and netting of cash received or posted under enforceable credit support agreements, and therefore are not representative of the firm's credit exposure.
- Tenor is based on expected duration for mortgage-related credit derivatives and on remaining contractual maturity for other credit derivatives.
- The credit spread on the underlier, together with the tenor of the contract, are indicators of payment/performance risk. The firm is less likely to pay or otherwise be required to perform where the credit spread and the tenor are lower.

	Maximum Payout/Notional Amount of Written Credit Derivatives by Tenor				Maximum Payout/Notional Amount of Purchased Credit Derivatives		Fair Value of Written Credit Derivatives		
$ in millions	0 - 12 Months	1 - 5 Years	5 Years or Greater	Total	Offsetting Purchased Credit Derivatives [1]	Other Purchased Credit Derivatives [2]	Asset	Liability	Net Asset/ (Liability)
As of December 2014									
Credit spread on underlier (basis points)									
0 - 250	**$261,591**	**$ 775,784**	**$68,830**	**$1,106,205**	**$1,012,874**	**$152,465**	**$28,004**	**$ 3,629**	**$ 24,375**
251 - 500	**7,726**	**37,255**	**5,042**	**50,023**	**41,657**	**8,426**	**1,542**	**2,266**	**(724)**
501 - 1,000	**8,449**	**18,046**	**1,309**	**27,804**	**26,240**	**1,949**	**112**	**1,909**	**(1,797)**
Greater than 1,000	**8,728**	**26,834**	**1,279**	**36,841**	**33,112**	**3,499**	**82**	**13,943**	**(13,861)**
Total	**$286,494**	**$ 857,919**	**$76,460**	**$1,220,873**	**$1,113,883**	**$166,339**	**$29,740**	**$21,747**	**$ 7,993**
As of December 2013									
Credit spread on underlier (basis points)									
0 - 250	$286,029	$ 950,126	$79,241	$1,315,396	$1,208,334	$183,665	$32,508	$ 4,396	$ 28,112
251 - 500	7,148	42,570	10,086	59,804	44,642	16,884	2,837	1,147	1,690
501 - 1,000	3,968	18,637	1,854	24,459	22,748	2,992	101	1,762	(1,661)
Greater than 1,000	5,600	27,911	1,226	34,737	30,510	6,169	514	12,436	(11,922)
Total	$302,745	$1,039,244	$92,407	$1,434,396	$1,306,234	$209,710	$35,960	$19,741	$ 16,219

1. Offsetting purchased credit derivatives represent the notional amount of purchased credit derivatives that economically hedge written credit derivatives with identical underliers.
2. This purchased protection represents the notional amount of all other purchased credit derivatives not included in "Offsetting Purchased Credit Derivatives."

Hedge Accounting

The firm applies hedge accounting for (i) certain interest rate swaps used to manage the interest rate exposure of certain fixed-rate unsecured long-term and short-term borrowings and certain fixed-rate certificates of deposit, (ii) certain foreign currency forward contracts and foreign currency-denominated debt used to manage foreign currency exposures on the firm's net investment in certain non-U.S. operations and (iii) certain commodities-related swap and forward contracts used to manage the exposure to the variability in cash flows associated with the forecasted sales of certain energy commodities by one of the firm's consolidated investments.

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

Fair Value Hedges

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

The firm applies a statistical method that utilizes regression analysis when assessing the effectiveness of its fair value hedging relationships in achieving offsetting changes in the fair values of the hedging instrument and the risk being hedged (i.e., interest rate risk). An interest rate swap is considered highly effective in offsetting changes in fair value attributable to changes in the hedged risk when the regression analysis results in a coefficient of determination of 80% or greater and a slope between 80% and 125%.

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

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

	Year Ended December		
$ in millions	**2014**	2013	2012
Interest rate hedges	**$ 1,936**	$(8,683)	$(2,383)
Hedged borrowings and bank deposits	**(2,451)**	6,999	665
Hedge ineffectiveness	**$ (515)**	**$(1,684)**	**$(1,718)**

Net Investment Hedges

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

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

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

	Year Ended December		
$ in millions	**2014**	2013	2012
Foreign currency forward contract hedges	**$576**	$150	$(233)
Foreign currency-denominated debt hedges	**202**	470	347

The gain/(loss) related to ineffectiveness and the gain/(loss) reclassified to earnings from accumulated other comprehensive income/(loss) were not material for 2014, 2013 or 2012.

As of December 2014 and December 2013, the firm had designated $1.36 billion and $1.97 billion, respectively, of foreign currency-denominated debt, included in "Unsecured long-term borrowings" and "Unsecured short-term borrowings," as hedges of net investments in non-U.S. subsidiaries.

Cash Flow Hedges

Beginning in 2013, the firm designated certain commodities-related swap and forward contracts as cash flow hedges. These swap and forward contracts hedged the firm's exposure to the variability in cash flows associated with the forecasted sales of certain energy commodities by one of the firm's consolidated investments. During the fourth quarter of 2014, the firm de-designated these swaps and forward contracts as cash flow hedges as it became probable that the hedged forecasted sales would not occur.

Prior to de-designation, the firm applied a statistical method that utilized regression analysis when assessing hedge effectiveness. A cash flow hedge was considered highly effective in offsetting changes in forecasted cash flows attributable to the hedged risk when the regression analysis resulted in a coefficient of determination of 80% or greater and a slope between 80% and 125%.

For qualifying cash flow hedges, the gains or losses on derivatives, to the extent effective, were included in "Cash flow hedges" within the consolidated statements of comprehensive income. Such gains or losses were reclassified to "Other principal transactions" within the consolidated statements of earnings when it became probable that the hedged forecasted sales would not occur. Gains or losses resulting from hedge ineffectiveness were included in "Other principal transactions."

The effective portion of the gains recognized on these cash flow hedges, gains reclassified to earnings from accumulated other comprehensive income and gains related to hedge ineffectiveness were not material for 2014 and 2013. There were no gains/(losses) excluded from the assessment of hedge effectiveness for 2014 and 2013.

Note 8.

Fair Value Option

Other Financial Assets and Financial Liabilities at Fair Value

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

The primary reasons for electing the fair value option are to:

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

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

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

- Repurchase agreements and substantially all resale agreements;
- Securities borrowed and loaned within Fixed Income, Currency and Commodities Client Execution;
- Substantially all other secured financings, including transfers of assets accounted for as financings rather than sales;
- Certain unsecured short-term borrowings, consisting of all promissory notes and commercial paper and certain hybrid financial instruments;
- Certain unsecured long-term borrowings, including certain prepaid commodity transactions and certain hybrid financial instruments;
- Certain receivables from customers and counterparties, including transfers of assets accounted for as secured loans rather than purchases and certain margin loans;
- Certain time deposits issued by the firm's bank subsidiaries (deposits with no stated maturity are not eligible for a fair value option election), including structured certificates of deposit, which are hybrid financial instruments; and
- Certain subordinated liabilities issued by consolidated VIEs.

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

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

Resale and Repurchase Agreements and Securities Borrowed and Loaned. The significant inputs to the valuation of resale and repurchase agreements and securities borrowed and loaned are funding spreads, the amount and timing of expected future cash flows and interest rates. As of both December 2014 and December 2013, there were no level 3 securities borrowed or securities loaned. As of December 2014, the firm's level 3 resale and repurchase agreements were not material. The range of significant unobservable inputs used to value level 3 resale and repurchase agreements as of December 2013 was 1.3% to 3.9% (weighted average: 1.4%) for yield, and 0.2 years to 2.7 years (weighted average: 2.5 years) for duration. Generally, increases in yield or duration, in isolation, would result in a lower fair value measurement. Due to the distinctive nature of each of the firm's level 3 resale and repurchase agreements, the interrelationship of inputs is not necessarily uniform across such agreements. See Note 10 for further information about collateralized agreements and financings.

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

As of December 2014:

- Funding spreads: 210 bps to 325 bps (weighted average: 278 bps)
- Yield: 1.1% to 10.0% (weighted average: 3.1%)
- Duration: 0.7 to 3.8 years (weighted average: 2.6 years)

As of December 2013:

- Funding spreads: 40 bps to 250 bps (weighted average: 162 bps)
- Yield: 0.9% to 14.3% (weighted average: 5.0%)
- Duration: 0.8 to 16.1 years (weighted average: 3.7 years)

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

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

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

Receivables from Customers and Counterparties. Receivables from customers and counterparties at fair value are primarily comprised of transfers of assets accounted for as secured loans rather than purchases. The significant inputs to the valuation of such receivables are commodity prices, interest rates, the amount and timing of expected future cash flows and funding spreads. As of December 2014, the firm's level 3 receivables from customers and counterparties were not material. The range of significant unobservable inputs used to value level 3 secured loans as of December 2013 was 40 bps to 477 bps (weighted average: 142 bps) for funding spreads. Generally, an increase in funding spreads would result in a lower fair value measurement.

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

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

Fair Value of Other Financial Assets and Financial Liabilities by Level

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

$ in millions	Other Financial Assets at Fair Value as of December 2014			
	Level 1	Level 2	Level 3	Total
Securities segregated for regulatory and other purposes [1]	$21,168	$ 13,123	$ —	$ 34,291
Securities purchased under agreements to resell	—	126,036	—	126,036
Securities borrowed	—	66,769	—	66,769
Receivables from customers and counterparties	—	6,888	56	6,944
Total	$21,168	$212,816	$ 56	$234,040

$ in millions	Other Financial Liabilities at Fair Value as of December 2014			
	Level 1	Level 2	Level 3	Total
Deposits	$ —	$ 12,458	$1,065	$ 13,523
Securities sold under agreements to repurchase	—	88,091	124	88,215
Securities loaned	—	765	—	765
Other secured financings	—	20,359	1,091	21,450
Unsecured short-term borrowings	—	15,114	3,712	18,826
Unsecured long-term borrowings	—	13,420	2,585	16,005
Other liabilities and accrued expenses	—	116	715	831
Total	$ —	$150,323	$9,292	$159,615

$ in millions	Other Financial Assets at Fair Value as of December 2013			
	Level 1	Level 2	Level 3	Total
Securities segregated for regulatory and other purposes [1]	$19,502	$ 12,435	$ —	$ 31,937
Securities purchased under agreements to resell	—	161,234	63	161,297
Securities borrowed	—	60,384	—	60,384
Receivables from customers and counterparties	—	7,181	235	7,416
Other assets	—	18	—	18
Total	$19,502	$241,252	$ 298	$261,052

$ in millions	Other Financial Liabilities at Fair Value as of December 2013			
	Level 1	Level 2	Level 3	Total
Deposits	$ —	$ 6,870	$ 385	$ 7,255
Securities sold under agreements to repurchase	—	163,772	1,010	164,782
Securities loaned	—	973	—	973
Other secured financings	—	22,572	1,019	23,591
Unsecured short-term borrowings	—	15,680	3,387	19,067
Unsecured long-term borrowings	—	9,854	1,837	11,691
Other liabilities and accrued expenses	—	362	26	388
Total	$ —	$220,083	$7,664	$227,747

1. Includes securities segregated for regulatory and other purposes accounted for at fair value under the fair value option, which consists of securities borrowed and resale agreements. In addition, level 1 consists of securities segregated for regulatory and other purposes accounted for at fair value under other U.S. GAAP, consisting of U.S. Treasury securities and money market instruments.

Transfers Between Levels of the Fair Value Hierarchy

Transfers between levels of the fair value hierarchy are reported at the beginning of the reporting period in which they occur. There were no transfers of other financial assets and financial liabilities between level 1 and level 2 during 2014 or 2013. The tables below present information about transfers between level 2 and level 3.

Level 3 Rollforward

If a financial asset or financial liability was transferred to level 3 during a reporting year, its entire gain or loss for the year is included in level 3.

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

Level 3 Other Financial Assets at Fair Value for the Year Ended December 2014

$ in millions	Balance, beginning of year	Net realized gains/ (losses)	Net unrealized gains/(losses) relating to instruments still held at year-end	Purchases	Sales	Issuances	Settlements	Transfers into level 3	Transfers out of level 3	Balance, end of year
Securities purchased under agreements to resell	$ 63	$ —	$ —	$ —	$ —	$ —	$ (63)	$ —	$ —	$ —
Receivables from customers and counterparties	235	3	2	29	—	—	(33)	—	(180)	56
Total	$ 298	$ 3 [1]	$ 2 [1]	$29	$ —	$ —	$ (96)	$ —	$ (180)	$ 56

1. Included in "Market making."

Level 3 Other Financial Liabilities at Fair Value for the Year Ended December 2014

$ in millions	Balance, beginning of year	Net realized (gains)/ losses	Net unrealized (gains)/losses relating to instruments still held at year-end	Purchases	Sales	Issuances	Settlements	Transfers into level 3	Transfers out of level 3	Balance, end of year
Deposits	$ 385	$ —	$ 21	$(5)	$ —	$ 442	$ (6)	$ 280	$ (52)	$1,065
Securities sold under agreements to repurchase	1,010	—	—	—	—	—	(886)	—	—	124
Other secured financings	1,019	31	(27)	20	—	402	(521)	364	(197)	1,091
Unsecured short-term borrowings	3,387	11	251	5	—	2,246	(1,828)	981	(1,341)	3,712
Unsecured long-term borrowings	1,837	46	(56)	(3)	—	1,221	(446)	1,344	(1,358)	2,585
Other liabilities and accrued expenses	26	5	434	—	19	—	(20)	301	(50)	715
Total	$7,664	$93 [1]	$ 623 [1]	$17	$19	$4,311	$(3,707)	$3,270	$(2,998)	$9,292

1. The aggregate amounts include (gains)/losses of approximately $(150) million, $833 million and $33 million reported in "Market making," "Other principal transactions" and "Interest expense," respectively.

The net unrealized loss on level 3 other financial assets and liabilities of $621 million (reflecting $2 million of gains on other financial assets and $623 million of losses on other financial liabilities) for 2014 primarily reflected losses on certain subordinated liabilities included in other liabilities and accrued expenses, principally due to changes in the market value of the related underlying investments, and certain hybrid financial instruments included in unsecured short-term borrowings, principally due to an increase in global equity prices.

Transfers out of level 3 of other financial assets during 2014 primarily reflected transfers of certain secured loans included in receivables from customers and counterparties to level 2, principally due to unobservable inputs not being significant to the net risk of the portfolio.

Transfers into level 3 of other financial liabilities during 2014 primarily reflected transfers of certain hybrid financial instruments included in unsecured long-term and short-term borrowings from level 2, principally due to unobservable inputs being significant to the valuation of these instruments, and transfers from level 3 unsecured long-term borrowings to level 3 unsecured short-term borrowings, as these borrowings neared maturity.

Transfers out of level 3 of other financial liabilities during 2014 primarily reflected transfers of certain hybrid financial instruments included in unsecured long-term and short-term borrowings to level 2, principally due to increased transparency of certain correlation and volatility inputs used to value these instruments, transfers of certain other hybrid financial instruments included in unsecured short-term borrowings to level 2, principally due to certain unobservable inputs not being significant to the valuation of these hybrid financial instruments, and transfers to level 3 unsecured short-term borrowings from level 3 unsecured long-term borrowings, as these borrowings neared maturity.

	Level 3 Other Financial Assets at Fair Value for the Year Ended December 2013									
$ in millions	Balance, beginning of year	Net realized gains/ (losses)	Net unrealized gains/(losses) relating to instruments still held at year-end	Purchases	Sales	Issuances	Settlements	Transfers into level 3	Transfers out of level 3	Balance, end of year
Securities purchased under agreements to resell	$ 278	$ 4	$ —	$ —	$ —	$ —	$ (16)	$ —	$ (203)	$ 63
Receivables from customers and counterparties	641	1	14	54	(474)	—	(1)	—	—	235
Other assets	507	—	—	—	(507)	—	—	—	—	—
Total	$ 1,426	$ 5 [1]	$ 14 [1]	$54	$ (981)	$ —	$ (17)	$ —	$ (203)	$ 298

1. The aggregate amounts include gains of approximately $14 million, $1 million and $4 million reported in "Market making," "Other principal transactions" and "Interest income," respectively.

	Level 3 Other Financial Liabilities at Fair Value for the Year Ended December 2013									
$ in millions	Balance, beginning of year	Net realized (gains)/ losses	Net unrealized (gains)/losses relating to instruments still held at year-end	Purchases	Sales	Issuances	Settlements	Transfers into level 3	Transfers out of level 3	Balance, end of year
Deposits	$ 359	$ —	$ (6)	$ —	$ —	$ 109	$ (6)	$ —	$ (71)	$ 385
Securities sold under agreements to repurchase	1,927	—	—	—	—	—	(917)	—	—	1,010
Other secured financings	1,412	10	2	—	—	708	(894)	126	(345)	1,019
Unsecured short-term borrowings	2,584	1	239	—	—	1,624	(1,502)	714	(273)	3,387
Unsecured long-term borrowings	1,917	22	43	(3)	—	470	(558)	671	(725)	1,837
Other liabilities and accrued expenses	11,274	(29)	(2)	—	(10,288)	—	(426)	—	(503)	26
Total	$19,473	$ 4 [1]	$276 [1]	$ (3)	$(10,288)	$2,911	$(4,303)	$1,511	$(1,917)	$7,664

1. The aggregate amounts include losses of approximately $184 million, $88 million and $8 million reported in "Market making," "Other principal transactions" and "Interest expense," respectively.

The net unrealized loss on level 3 other financial assets and liabilities of $262 million (reflecting $14 million of gains on other financial assets and $276 million of losses on other financial liabilities) for 2013 primarily reflected losses on certain hybrid financial instruments included in unsecured short-term borrowings, principally due to an increase in global equity prices.

Sales of other liabilities and accrued expenses during 2013 primarily reflected the sale of a majority stake in the firm's European insurance business.

Transfers out of level 3 of other financial assets during 2013 primarily reflected transfers of certain resale agreements to level 2, principally due to increased price transparency as a result of market transactions in similar instruments.

Transfers into level 3 of other financial liabilities during 2013 primarily reflected transfers of certain hybrid financial instruments included in unsecured short-term and long-term borrowings from level 2, principally due to decreased transparency of certain correlation and volatility inputs used to value these instruments.

Transfers out of level 3 of other financial liabilities during 2013 primarily reflected transfers of certain hybrid financial instruments included in unsecured short-term and long-term borrowings to level 2, principally due to increased transparency of certain correlation and volatility inputs used to value these instruments, and transfers of subordinated liabilities included in other liabilities and accrued expenses to level 2, principally due to increased price transparency as a result of market transactions in the related underlying investments.

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

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

The amounts in the table 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) on Financial Assets and Financial Liabilities at Fair Value Under the Fair Value Option		
	Year Ended December		
$ in millions	**2014**	2013	2012
Unsecured short-term borrowings [1]	**$(1,180)**	$(1,145)	$ (973)
Unsecured long-term borrowings [2]	**(592)**	683	(1,523)
Other liabilities and accrued expenses [3]	**(441)**	(167)	(1,486)
Other [4]	**(366)**	(443)	(81)
Total	**$(2,579)**	$(1,072)	$(4,063)

1. Includes losses on the embedded derivative component of hybrid financial instruments of $1.22 billion for 2014, $1.04 billion for 2013 and $814 million for 2012, respectively.
2. Includes gains/(losses) on the embedded derivative component of hybrid financial instruments of $(697) million for 2014, $902 million for 2013 and $(887) million for 2012, respectively.
3. Includes gains/(losses) on certain subordinated liabilities issued by consolidated VIEs. Gains/(losses) for 2013 and 2012 also includes gains on certain insurance contracts.
4. Primarily consists of gains/(losses) on securities purchased under agreements to resell, securities borrowed, receivables from customers and counterparties, deposits and other secured financings.

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

Loans and Lending Commitments

The table below presents the difference between the aggregate fair value and the aggregate contractual principal amount for loans and long-term receivables for which the fair value option was elected.

	As of December	
$ in millions	**2014**	2013
Performing loans and long-term receivables		
Aggregate contractual principal in excess of the related fair value	**$1,699**	$3,106
Loans on nonaccrual status and/or more than 90 days past due [1]		
Aggregate contractual principal in excess of the related fair value (excluding loans carried at zero fair value and considered uncollectible)	**13,106**	11,041
Aggregate fair value of loans on nonaccrual status and/or more than 90 days past due	**3,333**	2,781

1. The aggregate contractual principal amount of these loans exceeds the related fair value primarily because the firm regularly purchases loans, such as distressed loans, at values significantly below contractual principal amounts.

As of December 2014 and December 2013, the fair value of unfunded lending commitments for which the fair value option was elected was a liability of $402 million and $1.22 billion, respectively, and the related total contractual amount of these lending commitments was $26.19 billion and $51.54 billion, respectively. See Note 18 for further information about lending commitments.

Long-Term Debt Instruments

The aggregate contractual principal amount of long-term other secured financings for which the fair value option was elected exceeded the related fair value by $203 million and $154 million as of December 2014 and December 2013, respectively. The aggregate contractual principal amount of unsecured long-term borrowings for which the fair value option was elected exceeded the related fair value by $163 million and $92 million as of December 2014 and December 2013, respectively. The amounts above include both principal and non-principal-protected long-term borrowings.

Impact of Credit Spreads on Loans and Lending Commitments

The estimated net gain attributable to changes in instrument-specific credit spreads on loans and lending commitments for which the fair value option was elected was $1.83 billion for 2014, $2.69 billion for 2013 and $3.07 billion for 2012, respectively. Changes in the fair value of loans and lending commitments are primarily attributable to changes in instrument-specific credit spreads. Substantially all of the firm's performing loans and lending commitments are floating-rate.

Impact of Credit Spreads on Borrowings

The table below presents the net gains/(losses) attributable to the impact of changes in the firm's own credit spreads on borrowings for which the fair value option was elected. The firm calculates the fair value of borrowings by discounting future cash flows at a rate which incorporates the firm's credit spreads.

	Year Ended December		
$ in millions	**2014**	2013	2012
Net gains/(losses) including hedges	**$144**	$(296)	$(714)
Net gains/(losses) excluding hedges	**142**	(317)	(800)

Note 9.
Loans Receivable

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

	As of December	
$ in millions	**2014**	2013
Corporate loans	**$15,044**	$ 7,667
Loans to private wealth management clients	**11,289**	6,558
Loans backed by commercial real estate	**1,705**	809
Other loans	**1,128**	—
Subtotal	**29,166**	15,034
Allowance for loan losses	**(228)**	(139)
Total loans receivable	**$28,938**	$14,895

As of December 2014 and December 2013, the fair value of "Loans receivable" was $28.90 billion and $14.91 billion, respectively. As of December 2014, had these loans been carried at fair value and included in the fair value hierarchy, $13.75 billion and $15.15 billion would have been classified in level 2 and level 3, respectively. As of December 2013, had these loans been carried at fair value and included in the fair value hierarchy, $6.16 billion and $8.75 billion would have been classified in level 2 and level 3, respectively.

The firm also extends lending commitments that are held for investment and accounted for on an accrual basis. As of December 2014 and December 2013, such lending commitments were $66.22 billion and $35.66 billion, respectively, substantially all of which were extended to corporate borrowers. The carrying value and the estimated fair value of such lending commitments were liabilities of $199 million and $1.86 billion, respectively, as of December 2014, and $132 million and $1.02 billion, respectively, as of December 2013. Had these commitments been included in the firm's fair value hierarchy, they would have primarily been classified in level 3 as of both December 2014 and December 2013.

Below is a description of the captions in the table above.

- **Corporate Loans.** Corporate loans include term loans, revolving lines of credit, letter of credit facilities and bridge loans, and are principally used for operating liquidity and general corporate purposes, or in connection with acquisitions. Corporate loans may be secured or unsecured, depending on the loan purpose, the risk profile of the borrower and other factors. The majority of these loans have maturities between one year and five years and carry a floating interest rate.
- **Loans to Private Wealth Management Clients.** Loans to the firm's private wealth management clients include loans used by clients to finance private asset purchases, employ leverage for strategic investments in real or financial assets, bridge cash flow timing gaps or provide liquidity for other needs. Such loans are primarily secured by securities or other assets. The majority of these loans are demand or short-term loans and carry a floating interest rate.
- **Loans Backed by Commercial Real Estate.** Loans backed by commercial real estate include loans collateralized by hotels, retail stores, multifamily housing complexes and commercial and industrial properties. The majority of these loans have maturities between one year and five years and carry a floating interest rate.
- **Other Loans.** Other loans primarily include loans secured by consumer loans, residential real estate and other assets. The majority of these loans have maturities between one year and five years and carry a floating interest rate.

Credit Quality

The firm's risk assessment process includes evaluating the credit quality of its loans receivable. The firm performs credit reviews which include initial and ongoing analyses of its borrowers. A credit review is an independent analysis of the capacity and willingness of a borrower to meet its financial obligations, resulting in an internal credit rating. The determination of internal credit ratings also incorporates assumptions with respect to the nature of and outlook for the borrower's industry, and the economic environment. The firm also assigns a regulatory risk rating to such loans based on the definitions provided by the U.S. federal bank regulatory agencies.

As of December 2014 and December 2013, loans receivable were primarily extended to non-investment-grade borrowers and lending commitments held for investment and accounted for on an accrual basis were primarily extended to investment-grade borrowers. Substantially all of these loans and lending commitments align with the U.S. federal bank regulatory agencies' definition of Pass. Loans and lending commitments meet the definition of Pass when they are performing and/or do not demonstrate adverse characteristics that are likely to result in a credit loss.

Impaired Loans and Loans on Non-Accrual Status

A loan is determined to be impaired when it is probable that the firm will not be able to collect all principal and interest due under the contractual terms of the loan. At that time, loans are placed on non-accrual status and all accrued but uncollected interest is reversed against interest income and interest subsequently collected is recognized on a cash basis to the extent the loan balance is deemed collectible. Otherwise all cash received is used to reduce the outstanding loan balance. As of December 2014 and December 2013, impaired loans receivable in non-accrual status were not material.

Allowance for Losses on Loans and Lending Commitments

The firm's allowance for loan losses is comprised of two components: specific loan level reserves and a collective, portfolio level reserve. Specific loan level reserves are determined on loans that exhibit credit quality weakness and are therefore individually evaluated for impairment. Portfolio level reserves are determined on the remaining loans, not deemed impaired, by aggregating groups of loans with similar risk characteristics and estimating the probable loss inherent in the portfolio. As of December 2014 and December 2013, substantially all of the firm's loans receivable were evaluated for impairment at the portfolio level.

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

The firm also records an allowance for losses on lending commitments that are held for investment and accounted for on an accrual basis. Such allowance is determined using the same methodology as the allowance for loan losses, while also taking into consideration the probability of drawdowns or funding and is included in "Other liabilities and accrued expenses" in the consolidated statements of financial condition. As of December 2014 and December 2013, substantially all of such lending commitments were evaluated for impairment at the portfolio level.

The tables below present the changes in allowance for loan losses, and allowance for losses on lending commitments for the years ended December 2014 and December 2013.

$ in millions	Year Ended December	
Allowance for loan losses	**2014**	2013
Balance, beginning of year	**$139**	$ 24
Charge-offs	**(3)**	—
Provision for loan losses	**92**	115
Balance, end of year	**$228**	$139

$ in millions	Year Ended December	
Allowance for losses on lending commitments	**2014**	2013
Balance, beginning of year	**$ 57**	$ 28
Provision for losses on lending commitments	**29**	29
Balance, end of year	**$ 86**	$ 57

The provision for losses on loans and lending commitments is included in "Other principal transactions" in the consolidated statements of earnings. As of December 2014 and December 2013, substantially all of the allowance for loan losses and allowance for losses on lending commitments were related to corporate loans and corporate lending commitments. Substantially all of these allowances were determined at the portfolio level.

Note 10.

Collateralized Agreements and Financings

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

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

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

	As of December	
$ in millions	**2014**	2013
Securities purchased under agreements to resell [1]	**$127,938**	$161,732
Securities borrowed [2]	**160,722**	164,566
Securities sold under agreements to repurchase [1]	**88,215**	164,782
Securities loaned [2]	**5,570**	18,745

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

2. As of December 2014 and December 2013, $66.77 billion and $60.38 billion of securities borrowed, and $765 million and $973 million of securities loaned were at fair value, respectively.

Resale and Repurchase Agreements

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

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

The financial instruments purchased or sold in resale and repurchase agreements typically include U.S. government and federal agency, and investment-grade sovereign obligations.

The firm receives financial instruments purchased under resale agreements, makes delivery of financial instruments sold under repurchase agreements, 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 statements of financial condition.

Even though repurchase and resale agreements 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 at the maturity of the agreement. However, "repos-to-maturity" are accounted for as sales. A repo-to-maturity is a transaction in which the firm transfers a security under an agreement to repurchase the security where the maturity date of the repurchase agreement matches the maturity date of the underlying security. Therefore, the firm effectively no longer has a repurchase obligation and has relinquished control over the underlying security and, accordingly, accounts for the transaction as a sale. See Note 3 for information about changes to the accounting for repos-to-maturity which became effective in January 2015. The firm had no repos-to-maturity outstanding as of December 2014 and December 2013.

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

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

Securities borrowed and loaned within Securities Services are recorded based on the amount of cash collateral advanced or received plus accrued interest. As these arrangements generally can be terminated on demand, they exhibit little, if any, sensitivity to changes in interest rates. Therefore, the carrying value of such arrangements approximates fair value. While these arrangements are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm's fair value hierarchy in Notes 6 through 8. Had these arrangements been included in the firm's fair value hierarchy, they would have been classified in level 2 as of December 2014 and December 2013.

Offsetting Arrangements

The tables below present the gross and net resale and repurchase agreements and securities borrowed and loaned transactions, and the related amount of netting with the same counterparty under enforceable netting agreements (i.e., counterparty netting) included in the consolidated statements of financial condition. Substantially all of the gross carrying values of these arrangements are subject to enforceable netting agreements. The tables below also present the amounts not offset in the consolidated statements of financial condition including counterparty netting that does not meet the criteria for netting under U.S. GAAP and the fair value of cash or securities collateral received or posted subject to enforceable credit support agreements. 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 in the tables below.

	As of December 2014			
	Assets		Liabilities	
$ in millions	Resale agreements	Securities borrowed	Repurchase agreements	Securities loaned
Amounts included in the consolidated statements of financial condition				
Gross carrying value	$ 160,644	$ 171,384	$ 114,879	$ 9,150
Counterparty netting	(26,664)	(3,580)	(26,664)	(3,580)
Total	133,980 [1]	167,804 [1]	88,215	5,570
Amounts not offset in the consolidated statements of financial condition				
Counterparty netting	(3,834)	(641)	(3,834)	(641)
Collateral	(124,528)	(154,058)	(78,457)	(4,882)
Total	$ 5,618	$ 13,105	$ 5,924	$ 47

	As of December 2013			
	Assets		Liabilities	
$ in millions	Resale agreements	Securities borrowed	Repurchase agreements	Securities loaned
Amounts included in the consolidated statements of financial condition				
Gross carrying value	$ 190,536	$ 172,283	$ 183,913	$ 23,700
Counterparty netting	(19,131)	(4,955)	(19,131)	(4,955)
Total	171,405 [1]	167,328 [1]	164,782	18,745
Amounts not offset in the consolidated statements of financial condition				
Counterparty netting	(10,725)	(2,224)	(10,725)	(2,224)
Collateral	(152,914)	(147,223)	(141,300)	(16,278)
Total	$ 7,766	$ 17,881	$ 12,757	$ 243

1. As of December 2014 and December 2013, the firm had $6.04 billion and $9.67 billion, respectively, of securities received under resale agreements, and $7.08 billion and $2.77 billion, respectively, of securities borrowed transactions that were segregated to satisfy certain regulatory requirements. These securities are included in "Cash and securities segregated for regulatory and other purposes."

Other Secured Financings

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

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

Other secured financings include arrangements that are nonrecourse. As of December 2014 and December 2013, nonrecourse other secured financings were $1.94 billion and $1.54 billion, respectively.

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

Other secured financings that are not recorded at fair value are recorded based on the amount of cash received plus accrued interest, which generally approximates fair value. While these financings are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm's fair value hierarchy in Notes 6 through 8. Had these financings been included in the firm's fair value hierarchy, they would have primarily been classified in level 2 as of December 2014 and December 2013.

The tables below present information about other secured financings.

$ in millions	As of December 2014 U.S. Dollar	Non-U.S. Dollar	Total
Other secured financings (short-term):			
At fair value	**$ 7,887**	**$ 7,668**	**$15,555**
At amortized cost	**5**	**—**	**5**
Weighted average interest rates	***4.33%***	***—%***	
Other secured financings (long-term):			
At fair value	**3,290**	**2,605**	**5,895**
At amortized cost	**580**	**774**	**1,354**
Weighted average interest rates	***2.69%***	***2.31%***	
Total[1]	**$11,762**	**$11,047**	**$22,809**
Amount of other secured financings collateralized by:			
Financial instruments[2]	**$11,460**	**$10,483**	**$21,943**
Other assets	**302**	**564**	**866**

$ in millions	As of December 2013 U.S. Dollar	Non-U.S. Dollar	Total
Other secured financings (short-term):			
At fair value	$ 9,374	$ 7,828	$17,202
At amortized cost	88	—	88
Weighted average interest rates	*2.86%*	*—%*	
Other secured financings (long-term):			
At fair value	3,711	2,678	6,389
At amortized cost	372	763	1,135
Weighted average interest rates	*3.78%*	*1.53%*	
Total[1]	$13,545	$11,269	$24,814
Amount of other secured financings collateralized by:			
Financial instruments[2]	$13,366	$10,880	$24,246
Other assets	179	389	568

1. Includes $974 million and $1.54 billion related to transfers of financial assets accounted for as financings rather than sales as of December 2014 and December 2013, respectively. Such financings were collateralized by financial assets included in "Financial instruments owned, at fair value" of $995 million and $1.58 billion as of December 2014 and December 2013, respectively.

2. Includes $10.24 billion and $14.75 billion of other secured financings collateralized by financial instruments owned, at fair value as of December 2014 and December 2013, respectively, and includes $11.70 billion and $9.50 billion of other secured financings collateralized by financial instruments received as collateral and repledged as of December 2014 and December 2013, respectively.

In the tables above:

- Short-term secured financings include financings maturing within one year of the financial statement date and financings that are redeemable within one year of the financial statement date at the option of the holder.
- Long-term secured financings that are repayable prior to maturity at the option of the firm are reflected at their contractual maturity dates.
- Long-term secured financings that are redeemable prior to maturity at the option of the holders are reflected at the dates such options become exercisable.
- Weighted average interest rates exclude secured financings at fair value and include the effect of hedging activities. See Note 7 for further information about hedging activities.

The table below presents other secured financings by maturity.

$ in millions	As of December 2014
Other secured financings (short-term)	**$15,560**
Other secured financings (long-term):	
2016	**3,304**
2017	**1,800**
2018	**938**
2019	**465**
2020-thereafter	**742**
Total other secured financings (long-term)	**7,249**
Total other secured financings	**$22,809**

Collateral Received and Pledged

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

In many cases, the firm is permitted to deliver or repledge financial instruments received as collateral when entering into repurchase agreements and securities lending agreements, 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, collateralizing derivative transactions and meeting firm or customer settlement requirements.

The firm also pledges certain financial instruments owned, at fair value in connection with repurchase agreements, securities lending agreements and other secured financings, and other assets (primarily 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 by the firm.

	As of December	
$ in millions	**2014**	2013
Collateral available to be delivered or repledged [1]	**$630,046**	$608,390
Collateral that was delivered or repledged	**474,057**	450,127

1. As of December 2014 and December 2013, amounts exclude $6.04 billion and $9.67 billion, respectively, of securities received under resale agreements, and $7.08 billion and $2.77 billion, respectively, of securities borrowed transactions that contractually had the right to be delivered or repledged, but were segregated to satisfy certain regulatory requirements.

The table below presents information about assets pledged.

	As of December	
$ in millions	**2014**	2013
Financial instruments owned, at fair value pledged to counterparties that:		
Had the right to deliver or repledge	**$64,473**	$62,348
Did not have the right to deliver or repledge	**68,027**	84,799
Other assets pledged to counterparties that:		
Did not have the right to deliver or repledge	**1,304**	769

Note 11.

Securitization Activities

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

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

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

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

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

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

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

	Year Ended December		
$ in millions	**2014**	2013	2012
Residential mortgages	**$19,099**	$29,772	$33,755
Commercial mortgages	**2,810**	6,086	300
Other financial assets	**1,009**	—	—
Total	**$22,918**	$35,858	$34,055
Cash flows on retained interests	**$ 215**	$ 249	$ 389

The tables below present the firm's continuing involvement in nonconsolidated securitization entities to which the firm sold assets, as well as the total outstanding principal amount of transferred assets in which the firm has continuing involvement. In these tables:

- The outstanding principal amount is presented for the purpose of providing information about the size of the securitization entities in which the firm has continuing involvement and is not representative of the firm's risk of loss.
- For retained or purchased interests, the firm's risk of loss is limited to the fair value of these interests.
- Purchased interests represent senior and subordinated interests, purchased in connection with secondary market-making activities, in securitization entities in which the firm also holds retained interests.

	As of December 2014		
$ in millions	**Outstanding Principal Amount**	**Fair Value of Retained Interests**	**Fair Value of Purchased Interests**
U.S. government agency-issued collateralized mortgage obligations	**$56,792**	**$2,140**	**$ —**
Other residential mortgage-backed	**2,273**	**144**	**5**
Other commercial mortgage-backed	**3,313**	**86**	**45**
CDOs, CLOs and other	**4,299**	**59**	**17**
Total	**$66,677**	**$2,429**	**$ 67**

	As of December 2013		
$ in millions	Outstanding Principal Amount	Fair Value of Retained Interests	Fair Value of Purchased Interests
U.S. government agency-issued collateralized mortgage obligations	$61,543	$3,455	$ —
Other residential mortgage-backed	2,072	46	—
Other commercial mortgage-backed	7,087	140	153
CDOs, CLOs and other	6,861	86	8
Total [1]	$77,563	$3,727	$161

1. Outstanding principal amount includes $418 million related to securitization entities in which the firm's only continuing involvement is retained servicing which is not a variable interest.

In addition, the outstanding principal and fair value of retained interests in the tables above relate to the following types of securitizations and vintage as described:

- The outstanding principal amount and fair value of retained interests for U.S. government agency-issued collateralized mortgage obligations as of December 2014 primarily relate to securitizations during 2014 and 2013, and as of December 2013 primarily relate to securitizations during 2013 and 2012.
- The outstanding principal amount and fair value of retained interests for other residential mortgage-backed obligations as of December 2014 primarily relate to resecuritizations during 2014, and prime and Alt-A securitizations during 2007, and as of December 2013 primarily relate to prime and Alt-A securitizations during 2007 and 2006.
- The outstanding principal amount and fair value of retained interests for other commercial mortgage-backed obligations as of December 2014 primarily relate to securitizations during 2014, and as of December 2013 primarily relate to securitizations during 2013.
- The outstanding principal amount and fair value of retained interests for CDOs, CLOs and other as of December 2014 primarily relate to securitizations during 2014 and 2007, and as of December 2013 primarily relate to securitizations during 2007.

In addition to the interests in the tables above, the firm had other continuing involvement in the form of derivative transactions with certain nonconsolidated VIEs. The carrying value of these derivatives was a net asset of $115 million and $26 million as of December 2014 and December 2013, respectively. The notional amounts of these derivatives are included in maximum exposure to loss in the nonconsolidated VIE tables in Note 12.

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

	As of December 2014	
	Type of Retained Interests	
$ in millions	Mortgage-Backed	Other [1]
Fair value of retained interests	$ 2,370	$ 59
Weighted average life (years)	7.6	3.6
Constant prepayment rate	13.2%	N.M.
Impact of 10% adverse change	$ (33)	N.M.
Impact of 20% adverse change	(66)	N.M.
Discount rate	4.1%	N.M.
Impact of 10% adverse change	$ (50)	N.M.
Impact of 20% adverse change	(97)	N.M.

	As of December 2013	
	Type of Retained Interests	
$ in millions	Mortgage-Backed	Other [1]
Fair value of retained interests	$3,641	$ 86
Weighted average life (years)	8.3	1.9
Constant prepayment rate	7.5%	N.M.
Impact of 10% adverse change	$ (36)	N.M.
Impact of 20% adverse change	(64)	N.M.
Discount rate	3.9%	N.M.
Impact of 10% adverse change	$ (85)	N.M.
Impact of 20% adverse change	(164)	N.M.

1. Due to the nature and current fair value of certain of these retained interests, the weighted average assumptions for constant prepayment and discount rates and the related sensitivity to adverse changes are not meaningful as of December 2014 and December 2013. The firm's maximum exposure to adverse changes in the value of these interests is the carrying value of $59 million and $86 million as of December 2014 and December 2013, respectively.

In the tables above:

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

Note 12.

Variable Interest Entities

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

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

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

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

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

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

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

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

VIE Consolidation Analysis

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

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

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

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

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

Nonconsolidated VIEs

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 tables below present information about nonconsolidated VIEs in which the firm holds variable interests. Nonconsolidated VIEs are aggregated based on principal business activity. The nature of the firm's variable interests can take different forms, as described in the rows under maximum exposure to loss. In the tables below:

- The maximum exposure to loss excludes the benefit of offsetting financial instruments that are held to mitigate the risks associated with these variable interests.
- For retained and purchased interests, and loans and investments, the maximum exposure to loss is the carrying value of these interests.
- For commitments and guarantees, and derivatives, the maximum exposure to loss is the notional amount, which does not represent anticipated losses and also has not been reduced by unrealized losses already recorded. As a result, the maximum exposure to loss exceeds liabilities recorded for commitments and guarantees, and derivatives provided to VIEs.

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

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

$ in millions	Nonconsolidated VIEs as of December 2014					
	Mortgage-backed	Corporate CDOs and CLOs	Real estate, credit-related and other investing	Other asset-backed	Other	Total
Assets in VIE	**$78,107 [2]**	**$ 8,317**	**$8,720**	**$8,253**	**$5,677**	**$109,074**
Carrying Value of the Firm's Variable Interests						
Assets	**4,348**	**463**	**3,051**	**509**	**290**	**8,661**
Liabilities	**—**	**3**	**3**	**16**	**—**	**22**
Maximum Exposure to Loss in Nonconsolidated VIEs						
Retained interests	**2,370**	**4**	**—**	**55**	**—**	**2,429**
Purchased interests	**1,978**	**184**	**—**	**322**	**—**	**2,484**
Commitments and guarantees	**—**	**—**	**604**	**213**	**307**	**1,124**
Derivatives [1]	**392**	**2,053**	**—**	**3,221**	**88**	**5,754**
Loans and investments	**—**	**—**	**3,051**	**—**	**290**	**3,341**
Total	**$ 4,740 [2]**	**$ 2,241**	**$3,655**	**$3,811**	**$ 685**	**$ 15,132**

$ in millions	Nonconsolidated VIEs as of December 2013					
	Mortgage-backed	Corporate CDOs and CLOs	Real estate, credit-related and other investing	Other asset-backed	Other	Total
Assets in VIE	$86,562 [2]	$19,761	$8,599	$4,401	$2,925	$122,248
Carrying Value of the Firm's Variable Interests						
Assets	5,269	1,063	2,756	284	165	9,537
Liabilities	—	3	2	40	—	45
Maximum Exposure to Loss in Nonconsolidated VIEs						
Retained interests	3,641	80	—	6	—	3,727
Purchased interests	1,627	659	—	142	—	2,428
Commitments and guarantees	—	—	485	—	281	766
Derivatives [1]	586	4,809	—	2,115	—	7,510
Loans and investments	—	—	2,756	—	165	2,921
Total	$ 5,854 [2]	$ 5,548	$3,241	$2,263	$ 446	$ 17,352

1. The aggregate amounts include $1.64 billion and $2.01 billion as of December 2014 and December 2013, respectively, related to derivative transactions with VIEs to which the firm transferred assets.
2. Assets in VIE and maximum exposure to loss include $3.57 billion and $662 million, respectively, as of December 2014, and $4.55 billion and $900 million, respectively, as of December 2013, related to CDOs backed by mortgage obligations.

Consolidated VIEs

The tables below present the carrying amount and classification of assets and liabilities in consolidated VIEs, excluding the benefit of offsetting financial instruments that are held to mitigate the risks associated with the firm's variable interests. Consolidated VIEs are aggregated based on principal business activity and their assets and liabilities are presented net of intercompany eliminations. The majority of the assets in principal-protected notes VIEs are intercompany and are eliminated in consolidation.

Substantially all the assets in consolidated VIEs can only be used to settle obligations of the VIE.

The tables below exclude VIEs in which the firm holds a majority voting interest 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.

The liabilities of real estate, credit-related and other investing VIEs, and CDOs, mortgage-backed and other asset-backed VIEs do not have recourse to the general credit of the firm.

	Consolidated VIEs as of December 2014			
$ in millions	Real estate, credit-related and other investing	CDOs, mortgage-backed and other asset-backed	Principal-protected notes	Total
Assets				
Cash and cash equivalents	**$ 218**	**$ —**	**$ —**	**$ 218**
Cash and securities segregated for regulatory and other purposes	**19**	**—**	**31**	**50**
Loans receivable	**589**	**—**	**—**	**589**
Financial instruments owned, at fair value	**2,608**	**121**	**276**	**3,005**
Other assets	**349**	**—**	**—**	**349**
Total	**$3,783**	**$121**	**$ 307**	**$4,211**
Liabilities				
Other secured financings	**$ 419**	**$ 99**	**$ 439**	**$ 957**
Financial instruments sold, but not yet purchased, at fair value	**10**	**8**	**—**	**18**
Unsecured short-term borrowings, including the current portion of unsecured long-term borrowings	**—**	**—**	**1,090**	**1,090**
Unsecured long-term borrowings	**12**	**—**	**103**	**115**
Other liabilities and accrued expenses	**906**	**—**	**—**	**906**
Total	**$1,347**	**$107**	**$1,632**	**$3,086**

	Consolidated VIEs as of December 2013			
$ in millions	Real estate, credit-related and other investing	CDOs, mortgage-backed and other asset-backed	Principal-protected notes	Total
Assets				
Cash and cash equivalents	$ 183	$ —	$ —	$ 183
Cash and securities segregated for regulatory and other purposes	84	—	63	147
Loans receivable	50	—	—	50
Financial instruments owned, at fair value	1,309	310	155	1,774
Other assets	921	—	—	921
Total	$2,547	$310	$ 218	$3,075
Liabilities				
Other secured financings	$ 417	$198	$ 404	$1,019
Unsecured short-term borrowings, including the current portion of unsecured long-term borrowings	—	—	1,258	1,258
Unsecured long-term borrowings	57	—	193	250
Other liabilities and accrued expenses	556	—	—	556
Total	$1,030	$198	$1,855	$3,083

Note 13.

Other Assets

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

$ in millions	As of December 2014	2013
Property, leasehold improvements and equipment	$ 9,344	$ 9,196
Goodwill and identifiable intangible assets	4,160	4,376
Income tax-related assets	5,181	5,241
Equity-method investments [1]	360	417
Miscellaneous receivables and other [2]	3,554	3,279
Total	$22,599	$22,509

1. Excludes investments accounted for at fair value under the fair value option where the firm would otherwise apply the equity method of accounting of $6.62 billion and $6.07 billion as of December 2014 and December 2013, respectively, which are included in "Financial instruments owned, at fair value." The firm has generally elected the fair value option for such investments acquired after the fair value option became available.

2. Includes $461 million related to investments in qualified affordable housing projects as of December 2014.

Property, Leasehold Improvements and Equipment

Property, leasehold improvements and equipment in the table above is presented net of accumulated depreciation and amortization of $8.98 billion and $9.04 billion as of December 2014 and December 2013, respectively. Property, leasehold improvements and equipment included $5.81 billion and $6.02 billion as of December 2014 and December 2013, respectively, related to property, leasehold improvements and equipment that the firm uses in connection with its operations. The remainder is held by investment entities, including VIEs, consolidated by the firm.

Substantially all property and equipment are depreciated on a straight-line basis over the useful life of the asset. Leasehold improvements are amortized on a straight-line basis over the useful life of the improvement or the term of the lease, whichever is shorter. Certain costs of software developed or obtained for internal use are capitalized and amortized on a straight-line basis over the useful life of the software.

Goodwill and Identifiable Intangible Assets

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

$ in millions	Goodwill as of December 2014	2013
Investment Banking:		
Financial Advisory	$ 98	$ 98
Underwriting	183	183
Institutional Client Services:		
Fixed Income, Currency and Commodities Client Execution	269	269
Equities Client Execution	2,403	2,404
Securities Services	105	105
Investing & Lending [1]	—	60
Investment Management	587	586
Total	$3,645	$3,705

$ in millions	Identifiable Intangible Assets as of December 2014	2013
Institutional Client Services:		
Fixed Income, Currency and Commodities Client Execution [2]	$ 138	$ 35
Equities Client Execution [3]	246	348
Investing & Lending [1]	18	180
Investment Management	113	108
Total	$ 515	$ 671

1. The decrease from December 2013 to December 2014 for goodwill and identifiable intangible assets reflects the sale of two consolidated investments. The decrease in goodwill also reflects an impairment of $22 million in connection with the sale of Metro International Trade Services LLC (Metro). See "— Impairments" below for further information about the impairment.

2. The increase from December 2013 to December 2014 is primarily related to the acquisition of commodities-related intangible assets.

3. The decrease from December 2013 to December 2014 reflects an impairment related to the firm's exchange-traded fund lead market maker (LMM) rights.

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

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

The quantitative goodwill impairment test consists of two steps:

- The first step compares the estimated fair value of each reporting unit with its estimated net book value (including goodwill and identifiable intangible assets). If the reporting unit's fair value exceeds its estimated net book value, goodwill is not impaired.
- If the estimated fair value of a reporting unit is less than its estimated net book value, the second step of the goodwill impairment test is performed to measure the amount of impairment, if any. An impairment is equal to the excess of the carrying amount of goodwill over its fair value.

The firm performed a quantitative goodwill impairment test during the fourth quarter of 2012 (2012 quantitative goodwill test). When performing this test, the firm estimated the fair value of each reporting unit and compared it to the respective reporting unit's net book value (estimated carrying value). The reporting units were valued using relative value and residual income valuation techniques because the firm believes market participants would use these techniques to value the firm's reporting units. The net book value of each reporting unit reflected an allocation of total shareholders' equity and represented the estimated amount of shareholders' equity required to support the activities of the reporting unit under guidelines issued by the Basel Committee on Banking Supervision (Basel Committee) in December 2010. In performing its 2012 quantitative goodwill test, the firm determined that goodwill was not impaired, and the estimated fair value of the firm's reporting units, in which substantially all of the firm's goodwill is held, significantly exceeded their estimated carrying values.

During the fourth quarter of 2014, the firm assessed goodwill for impairment. 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 fair value of any of the reporting units was less than its carrying amount. The qualitative assessment also considered changes since the 2012 quantitative goodwill test.

In accordance with ASC 350, the firm considered the following factors in the 2014 qualitative assessment performed in the fourth quarter when evaluating whether it was more likely than not that the fair value of a reporting unit was less than its carrying amount:

- **Macroeconomic conditions.** Since the 2012 quantitative goodwill test was performed, the firm's general operating environment improved as credit spreads tightened, global equity prices increased significantly, and industry-wide mergers and acquisitions activity, and industry-wide debt and equity underwriting activity, improved.
- **Industry and market considerations.** Since the 2012 quantitative goodwill test was performed, industry-wide metrics have trended positively and most publicly-traded industry participants, including the firm, experienced increases in stock price, price-to-book multiples and price-to-earnings multiples. In addition, clarity was obtained on a number of regulations and other reforms have been adopted or proposed by regulators. Many of these rules are highly complex and their full impact will not be known until the rules are implemented and market practices develop under the final regulations. However, the firm does not expect compliance to have a significant negative impact on reporting unit results.
- **Cost factors.** Although certain expenses increased, there were no significant negative changes to the firm's overall cost structure since the 2012 quantitative goodwill test was performed.
- **Overall financial performance.** During 2014, the firm's net earnings, pre-tax margin, diluted earnings per common share, return on average common shareholders' equity and book value per common share increased as compared with 2012.

- **Entity-specific events.** There were no entity-specific events since the 2012 quantitative goodwill test was performed that would have had a significant negative impact on the valuation of the firm's reporting units.
- **Events affecting reporting units.** There were no events since the 2012 quantitative goodwill test was performed that would have had a significant negative impact on the valuation of the firm's reporting units.
- **Sustained changes in stock price.** Since the 2012 quantitative goodwill test was performed, the firm's stock price has increased significantly. In addition, the stock price exceeded book value per common share throughout most of 2013 and 2014.

The firm also considered other factors in its qualitative assessment, including changes in the book value of reporting units, the estimated excess of the fair values as compared with the carrying values for the reporting units in the 2012 quantitative goodwill test, projected earnings and the cost of equity. The firm considered all of the above factors in the aggregate as part of its qualitative assessment.

As a result of the 2014 qualitative assessment, the firm determined that it was more likely than not that the fair value of each of the reporting units exceeded its respective carrying amount. Therefore, the firm determined that goodwill was not impaired and that a quantitative goodwill impairment test was not required.

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

	As of December		
$ in millions	**2014**	Weighted Average Remaining Useful Lives *(years)*	2013
Customer lists			
Gross carrying amount	**$1,036**		$ 1,102
Accumulated amortization	**(715)**		(706)
Net carrying amount	**321**	**6**	396
Commodities-related [1]			
Gross carrying amount	**216**		510
Accumulated amortization	**(78)**		(341)
Net carrying amount	**138**	**8**	169
Other			
Gross carrying amount [2]	**200**		906
Accumulated amortization [2]	**(144)**		(800)
Net carrying amount	**56**	**5**	106
Total			
Gross carrying amount	**1,452**		2,518
Accumulated amortization	**(937)**		(1,847)
Net carrying amount	**$ 515**	**7**	$ 671

1. Includes commodities-related transportation rights, customer contracts and relationships, and permits.
2. The decrease from December 2013 to December 2014 is primarily due to the sale of the firm's New York Stock Exchange Designated Market Maker rights in August 2014.

Substantially all of the firm's identifiable intangible assets are considered to have finite useful lives and are amortized over their estimated useful lives using the straight-line method or based on economic usage for certain commodities-related intangibles.

The tables below present amortization for 2014, 2013 and 2012, and the estimated future amortization through 2019 for identifiable intangible assets.

	Year Ended December		
$ in millions	**2014**	2013	2012
Amortization	**$217**	$205	$338

$ in millions **Estimated future amortization**	**As of December 2014**
2015	**$117**
2016	**106**
2017	**96**
2018	**81**
2019	**53**

Impairments

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

During 2014 and 2013, primarily as a result of deterioration in market and operating conditions related to certain of the firm's consolidated investments and the firm's LMM rights, the firm determined that certain assets were impaired and recorded impairments of $360 million and $216 million, respectively.

- In 2014, these impairments consisted of $268 million related to property, leasehold improvements and equipment, substantially all of which was attributable to a consolidated investment in Latin America, $70 million related to identifiable intangible assets, primarily attributable to the firm's LMM rights, and $22 million related to goodwill as a result of the sale of Metro. The impairments related to property, leasehold improvements and equipment and goodwill were included in the firm's Investing & Lending segment and the impairments related to identifiable intangible assets were principally included in the firm's Institutional Client Services segment.
- In 2013, these impairments consisted of $160 million related to property, leasehold improvements and equipment and $56 million related to identifiable intangible assets primarily attributable to a consolidated investment in Latin America. Substantially all of these impairments were included in the firm's Investing & Lending segment.

The impairments in both 2014 and 2013 were included in "Depreciation and amortization" and represented the excess of the carrying values of these assets over their estimated fair values, substantially all of which are calculated using level 3 measurements. These fair values were calculated using a combination of discounted cash flow analyses and relative value analyses, including the estimated cash flows expected to result from the use and eventual disposition of these assets.

Note 14.
Deposits

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

	As of December	
$ in millions	**2014**	2013
U.S. offices	**$69,270**	$61,016
Non-U.S. offices	**13,738**	9,791
Total	**$83,008**	$70,807

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

	As of December 2014		
$ in millions	**U.S.**	**Non-U.S.**	**Total**
2015	**$ 6,478**	**$8,395**	**$14,873**
2016	**3,755**	**8**	**3,763**
2017	**4,067**	**—**	**4,067**
2018	**2,410**	**—**	**2,410**
2019	**2,898**	**—**	**2,898**
2020 - thereafter	**5,661**	**43**	**5,704**
Total	**$25,269** [1]	**$8,446** [2]	**$33,715** [3]

1. Includes $1.57 billion greater than $100,000, of which $198 million matures within three months, $937 million matures within three to six months, $170 million matures within six to twelve months, and $266 million matures after twelve months.
2. Includes $6.51 billion greater than $100,000.
3. Includes $13.52 billion of time deposits accounted for at fair value under the fair value option. See Note 8 for further information about deposits accounted for at fair value.

As of December 2014 and December 2013, deposits include $49.29 billion and $46.02 billion, respectively, of savings and demand deposits, which have no stated maturity, and were recorded based on the amount of cash received plus accrued interest, which approximates fair value. In addition, the firm designates certain derivatives as fair value hedges to convert substantially all of its time deposits not accounted for at fair value from fixed-rate obligations into floating-rate obligations. Accordingly, the carrying value of time deposits approximated fair value as of December 2014 and December 2013. While these savings and demand deposits and time deposits are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm's fair value hierarchy in Notes 6 through 8. Had these deposits been included in the firm's fair value hierarchy, they would have been classified in level 2 as of December 2014 and December 2013.

Note 15.
Short-Term Borrowings

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

	As of December	
$ in millions	**2014**	2013
Other secured financings (short-term)	**$15,560**	$17,290
Unsecured short-term borrowings	**44,540**	44,692
Total	**$60,100**	$61,982

See Note 10 for information about other secured financings.

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

The firm accounts for promissory notes, commercial paper and certain hybrid financial instruments at fair value under the fair value option. See Note 8 for further information about unsecured short-term borrowings that are accounted for at fair value. The carrying value of unsecured short-term borrowings that are not recorded at fair value generally approximates fair value due to the short-term nature of the obligations. While these unsecured short-term borrowings are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm's fair value hierarchy in Notes 6 through 8. Had these borrowings been included in the firm's fair value hierarchy, substantially all would have been classified in level 2 as of December 2014 and December 2013.

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

	As of December	
$ in millions	**2014**	2013
Current portion of unsecured long-term borrowings [1]	**$25,126**	$25,312
Hybrid financial instruments	**14,083**	13,391
Promissory notes	**338**	292
Commercial paper	**617**	1,011
Other short-term borrowings	**4,376**	4,686
Total	**$44,540**	$44,692
Weighted average interest rate [2]	**1.52%**	1.65%

1. Includes $23.82 billion and $24.20 billion as of December 2014 and December 2013, respectively, issued by Group Inc.
2. The weighted average interest rates for these borrowings include the effect of hedging activities and exclude financial instruments accounted for at fair value under the fair value option. See Note 7 for further information about hedging activities.

Note 16.
Long-Term Borrowings

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

$ in millions	As of December 2014	2013
Other secured financings (long-term)	$ 7,249	$ 7,524
Unsecured long-term borrowings	167,571	160,965
Total	**$174,820**	**$168,489**

See Note 10 for information about other secured financings. The tables below present unsecured long-term borrowings extending through 2061 and consisting principally of senior borrowings.

	As of December 2014		
$ in millions	U.S. Dollar	Non-U.S. Dollar	Total
Fixed-rate obligations [1]			
Group Inc.	$ 86,403	$34,146	$120,549
Subsidiaries	3,074	711	3,785
Floating-rate obligations [2]			
Group Inc.	23,402	14,615	38,017
Subsidiaries	4,139	1,081	5,220
Total	**$117,018**	**$50,553**	**$167,571**

	As of December 2013		
$ in millions	U.S. Dollar	Non-U.S. Dollar	Total
Fixed-rate obligations [1]			
Group Inc.	$ 83,537	$34,362	$117,899
Subsidiaries	1,978	989	2,967
Floating-rate obligations [2]			
Group Inc.	19,446	16,168	35,614
Subsidiaries	3,144	1,341	4,485
Total	$108,105	$52,860	$160,965

1. Interest rates on U.S. dollar-denominated debt ranged from 1.55% to 10.04% (with a weighted average rate of 5.08%) and 1.35% to 10.04% (with a weighted average rate of 5.19%) as of December 2014 and December 2013, respectively. Interest rates on non-U.S. dollar-denominated debt ranged from 0.02% to 13.00% (with a weighted average rate of 4.06%) and 0.33% to 13.00% (with a weighted average rate of 4.29%) as of December 2014 and December 2013, respectively.

2. Floating interest rates generally are based on LIBOR or OIS. Equity-linked and indexed instruments are included in floating-rate obligations.

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

	As of December 2014		
$ in millions	Group Inc.	Subsidiaries	Total
2016	$ 22,368	$ 789	$ 23,157
2017	20,818	367	21,185
2018	22,564	1,272	23,836
2019	14,718	1,791	16,509
2020 - thereafter	78,098	4,786	82,884
Total [1]	**$158,566**	**$9,005**	**$167,571**

1. Includes $9.54 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: $485 million in 2016, $738 million in 2017, $816 million in 2018, $459 million in 2019 and $7.04 billion in 2020 and thereafter.

In the table above:

- Unsecured long-term borrowings maturing within one year of the financial statement date and unsecured long-term borrowings that are redeemable within one year of the financial statement date at the option of the holders are excluded from the table as they are included as unsecured short-term borrowings.
- Unsecured long-term borrowings that are repayable prior to maturity at the option of the firm are reflected at their contractual maturity dates.
- Unsecured long-term borrowings that are redeemable prior to maturity at the option of the holders are reflected at the dates such options become exercisable.

The firm designates certain derivatives as fair value hedges to convert a substantial portion of its fixed-rate unsecured long-term borrowings not accounted for at fair value into floating-rate obligations. Accordingly, excluding the cumulative impact of changes in the firm's credit spreads, the carrying value of unsecured long-term borrowings approximated fair value as of December 2014 and December 2013. See Note 7 for further information about hedging activities. For unsecured long-term borrowings for which the firm did not elect the fair value option, the cumulative impact due to changes in the firm's own credit spreads would be an increase of 2% and 3% in the carrying value of total unsecured long-term borrowings as of December 2014 and December 2013, respectively. As these borrowings are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP, their fair value is not included in the firm's fair value hierarchy in Notes 6 through 8. Had these borrowings been included in the firm's fair value hierarchy, substantially all would have been classified in level 2 as of December 2014 and December 2013.

The tables below present unsecured long-term borrowings, after giving effect to hedging activities that converted a substantial portion of fixed-rate obligations to floating-rate obligations.

	As of December 2014		
$ in millions	Group Inc.	Subsidiaries	Total
Fixed-rate obligations			
At fair value	$ —	$ 861	$ 861
At amortized cost [1]	31,296	2,452	33,748
Floating-rate obligations			
At fair value	11,661	3,483	15,144
At amortized cost [1]	115,609	2,209	117,818
Total	**$158,566**	**$9,005**	**$167,571**

	As of December 2013		
$ in millions	Group Inc.	Subsidiaries	Total
Fixed-rate obligations			
At fair value	$ —	$ 471	$ 471
At amortized cost [1]	31,741	1,959	33,700
Floating-rate obligations			
At fair value	8,671	2,549	11,220
At amortized cost [1]	113,101	2,473	115,574
Total	$153,513	$7,452	$160,965

1. The weighted average interest rates on the aggregate amounts were 2.68% (5.09% related to fixed-rate obligations and 2.01% related to floating-rate obligations) and 2.73% (5.23% related to fixed-rate obligations and 2.04% related to floating-rate obligations) as of December 2014 and December 2013, respectively. These rates exclude financial instruments accounted for at fair value under the fair value option.

Subordinated Borrowings

Unsecured long-term borrowings include subordinated debt and junior subordinated debt. Junior subordinated debt is junior in right of payment to other subordinated borrowings, which are junior to senior borrowings. As of December 2014 and December 2013, subordinated debt had maturities ranging from 2017 to 2038, and 2015 to 2038, respectively. The tables below present subordinated borrowings.

	As of December 2014		
$ in millions	Par Amount	Carrying Amount	Rate [1]
Subordinated debt [2]	$14,254	$17,241	3.77%
Junior subordinated debt	1,582	2,122	6.21%
Total subordinated borrowings	**$15,836**	**$19,363**	**4.02%**

	As of December 2013		
$ in millions	Par Amount	Carrying Amount	Rate [1]
Subordinated debt [2]	$14,508	$16,982	4.16%
Junior subordinated debt	2,835	3,760	4.79%
Total subordinated borrowings	$17,343	$20,742	4.26%

1. Weighted average interest rates after giving effect to fair value hedges used to convert these fixed-rate obligations into floating-rate obligations. See Note 7 for further information about hedging activities. See below for information about interest rates on junior subordinated debt.
2. Par amount and carrying amount of subordinated debt issued by Group Inc. was $13.68 billion and $16.67 billion, respectively, as of December 2014, and $13.94 billion and $16.41 billion, respectively, as of December 2013.

Junior Subordinated Debt

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

The 2012 Trusts purchased the junior subordinated debt from Goldman Sachs Capital II and Goldman Sachs Capital III (APEX Trusts). The APEX Trusts used the proceeds from such sales to purchase shares of Group Inc.'s Perpetual Non-Cumulative Preferred Stock, Series E (Series E Preferred Stock) and Perpetual Non-Cumulative Preferred Stock, Series F (Series F Preferred Stock). See Note 19 for more information about the Series E and Series F Preferred Stock.

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

The firm has the right to defer payments on the junior subordinated debt, subject to limitations. During any such deferral period, the firm will not be permitted to, among other things, pay dividends on or make certain repurchases of its common or preferred stock. However, as Group Inc. fully and unconditionally guarantees the payment of the distribution and redemption amounts when due on a senior basis on the senior guaranteed trust securities issued by the 2012 Trusts, if the 2012 Trusts are unable to make scheduled distributions to the holders of the senior guaranteed trust securities, under the guarantee, Group Inc. would be obligated to make those payments. As such, the $2.08 billion of junior subordinated debt held by the 2012 Trusts for the benefit of investors, included in "Unsecured long-term borrowings" in the consolidated statements of financial condition, is not classified as subordinated borrowings.

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

The firm has covenanted in favor of the holders of Group Inc.'s 6.345% junior subordinated debt due February 15, 2034, that, subject to certain exceptions, the firm will not redeem or purchase the capital securities issued by the APEX Trusts or shares of Group Inc.'s Series E or Series F Preferred Stock prior to specified dates in 2022 for a price that exceeds a maximum amount determined by reference to the net cash proceeds that the firm has received from the sale of qualifying securities.

Junior Subordinated Debt Issued in Connection with Trust Preferred Securities. Group Inc. issued $2.84 billion of junior subordinated debt in 2004 to Goldman Sachs Capital I (Trust), a Delaware statutory trust. The Trust issued $2.75 billion of guaranteed preferred beneficial interests (Trust Preferred Securities) to third parties and $85 million of common beneficial interests to Group Inc. and used the proceeds from the issuances to purchase the junior subordinated debt from Group Inc. During the second quarter of 2014, the firm purchased $1.22 billion (par amount) of Trust Preferred Securities and delivered these securities, along with $37.6 million of common beneficial interests, to the Trust in the third quarter of 2014 in exchange for a corresponding par amount of the junior subordinated debt. Following the exchange, these Trust Preferred Securities, common beneficial interests and junior subordinated debt were extinguished and the firm recognized a gain of $289 million ($270 million of which was recorded at extinguishment in the third quarter of 2014), which is included in "Market making" in the consolidated statements of earnings. Subsequent to this exchange, during the second half of 2014, the firm purchased $214 million (par amount) of Trust Preferred Securities and delivered these securities, along with $6.6 million of common beneficial interests, to the Trust in February 2015 in exchange for a corresponding par amount of the junior subordinated debt. The Trust is a wholly-owned finance subsidiary of the firm for regulatory and legal purposes but is not consolidated for accounting purposes.

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

Note 17.

Other Liabilities and Accrued Expenses

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

	As of December	
$ in millions	**2014**	2013
Compensation and benefits	**$ 8,368**	$ 7,874
Noncontrolling interests [1]	**404**	326
Income tax-related liabilities	**1,533**	1,974
Employee interests in consolidated funds	**176**	210
Subordinated liabilities issued by consolidated VIEs	**843**	477
Accrued expenses and other	**4,751**	5,183
Total	**$16,075**	$16,044

1. Primarily relates to consolidated investment funds.

Note 18.

Commitments, Contingencies and Guarantees

Commitments

The table below presents the firm's commitments.

$ in millions	Commitment Amount by Period of Expiration as of December 2014				Total Commitments as of December	
	2015	2016 - 2017	2018 - 2019	2020 - Thereafter	2014	2013
Commitments to extend credit						
Commercial lending:						
Investment-grade	$ 9,712	$15,003	$36,200	$2,719	$ 63,634	$ 60,499
Non-investment-grade	4,136	7,080	14,111	4,278	29,605	25,412
Warehouse financing	1,306	1,152	112	140	2,710	1,716
Total commitments to extend credit	15,154	23,235	50,423	7,137	95,949	87,627
Contingent and forward starting resale and securities borrowing agreements	34,343	557	325	—	35,225	34,410
Forward starting repurchase and secured lending agreements	8,180	—	—	—	8,180	8,256
Letters of credit	280	14	10	4	308	501
Investment commitments	1,684	2,818	25	637	5,164	7,116
Other	6,136	87	42	56	6,321	3,955
Total commitments	$65,777	$26,711	$50,825	$7,834	$151,147	$141,865

Commitments to Extend Credit

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

As of December 2014 and December 2013, $66.22 billion and $35.66 billion, respectively, of the firm's lending commitments were held for investment and were accounted for on an accrual basis. See Note 9 for further information about such commitments.

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

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

Sumitomo Mitsui Financial Group, Inc. (SMFG) provides the firm with credit loss protection on certain approved loan commitments (primarily investment-grade commercial lending commitments). The notional amount of such loan commitments was $27.51 billion and $29.24 billion as of December 2014 and December 2013, respectively. The credit loss protection on loan commitments provided by SMFG is generally limited to 95% of the first loss the firm realizes on such commitments, up to a maximum of approximately $950 million. In addition, subject to the satisfaction of certain conditions, upon the firm's request, SMFG will provide protection for 70% of additional losses on such commitments, up to a maximum of $1.13 billion, of which $768 million and $870 million of protection had been provided as of December 2014 and December 2013, respectively. The firm also uses other financial instruments to mitigate credit risks related to certain commitments not covered by SMFG. These instruments primarily include credit default swaps that reference the same or similar underlying instrument or entity, or credit default swaps that reference a market index.

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

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

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

Letters of Credit

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

Investment Commitments

The firm's investment commitments of $5.16 billion and $7.12 billion as of December 2014 and December 2013, respectively, include commitments to invest in private equity, real estate and other assets directly and through funds that the firm raises and manages. Of these amounts, $2.87 billion and $5.48 billion as of December 2014 and December 2013, respectively, relate to commitments to invest in funds managed by the firm. If these commitments are called, they would be funded at market value on the date of investment.

Leases

The firm has contractual obligations under long-term noncancelable lease agreements, principally for office space, expiring on various dates through 2069. Certain agreements are subject to periodic escalation provisions for increases in real estate taxes and other charges. The table below presents future minimum rental payments, net of minimum sublease rentals.

$ in millions	As of December 2014
2015	$ 321
2016	292
2017	274
2018	226
2019	190
2020 - thereafter	870
Total	**$2,173**

Rent charged to operating expense was $309 million for 2014, $324 million for 2013 and $374 million for 2012.

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

Contingencies

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

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

- **Representations and Warranties.** The firm has not been a significant originator of residential mortgage loans. The firm did purchase loans originated by others and generally received loan-level representations of the type described below from the originators. During the period 2005 through 2008, the firm sold approximately $10 billion of loans to government-sponsored enterprises and approximately $11 billion of loans to other third parties. In addition, the firm transferred loans to trusts and other mortgage securitization vehicles. As of December 2014 and December 2013, the outstanding balance of the loans transferred to trusts and other mortgage securitization vehicles during the period 2005 through 2008 was approximately $25 billion and $29 billion, respectively. These amounts reflect paydowns and cumulative losses of approximately $100 billion ($23 billion of which are cumulative losses) as of December 2014 and approximately $96 billion ($22 billion of which are cumulative losses) as of December 2013. A small number of these Goldman Sachs-issued securitizations with an outstanding principal balance of $401 million and total paydowns and cumulative losses of $1.66 billion ($550 million of which are cumulative losses) as of December 2014, and an outstanding principal balance of $463 million and total paydowns and cumulative losses of $1.60 billion ($534 million of which are cumulative losses) as of December 2013, were structured with credit protection obtained from monoline insurers. In connection with both sales of loans and securitizations, the firm provided loan level representations of the type described below and/or assigned the loan level representations from the party from whom the firm purchased the loans.

The loan level representations made in connection with the sale or securitization of mortgage loans varied among transactions but were generally detailed representations applicable to each loan in the portfolio and addressed matters relating to the property, the borrower and the note. These representations generally included, but were not limited to, the following: (i) certain attributes of the borrower's financial status; (ii) loan-to-value ratios, owner occupancy status and certain other characteristics of the property; (iii) the lien position; (iv) the fact that the loan was originated in compliance with law; and (v) completeness of the loan documentation.

The firm has received repurchase claims for residential mortgage loans based on alleged breaches of representations from government-sponsored enterprises, other third parties, trusts and other mortgage securitization vehicles, which have not been significant. During both the years ended December 2014 and December 2013, the firm repurchased loans with an unpaid principal balance of less than $10 million and related losses were not material. The firm has received a communication from counsel purporting to represent certain institutional investors in portions of Goldman Sachs-issued securitizations between 2003 and 2007, such securitizations having a total original notional face amount of approximately $150 billion, offering to enter into a "settlement dialogue" with respect to alleged breaches of representations made by Goldman Sachs in connection with such offerings.

Ultimately, the firm's exposure to claims for repurchase of residential mortgage loans based on alleged breaches of representations will depend on a number of factors including the following: (i) the extent to which these claims are actually made within the statute of limitations taking into consideration the agreements to toll the statute of limitations the firm has entered into with trustees representing trusts; (ii) the extent to which there are underlying breaches of representations that give rise to valid claims for repurchase; (iii) in the case of loans originated by others, the extent to which the firm could be held liable and, if it is, the firm's ability to pursue and collect on any claims against the parties who made representations to the firm; (iv) macroeconomic factors, including developments in the residential real estate market; and (v) legal and regulatory developments. Based upon the large number of defaults in residential mortgages, including those sold or securitized by the firm, there is a potential for increasing claims for repurchases. However, the firm is not in a position to make a meaningful estimate of that exposure at this time.

- **Foreclosure and Other Mortgage Loan Servicing Practices and Procedures.** The firm had received a number of requests for information from regulators and other agencies, including state attorneys general and banking regulators, as part of an industry-wide focus on the practices of lenders and servicers in connection with foreclosure proceedings and other aspects of mortgage loan servicing practices and procedures. The requests sought information about the foreclosure and servicing protocols and activities of Litton Loan Servicing LP (Litton), a residential mortgage servicing subsidiary sold by the firm to Ocwen Financial Corporation (Ocwen) in the third quarter of 2011. The firm is cooperating with the requests and these inquiries may result in the imposition of fines or other regulatory action.

  In connection with the sale of Litton, the firm provided customary representations and warranties, and indemnities for breaches of these representations and warranties, to Ocwen. These indemnities are subject to various limitations, and are capped at approximately $50 million. The firm has not yet received any claims under these indemnities. The firm also agreed to provide specific indemnities to Ocwen related to claims made by third parties with respect to servicing activities during the period that Litton was owned by the firm and which are in excess of the related reserves accrued for such matters by Litton at the time of the sale. These indemnities are capped at approximately $125 million. The firm has recorded a reserve for the portion of these potential losses that it believes is probable and can be reasonably estimated. As of December 2014, claims received and payments made in connection with these claims were not material to the firm.

  The firm further agreed to provide indemnities to Ocwen not subject to a cap, which primarily relate to potential liabilities constituting fines or civil monetary penalties which could be imposed in settlements with U.S. states' attorneys general or in consent orders with the U.S. federal bank regulatory agencies or the New York State Department of Financial Services, in each case relating to Litton's foreclosure and servicing practices while it was owned by the firm. The firm has entered into a settlement with the Federal Reserve Board relating to foreclosure and servicing matters.

  Under the Litton sale agreement the firm also retained liabilities associated with claims related to Litton's failure to maintain lender-placed mortgage insurance, obligations to repurchase certain loans from government-sponsored enterprises, subpoenas from one of Litton's regulators, and fines or civil penalties imposed by the Federal Reserve Board or the New York State Department of Financial Services in connection with certain compliance matters. Management does not believe, based on currently available information, that any payments under these indemnities will have a material adverse effect on the firm's financial condition.

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

Guarantees

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 tables below do not reflect the firm's overall risk related to its derivative activities. Disclosures about derivatives are not required if they may be cash settled and the firm has no basis to conclude it is probable that the counterparties held the underlying instruments at inception of the contract. The firm has concluded that these conditions have been met for certain large, internationally active commercial and investment bank counterparties, central clearing counterparties and certain other counterparties. Accordingly, the firm has not included such contracts in the tables below.

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 tables below exclude the effect of counterparty and cash collateral netting.

Securities Lending Indemnifications. The firm, in its capacity as an agency lender, indemnifies most of its securities lending customers against losses incurred in the event that borrowers do not return securities and the collateral held is insufficient to cover the market value of the securities borrowed. Collateral held by the lenders in connection with securities lending indemnifications was $28.49 billion and $27.14 billion as of December 2014 and December 2013, respectively. Because the contractual nature of these arrangements requires the firm to obtain collateral with a market value that exceeds the value of the securities lent to the borrower, there is minimal performance risk associated with these guarantees.

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

The tables below present information about certain derivatives that meet the definition of a guarantee, securities lending indemnifications and certain other guarantees. The maximum payout in the tables below is based on the notional amount of the contract and therefore does not represent anticipated losses. See Note 7 for information about credit derivatives that meet the definition of a guarantee which are not included below. The tables below also exclude certain commitments to issue standby letters of credit that are included in "Commitments to extend credit." See the table in "Commitments" above for a summary of the firm's commitments.

	As of December 2014		
$ in millions	Derivatives	Securities lending indemnifications	Other financial guarantees
Carrying Value of Net Liability	$ 11,201	$ —	$ 119
Maximum Payout/Notional Amount by Period of Expiration			
2015	$351,308	$27,567	$ 471
2016 - 2017	150,989	—	935
2018 - 2019	51,927	—	1,390
2020 - Thereafter	58,511	—	1,690
Total	$612,735	$27,567	$4,486

	As of December 2013		
$ in millions	Derivatives	Securities lending indemnifications	Other financial guarantees
Carrying Value of Net Liability	$ 7,634	$ —	$ 213
Maximum Payout/Notional Amount by Period of Expiration			
2014	$517,634	$26,384	$1,361
2015 - 2016	180,543	—	620
2017 - 2018	39,367	—	1,140
2019 - Thereafter	57,736	—	1,046
Total	$795,280	$26,384	$4,167

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

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

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

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

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

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

The firm is unable to develop an estimate of the maximum payout under these guarantees and indemnifications. However, management believes that it is unlikely the firm will have to make any material payments under these arrangements, and no material liabilities related to these guarantees and indemnifications have been recognized in the consolidated statements of financial condition as of December 2014 and December 2013.

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 statements of financial condition as of December 2014 and December 2013.

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

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

In November 2008, the firm contributed subsidiaries into GS Bank USA, and Group Inc. agreed to guarantee the reimbursement of certain losses, including credit-related losses, relating to assets held by the contributed entities. In connection with this guarantee, Group Inc. also agreed to pledge to GS Bank USA certain collateral, including interests in subsidiaries and other illiquid assets.

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

Note 19.

Shareholders' Equity

Common Equity

Dividends declared per common share were $2.25 in 2014, $2.05 in 2013 and $1.77 in 2012. On January 15, 2015, Group Inc. declared a dividend of $0.60 per common share to be paid on March 30, 2015 to common shareholders of record on March 2, 2015.

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

The table below presents the amount of common stock repurchased by the firm under the share repurchase program during 2014, 2013 and 2012.

	Year Ended December		
in millions, except per share amounts	**2014**	2013	2012
Common share repurchases	**31.8**	39.3	42.0
Average cost per share	**$171.79**	$157.11	$110.31
Total cost of common share repurchases	**$ 5,469**	$ 6,175	$ 4,637

Pursuant to the terms of certain share-based compensation plans, employees may remit shares to the firm or the firm may cancel restricted stock units (RSUs) or stock options to satisfy minimum statutory employee tax withholding requirements and the exercise price of stock options. Under these plans, during 2014, 2013 and 2012, employees remitted 174,489 shares, 161,211 shares and 33,477 shares with a total value of $31 million, $25 million and $3 million, and the firm cancelled 5.8 million, 4.0 million and 12.7 million of RSUs with a total value of $974 million, $599 million and $1.44 billion. Under these plans, the firm also cancelled 15.6 million stock options with a total value of $2.65 billion during 2014.

Preferred Equity

The tables below present details about the perpetual preferred stock issued and outstanding as of December 2014.

Series	Shares Authorized	Shares Issued	Shares Outstanding	Depositary Shares Per Share
A	50,000	30,000	29,999	1,000
B	50,000	32,000	32,000	1,000
C	25,000	8,000	8,000	1,000
D	60,000	54,000	53,999	1,000
E	17,500	17,500	17,500	N/A
F	5,000	5,000	5,000	N/A
I	34,500	34,000	34,000	1,000
J	46,000	40,000	40,000	1,000
K [1]	32,200	28,000	28,000	1,000
L [1]	52,000	52,000	52,000	25
Total	**372,200**	**300,500**	**300,498**	

1. In April 2014, Group Inc. issued 28,000 shares of Series K perpetual 6.375% Fixed-to-Floating Rate Non-Cumulative Preferred Stock (Series K Preferred Stock) and 52,000 shares of Series L perpetual 5.70% Fixed-to-Floating Rate Non-Cumulative Preferred Stock (Series L Preferred Stock).

Series	Liquidation Preference	Redemption Price Per Share	Redemption Value (*$ in millions*)
A	$ 25,000	$25,000 plus declared and unpaid dividends	$ 750
B	25,000	$25,000 plus declared and unpaid dividends	800
C	25,000	$25,000 plus declared and unpaid dividends	200
D	25,000	$25,000 plus declared and unpaid dividends	1,350
E	100,000	$100,000 plus declared and unpaid dividends	1,750
F	100,000	$100,000 plus declared and unpaid dividends	500
I	25,000	$25,000 plus accrued and unpaid dividends	850
J	25,000	$25,000 plus accrued and unpaid dividends	1,000
K	25,000	$25,000 plus accrued and unpaid dividends	700
L	25,000	$25,000 plus accrued and unpaid dividends	1,300
Total			**$9,200**

In the tables above:

- Each share of non-cumulative Series A, Series B, Series C and Series D Preferred Stock issued and outstanding is redeemable at the firm's option.
- Each share of non-cumulative Series E and Series F Preferred Stock issued and outstanding is redeemable at the firm's option, subject to certain covenant restrictions governing the firm's ability to redeem or purchase the preferred stock without issuing common stock or other instruments with equity-like characteristics. See Note 16 for information about the replacement capital covenants applicable to the Series E and Series F Preferred Stock.
- Each share of non-cumulative Series I Preferred Stock issued and outstanding is redeemable at the firm's option beginning November 10, 2017.
- Each share of non-cumulative Series J Preferred Stock issued and outstanding is redeemable at the firm's option beginning May 10, 2023.
- Each share of non-cumulative Series K Preferred Stock issued and outstanding is redeemable at the firm's option beginning May 10, 2024.
- Each share of non-cumulative Series L Preferred Stock issued and outstanding is redeemable at the firm's option beginning May 10, 2019.
- All shares of preferred stock have a par value of $0.01 per share and, where applicable, each share of preferred stock is represented by the specified number of depositary shares.

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

The table below presents the dividend rates of the firm's perpetual preferred stock as of December 2014.

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

The tables below present preferred dividends declared on the firm's preferred stock.

Series	Year Ended December 2014	
	per share	*$ in millions*
A	$ 945.32	$ 28
B	1,550.00	50
C	1,008.34	8
D	1,008.34	54
E	4,044.44	71
F	4,044.44	20
I	1,487.52	51
J	1,375.00	55
K	850.00	24
L	760.00	39
Total		**$400**

Series	Year Ended December 2013	
	per share	*$ in millions*
A	$ 947.92	$ 28
B	1,550.00	50
C	1,011.11	8
D	1,011.11	54
E	4,044.44	71
F	4,044.44	20
I	1,553.63	53
J	744.79	30
Total		$314

Series	Year Ended December 2012	
	per share	*$ in millions*
A	$ 960.94	$ 29
B	1,550.00	50
C	1,025.01	8
D	1,025.01	55
E	2,055.56	36
F	1,000.00	5
Total		$183

On January 7, 2015, Group Inc. declared dividends of $239.58, $387.50, $255.56, $255.56, $371.88, $343.75 and $398.44 per share of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, Series I Preferred Stock, Series J Preferred Stock and Series K Preferred Stock, respectively, to be paid on February 10, 2015 to preferred shareholders of record on January 26, 2015. In addition, the firm declared dividends of $1,011.11 per each share of Series E Preferred Stock and Series F Preferred Stock, to be paid on March 2, 2015 to preferred shareholders of record on February 15, 2015.

Accumulated Other Comprehensive Loss

The tables below present accumulated other comprehensive loss, net of tax by type.

	December 2014		
$ in millions	Balance, beginning of year	Other comprehensive income/(loss) adjustments, net of tax	Balance, end of year
Currency translation	$(364)	$(109)	$(473)
Pension and postretirement liabilities	(168)	(102)	(270)
Cash flow hedges	8	(8)	—
Accumulated other comprehensive loss, net of tax	**$(524)**	**$(219)**	**$(743)**

	December 2013		
$ in millions	Balance, beginning of year	Other comprehensive income/(loss) adjustments, net of tax	Balance, end of year
Currency translation	$(314)	$ (50)	$(364)
Pension and postretirement liabilities	(206)	38	(168)
Available-for-sale securities	327	(327)	—
Cash flow hedges	—	8	8
Accumulated other comprehensive loss, net of tax	$(193)	$(331)	$(524)

Note 20.

Regulation and Capital Adequacy

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

These capital requirements are expressed as capital ratios that compare measures of regulatory capital to risk-weighted assets (RWAs). The firm's capital levels are subject to qualitative judgments by the regulators about components of capital, risk weightings and other factors. In addition, the firm is subject to requirements with respect to leverage.

Furthermore, certain of the firm's subsidiaries are subject to separate regulations and capital requirements as described below.

Applicable Capital Framework

As of December 2013, the firm was subject to the risk-based capital regulations of the Federal Reserve Board that were based on the Basel I Capital Accord of the Basel Committee on Banking Supervision (Basel Committee), and incorporated the revised market risk regulatory capital requirements (together, the Prior Capital Rules).

As of January 1, 2014, the firm became subject to the Federal Reserve Board's revised risk-based capital and leverage regulations, subject to certain transitional provisions (Revised Capital Framework). These regulations are largely based on the Basel Committee's final capital framework for strengthening international capital standards (Basel III) and also implement certain provisions of the Dodd-Frank Act. Under the Revised Capital Framework, the firm is an "Advanced approach" banking organization.

The firm was notified in the first quarter of 2014 that it had completed a "parallel run" to the satisfaction of the Federal Reserve Board, as required under the Revised Capital Framework. As such, additional changes in the firm's capital requirements became effective on April 1, 2014.

Beginning on January 1, 2014, regulatory capital was calculated based on the Revised Capital Framework. Beginning April 1, 2014, there were no changes to the calculation of regulatory capital, but RWAs were calculated using (i) the Prior Capital Rules, adjusted for certain items related to capital deductions under the previous definition of regulatory capital and for the phase-in of new capital deductions (Hybrid Capital Rules), and (ii) the Advanced approach and market risk rules set out in the Revised Capital Framework (together, the Basel III Advanced Rules). The lower of the ratios calculated under the Hybrid Capital Rules and those calculated under the Basel III Advanced Rules are the binding regulatory capital requirements for the firm. The ratios calculated under the Basel III Advanced Rules were lower than those calculated under the Hybrid Capital Rules and therefore were the binding ratios for the firm as of December 2014.

As a result of the changes in the applicable capital framework in 2014, the firm's capital ratios as of December 2014 and those as of December 2013 were calculated on a different basis and, accordingly, are not comparable.

Effective on January 1, 2015, regulatory capital continues to be calculated under the Revised Capital Framework, but RWAs are required to be calculated under the Basel III Advanced Rules, as well as the Standardized approach and market risk rules set out in the Revised Capital Framework (together, the Standardized Capital Rules). The lower of the ratios calculated under the Basel III Advanced Rules and those calculated under the Standardized Capital Rules are the binding regulatory capital requirements for the firm.

The Basel III Advanced Rules, Hybrid Capital Rules and Standardized Capital Rules are discussed in more detail below.

Regulatory Capital and Capital Ratios. The Revised Capital Framework changed the definition of regulatory capital to include a new capital measure called Common Equity Tier 1 (CET1) and the related regulatory capital ratio of CET1 to RWAs (CET1 ratio), and changed the definition of Tier 1 capital. The Revised Capital Framework also increased the level of certain minimum risk-based capital and leverage ratios applicable to the firm.

The table below presents the minimum ratios applicable to the firm as of December 2014 and January 2015. Failure to comply with these capital requirements could result in restrictions being imposed by the firm's regulators.

	December 2014 Minimum Ratio	January 2015 Minimum Ratio
CET1 ratio	4.0%	4.5%
Tier 1 capital ratio	5.5%	6.0%
Total capital ratio [1]	8.0%	8.0%
Tier 1 leverage ratio [2]	4.0%	4.0%

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

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

Certain aspects of the Revised Capital Framework's requirements phase in over time (transitional provisions). These include increases in the minimum capital ratio requirements and the introduction of new capital buffers and certain deductions from regulatory capital (such as investments in nonconsolidated financial institutions). In addition, junior subordinated debt issued to trusts is being phased out of regulatory capital. The minimum CET1, Tier 1 and Total capital ratios applicable to the firm will increase as the transitional provisions phase in and new capital buffers are introduced.

Definition of Risk-Weighted Assets. As of December 2014, RWAs were calculated under both the Basel III Advanced Rules and the Hybrid Capital Rules. Under both the Basel III Advanced Rules and the Hybrid Capital Rules, certain amounts not required to be deducted from CET1 under the transitional provisions are either deducted from Tier 1 capital or are risk weighted.

The primary difference between the Basel III Advanced Rules and the Hybrid Capital Rules is that the latter utilizes prescribed risk-weightings for credit RWAs and does not contemplate the use of internal models to compute exposure for credit risk on derivatives and securities financing transactions, whereas the Basel III Advanced Rules permit the use of such models, subject to supervisory approval. In addition, RWAs under the Hybrid Capital Rules depend largely on the type of counterparty (e.g., whether the counterparty is a sovereign, bank, broker-dealer or other entity), rather than on internal assessments of each counterparty's creditworthiness. Furthermore, the Hybrid Capital Rules do not include a capital requirement for operational risk.

As of December 2013, the firm calculated RWAs under the Prior Capital Rules.

Credit Risk

Credit RWAs are calculated based upon measures of exposure, which are then risk weighted. The exposure amount is generally based on the following:

- For on-balance-sheet assets, the carrying value; and
- For off-balance-sheet exposures, including commitments and guarantees, a credit equivalent exposure amount is calculated based on the notional amount of each exposure multiplied by a credit conversion factor.

Counterparty credit risk is a component of total credit risk, and includes credit exposure arising from derivatives, securities financing transactions and eligible margin loans.

- For the Basel III Advanced Rules, the firm uses the Internal Models Methodology for the measurement of exposure on derivatives, securities financing transactions and eligible margin loans. The Revised Capital Framework requires that a bank holding company obtain prior written agreement from its regulators before using the Internal Models Methodology; and
- For the Hybrid and Prior Capital Rules, the exposure amount for derivatives is based on a combination of positive net exposure and a percentage of the notional amount for each trade, and includes the effect of counterparty netting and collateral, as applicable; for securities financing transactions and eligible margin loans, it is based on the carrying value.

All exposures are then assigned a risk weight computed as follows:

- For the Basel III Advanced Rules, the firm has been given permission by its supervisors to compute risk weights for certain exposures in accordance with the Advanced Internal Ratings-Based approach, which utilizes internal assessments of each counterparty's creditworthiness. Key inputs to the risk weight calculation are the probability of default, loss given default and the effective maturity. RWAs for securitization and equity exposures are calculated using specific required formula approaches; and
- For the Hybrid and Prior Capital Rules, a standard risk weight is assigned depending on, among other things, whether the counterparty is a sovereign, bank or a qualifying securities firm or other entity (and if collateral is held, the risk weight may depend on the nature of the collateral).

The Standardized Capital Rules utilize prescribed risk-weightings for credit RWAs and do not contemplate the use of internal models to compute exposure for credit risk on derivatives and securities financing transactions. The exposure measure for securities financing transactions is calculated to reflect adjustments for potential price volatility, the size of which depends on factors such as the type of and maturity of the security, and whether it is denominated in the same currency as the other side of the financing transaction. In addition, RWAs under the Standardized Capital Rules depend largely on the type of counterparty (e.g., whether the counterparty is a sovereign, bank, broker-dealer or other entity), rather than on internal assessments of each counterparty's creditworthiness.

Market Risk

RWAs for market risk are determined using measures for Value-at-Risk (VaR), stressed VaR, incremental risk and comprehensive risk based on internal models, and a standardized measurement method for specific risk. The market risk regulatory capital rules require that a bank holding company obtain prior written agreement from its regulators before using any internal model to calculate its risk-based capital requirement.

- VaR is the potential loss in value of inventory positions, as well as certain other financial assets and financial liabilities, due to adverse market movements over a defined time horizon with a specified confidence level. For both risk management purposes and regulatory capital calculations the firm uses a single VaR model which captures risks including those related to interest rates, equity prices, currency rates and commodity prices. However, VaR used for regulatory capital requirements (regulatory VaR) differs from risk management VaR due to different time horizons and confidence levels (10-day and 99% for regulatory VaR vs. one-day and 95% for risk management VaR), as well as differences in the scope of positions on which VaR is calculated. In addition, the daily trading net revenues used to determine risk management VaR exceptions (i.e., comparing the daily trading net revenues to the VaR measure calculated as of the prior business day) include intraday activity, whereas the Federal Reserve Board's regulatory capital regulations require that intraday activity be excluded from daily trading net revenues when calculating regulatory VaR exceptions. Intraday activity includes bid/offer net revenues, which are more likely than not to be positive. Under these regulations, the firm's positional losses observed on a single day exceeded its 99% one-day regulatory VaR on three occasions during 2014. There was no change in the VaR multiplier used to calculate Market RWAs;

- Stressed VaR is the potential loss in value of inventory positions during a period of significant market stress;
- Incremental risk is the potential loss in value of non-securitized inventory positions due to the default or credit migration of issuers of financial instruments over a one-year time horizon; and
- Comprehensive risk is the potential loss in value, due to price risk and defaults, within the firm's credit correlation positions.

The standardized measurement method is used to determine RWAs for specific risk on certain positions by applying supervisory defined risk-weighting factors to such positions after applicable netting is performed.

RWAs for market risk under the Standardized Capital Rules are calculated in a manner that is generally consistent with the RWAs calculated under the Basel III Advanced Rules.

Operational Risk

The Basel III Advanced Rules include a capital requirement for operational risk. The firm has been given permission by its supervisors to compute operational RWAs in accordance with the "Advanced Measurement Approach" of the Revised Capital Framework. Operational RWAs are therefore calculated based on an internal risk-based operational risk quantification model that meets the requirements for the "Advanced Measurement Approach."

The Standardized Capital Rules do not include a capital requirement for operational risk.

Consolidated Regulatory Capital Ratios

December 2014 Capital Ratios and RWAs. The firm was required to calculate ratios under both the Basel III Advanced Rules and Hybrid Capital Rules as of December 2014, in both cases subject to transitional provisions. The ratios calculated under the Basel III Advanced Rules presented in the table below were lower than those calculated under the Hybrid Capital Rules and therefore were the binding ratios for the firm as of December 2014.

Effective on January 1, 2015, the firm was required to calculate ratios under both the Basel III Advanced Rules and Standardized Capital Rules. The firm's ratios calculated under the Standardized Capital Rules as of December 2014 are also presented in the table below, although the ratios were not binding until January 2015.

$ in millions	As of December 2014
Common shareholders' equity	$ 73,597
Deductions for goodwill and identifiable intangible assets, net of deferred tax liabilities	(2,787)
Deductions for investments in nonconsolidated financial institutions	(953)
Other adjustments	(27)
Common Equity Tier 1	69,830
Perpetual non-cumulative preferred stock	9,200
Junior subordinated debt issued to trusts	660
Other adjustments	(1,257)
Tier 1 capital	78,433
Qualifying subordinated debt	11,894
Junior subordinated debt issued to trusts	660
Other adjustments	(9)
Tier 2 capital [1]	12,545
Total capital	$ 90,978
Basel III Advanced	
RWAs	$570,313
CET1 ratio	12.2%
Tier 1 capital ratio	13.8%
Total capital ratio	16.0%
Tier 1 leverage ratio	9.0%
Standardized	
RWAs	$619,216
CET1 ratio	11.3%
Tier 1 capital ratio	12.7%
Total capital ratio	14.7%

1. Tier 2 capital under the Standardized Capital Rules is approximately $300 million higher due to the allowance for losses on loans and lending commitments.

In the table above:

- The deduction for goodwill and identifiable intangible assets, net of deferred tax liabilities, represents goodwill of $3.65 billion and identifiable intangible assets of $103 million (20% of $515 million), net of associated deferred tax liabilities of $961 million. The remaining 80% of the deduction of identifiable intangible assets will be phased in ratably per year from 2015 to 2018. Identifiable intangible assets that are not deducted during the transitional period are risk weighted.
- The deduction for investments in nonconsolidated financial institutions represents the amount by which the firm's investments in the capital of nonconsolidated financial institutions exceed certain prescribed thresholds. As of December 2014, 20% of the deduction was reflected (calculated based on transitional thresholds). The remaining 80% will be phased in ratably per year from 2015 to 2018. The balance that is not deducted during the transitional period is risk weighted.

- Other adjustments within CET1 and Tier 1 capital primarily include accumulated other comprehensive loss, credit valuation adjustments on derivative liabilities, the overfunded portion of the firm's defined benefit pension plan obligation, net of associated deferred tax liabilities, disallowed deferred tax assets and other required credit risk-based deductions. As of December 2014, 20% of the deductions related to credit valuation adjustments on derivative liabilities, the overfunded portion of the firm's defined benefit pension plan obligation, net of associated deferred tax liabilities, disallowed deferred tax assets and other required credit risk-based deductions were included in other adjustments within CET1 and 80% of the deductions were included in other adjustments within Tier 1 capital. Most of the deductions that were included in other adjustments within Tier 1 capital will be phased into CET1 ratably per year from 2015 to 2018. Other adjustments within Tier 1 capital also include a deduction for investments in the preferred equity of nonconsolidated financial institutions.
- Junior subordinated debt issued to trusts is reflected in both Tier 1 capital (50%) and Tier 2 capital (50%) and is reduced by the amount of trust preferred securities purchased by the firm. Junior subordinated debt issued to trusts will be fully phased out of Tier 1 capital by 2016, and then also from Tier 2 capital by 2022. See Note 16 for additional information about the firm's junior subordinated debt issued to trusts and trust preferred securities purchased by the firm.
- Qualifying subordinated debt represents subordinated debt issued by Group Inc. with an original term to maturity of five years or greater. The outstanding amount of subordinated debt qualifying for Tier 2 capital is reduced, or discounted, upon reaching a remaining maturity of five years. See Note 16 for additional information about the firm's subordinated debt.

The table below presents the changes in CET1, Tier 1 capital and Tier 2 capital for the period December 31, 2013 to December 31, 2014.

$ in millions	Period Ended December 2014
Common Equity Tier 1	
Balance, December 31, 2013	$63,248
Change in CET1 related to the transition to the Revised Capital Framework [1]	3,177
Increase in common shareholders' equity	2,330
Change in deduction for goodwill and identifiable intangible assets, net of deferred tax liabilities	144
Change in deduction for investments in nonconsolidated financial institutions	839
Change in other adjustments	92
Balance, December 31, 2014	**$69,830**
Tier 1 capital	
Balance, December 31, 2013	$72,471
Change in CET1 related to the transition to the Revised Capital Framework [1]	3,177
Change in Tier 1 capital related to the transition to the Revised Capital Framework [2]	(443)
Other net increase in CET1	3,405
Increase in perpetual non-cumulative preferred stock	2,000
Redesignation of junior subordinated debt issued to trusts and decrease related to trust preferred securities purchased by the firm	(1,403)
Change in other adjustments	(774)
Balance, December 31, 2014	78,433
Tier 2 capital	
Balance, December 31, 2013	13,632
Change in Tier 2 capital related to the transition to the Revised Capital Framework [3]	(197)
Decrease in qualifying subordinated debt	(879)
Trust preferred securities purchased by the firm, net of redesignation of junior subordinated debt issued to trusts	(27)
Change in other adjustments	16
Balance, December 31, 2014	12,545
Total capital	**$90,978**

1. Includes $3.66 billion related to the transition to the Revised Capital Framework on January 1, 2014 as well as $(479) million related to the firm's application of the Basel III Advanced Rules on April 1, 2014.
2. Includes $(219) million related to the transition to the Revised Capital Framework on January 1, 2014 as well as $(224) million related to the firm's application of the Basel III Advanced Rules on April 1, 2014.
3. Includes $(2) million related to the transition to the Revised Capital Framework on January 1, 2014 as well as $(195) million related to the firm's application of the Basel III Advanced Rules on April 1, 2014.

The change in CET1 related to the transition to the Revised Capital Framework is principally related to the change in treatment of equity investments in certain nonconsolidated entities. Under the Prior Capital Rules, such investments were treated as deductions. However, during the transition to the Revised Capital Framework, only a portion of such investments that exceed certain prescribed thresholds are treated as deductions from CET1 and the remainder are risk weighted.

The table below presents the components of RWAs under the Basel III Advanced Rules and Standardized Capital Rules as of December 2014.

	As of December 2014	
$ in millions	Basel III Advanced	Standardized
Credit RWAs		
Derivatives	$122,501	$180,771
Commitments, guarantees and loans	95,209	89,783
Securities financing transactions [1]	15,618	92,116
Equity investments	40,146	38,526
Other [2]	54,470	71,499
Total Credit RWAs	327,944	472,695
Market RWAs		
Regulatory VaR	10,238	10,238
Stressed VaR	29,625	29,625
Incremental risk	16,950	16,950
Comprehensive risk	8,150	9,855
Specific risk	79,918	79,853
Total Market RWAs	144,881	146,521
Total Operational RWAs	97,488	—
Total RWAs	$570,313	$619,216

1. Represents resale and repurchase agreements and securities borrowed and loaned transactions.
2. Includes receivables, other assets, and cash and cash equivalents.

The table below presents the changes in RWAs under the Basel III Advanced Rules for the period December 31, 2013 to December 31, 2014, and reflects the transition to the Revised Capital Framework from the Prior Capital Rules on January 1, 2014.

$ in millions	Period Ended December 2014
Risk-weighted assets	
Total RWAs, December 31, 2013	$433,226
Credit RWAs	
Change related to the transition to the Revised Capital Framework [1]	69,101
Other changes:	
Decrease in derivatives	(24,109)
Increase in commitments, guarantees and loans	18,208
Decrease in securities financing transactions	(2,782)
Decrease in equity investments	(2,728)
Increase in other	2,007
Change in Credit RWAs	59,697
Market RWAs	
Change related to the transition to the Revised Capital Framework	1,626
Decrease in regulatory VaR	(5,175)
Decrease in stressed VaR	(11,512)
Increase in incremental risk	7,487
Decrease in comprehensive risk	(6,617)
Decrease in specific risk	(5,907)
Change in Market RWAs	(20,098)
Operational RWAs	
Change related to the transition to the Revised Capital Framework	88,938
Increase in operational risk	8,550
Change in Operational RWAs	97,488
Total RWAs, December 31, 2014	$570,313

1. Includes $26.67 billion of RWA changes related to the transition to the Revised Capital Framework on January 1, 2014 and $42.43 billion of changes to the calculation of Credit RWAs under the Basel III Advanced Rules related to the firm's application of the Basel III Advanced Rules on April 1, 2014.

Credit RWAs as of December 2014 increased by $59.70 billion compared with December 2013, primarily due to increased risk weightings related to counterparty credit risk for derivative exposures and the inclusion of RWAs for equity investments in certain nonconsolidated entities, both resulting from the transition to the Revised Capital Framework. Market RWAs as of December 2014 decreased by $20.10 billion compared with December 2013, primarily due to a decrease in stressed VaR, reflecting reduced fixed income and equities exposures. Operational RWAs as of December 2014 increased by $97.49 billion compared with December 2013, substantially all of which was due to the transition to the Revised Capital Framework.

December 2013 Capital Ratios and RWAs. The table below presents information about the firm's regulatory ratios as of December 2013 under the Prior Capital Rules.

$ in millions	As of December 2013
Common shareholders' equity	$ 71,267
Perpetual non-cumulative preferred stock	7,200
Junior subordinated debt issued to trusts	2,063
Deduction for goodwill and identifiable intangible assets	(4,376)
Deduction for equity investments in certain entities	(3,314)
Other adjustments	(369)
Tier 1 capital	72,471
Qualifying subordinated debt	12,773
Junior subordinated debt issued to trusts	687
Other adjustments	172
Tier 2 capital	13,632
Total capital	$ 86,103
Credit RWAs	$268,247
Market RWAs	164,979
Total RWAs	$433,226
Tier 1 capital ratio	16.7%
Total capital ratio	19.9%
Tier 1 leverage ratio	8.1%

In the table above:

- Junior subordinated debt issued to trusts is reflected in both Tier 1 capital (75%) and Tier 2 capital (25%). See Note 16 for additional information about the firm's junior subordinated debt issued to trusts.
- The deduction for goodwill and identifiable intangible assets includes goodwill of $3.71 billion and identifiable intangible assets of $671 million.
- Other adjustments within Tier 1 capital primarily include disallowed deferred tax assets and the overfunded portion of the firm's defined benefit pension plan obligation, net of associated deferred tax liabilities.
- Qualifying subordinated debt represents subordinated debt issued by Group Inc. with an original term to maturity of five years or greater. The outstanding amount of subordinated debt qualifying for Tier 2 capital is reduced, or discounted, upon reaching a remaining maturity of five years. See Note 16 for additional information about the firm's subordinated debt.

The table below presents the changes in Tier 1 capital and Tier 2 capital for the period ended December 2013 under the Prior Capital Rules.

$ in millions	Period Ended December 2013
Tier 1 capital	
Balance, December 31, 2012	$66,977
Increase in common shareholders' equity	1,751
Increase in perpetual non-cumulative preferred stock	1,000
Redesignation of junior subordinated debt issued to trusts	(687)
Change in goodwill and identifiable intangible assets	723
Change in equity investments in certain entities	1,491
Change in other adjustments	1,216
Balance, December 31, 2013	72,471
Tier 2 capital	
Balance, December 31, 2012	13,429
Decrease in qualifying subordinated debt	(569)
Redesignation of junior subordinated debt issued to trusts	687
Change in other adjustments	85
Balance, December 31, 2013	13,632
Total capital	$86,103

The table below presents the components of RWAs as of December 2013 under the Prior Capital Rules.

$ in millions	As of December 2013
Credit RWAs	
Derivatives	$ 94,753
Commitments, guarantees and loans	78,997
Securities financing transactions [1]	30,010
Equity investments	3,673
Other [2]	60,814
Total Credit RWAs	268,247
Market RWAs	
Regulatory VaR	13,425
Stressed VaR	38,250
Incremental risk	9,463
Comprehensive risk	18,150
Specific risk	85,691
Total Market RWAs	164,979
Total RWAs	$433,226

1. Represents resale and repurchase agreements and securities borrowed and loaned transactions.

2. Includes receivables, other assets, and cash and cash equivalents.

The table below presents the changes in RWAs for the period ended December 31, 2013 under the Prior Capital Rules.

$ in millions	Period Ended December 2013
Risk-weighted assets	
Balance, December 31, 2012	$399,928
Credit RWAs	
Decrease in derivatives	(12,516)
Increase in commitments, guarantees and loans	18,151
Decrease in securities financing transactions	(17,059)
Increase in equity investments	1,077
Change in other	(8,932)
Change in Credit RWAs	(19,279)
Market RWAs	
Increase related to the revised market risk rules	127,608
Decrease in regulatory VaR	(2,038)
Decrease in stressed VaR	(13,700)
Decrease in incremental risk	(17,350)
Decrease in comprehensive risk	(9,568)
Decrease in specific risk	(32,375)
Change in Market RWAs	52,577
Total RWAs, December 31, 2013	$433,226

Credit RWAs as of December 2013 decreased $19.28 billion compared with December 2012, primarily due to a decrease in securities financing exposure. Market RWAs as of December 2013 increased by $52.58 billion compared with December 2012, reflecting the impact of the revised market risk regulatory capital requirements, which became effective on January 1, 2013, partially offset by, among other things, a decrease in specific risk due to a decrease in inventory.

Bank Subsidiaries

Regulatory Capital Ratios. GS Bank USA, an FDIC-insured, New York State-chartered bank and a member of the Federal Reserve System, is supervised and regulated by the Federal Reserve Board, the FDIC, the New York State Department of Financial Services and the Consumer Financial Protection Bureau, and is subject to minimum capital requirements (described below) that are calculated in a manner similar to those applicable to bank holding companies. For purposes of assessing the adequacy of its capital, GS Bank USA computes its capital ratios in accordance with the regulatory capital requirements applicable to state member banks. Those requirements are based on the Revised Capital Framework described above, with changes to the definition of regulatory capital and capital ratios effective from January 1, 2014. GS Bank USA was notified in the first quarter of 2014 that it had completed a "parallel run" to the satisfaction of the Federal Reserve Board, as required under the Revised Capital Framework. As such, additional changes in GS Bank USA's capital requirements, including changes to RWAs, became effective on April 1, 2014. GS Bank USA is an Advanced approach banking organization under the Revised Capital Framework. Under the Revised Capital Framework, as of January 1, 2014, GS Bank USA became subject to a new minimum CET1 ratio requirement of 4.0%. As of January 2015, the minimum CET1 ratio for GS Bank USA increased from 4.0% to 4.5%.

Under the regulatory framework for prompt corrective action applicable to GS Bank USA as of December 2014, in order to meet the quantitative requirements for being a "well-capitalized" depository institution, GS Bank USA was required to maintain a Tier 1 capital ratio of at least 6.0%, a Total capital ratio of at least 10.0% and a Tier 1 leverage ratio of at least 5.0%. As of January 1, 2015, the Revised Capital Framework changed the standards for "well-capitalized" status under prompt corrective action regulations by, among other things, introducing a CET1 ratio requirement of 6.5% and increasing the Tier 1 capital ratio requirement from 6.0% to 8.0%. The Total capital ratio and Tier 1 leverage ratio requirements remain at 10.0% and 5.0%, respectively.

As noted in the tables below, GS Bank USA was in compliance with these minimum capital requirements as of December 2014 and December 2013. GS Bank USA's capital levels and prompt corrective action classification are also subject to qualitative judgments by the regulators about components of capital, risk weightings and other factors. Failure to comply with these capital requirements could result in restrictions being imposed by GS Bank USA's regulators.

Similar to the firm, GS Bank USA is required to calculate ratios under both the Basel III Advanced Rules and Hybrid Capital Rules as of December 2014, in both cases subject to transitional provisions. The ratios calculated under the Hybrid Capital Rules presented in the table below were lower than those calculated under the Basel III Advanced Rules, and therefore were the binding ratios for GS Bank USA as of December 2014.

As a result of the changes in the applicable capital framework in 2014, GS Bank USA's capital ratios as of December 2014 and December 2013 were calculated on a different basis and, accordingly, are not comparable.

Effective on January 1, 2015, GS Bank USA was required to calculate ratios under both the Basel III Advanced Rules and Standardized Capital Rules. GS Bank USA's ratios calculated under the Standardized Capital Rules as of December 2014 are also presented in the table below, although the ratios were not binding until January 2015.

$ in millions	As of December 2014
Common Equity Tier 1	**$ 21,293**
Tier 1 capital	**$ 21,293**
Tier 2 capital	**$ 2,182**
Total capital	**$ 23,475**
Hybrid RWAs	**$149,963**
CET1 ratio	**14.2%**
Tier 1 capital ratio	**14.2%**
Total capital ratio	**15.7%**
Tier 1 leverage ratio	**17.3%**
Standardized RWAs	**$200,605**
CET1 ratio	**10.6%**
Tier 1 capital ratio	**10.6%**
Total capital ratio	**11.7%**

The table below presents information as of December 2013 regarding GS Bank USA's regulatory ratios under the Prior Capital Rules.

$ in millions	As of December 2013
Tier 1 capital	$ 20,086
Tier 2 capital	$ 116
Total capital	$ 20,202
Risk-weighted assets	$134,935
Tier 1 capital ratio	14.9%
Total capital ratio	15.0%
Tier 1 leverage ratio	16.9%

The firm's principal non-U.S. bank subsidiary, GSIB, is a wholly-owned credit institution, regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) and is subject to minimum capital requirements. As of December 2014 and December 2013, GSIB was in compliance with all regulatory capital requirements.

Other. The deposits of GS Bank USA are insured by the FDIC to the extent provided by law. The Federal Reserve Board requires that GS Bank USA maintain cash reserves with the Federal Reserve Bank of New York. The amount deposited by GS Bank USA held at the Federal Reserve Bank of New York was $38.68 billion and $50.39 billion as of December 2014 and December 2013, respectively, which exceeded required reserve amounts by $38.57 billion and $50.29 billion as of December 2014 and December 2013, respectively.

Broker-Dealer Subsidiaries

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

As of December 2014 and December 2013, GS&Co. had regulatory net capital, as defined by Rule 15c3-1, of $14.83 billion and $15.81 billion, respectively, which exceeded the amount required by $12.46 billion and $13.76 billion, respectively. As of December 2014 and December 2013, GSEC had regulatory net capital, as defined by Rule 15c3-1, of $1.67 billion and $1.38 billion, respectively, which exceeded the amount required by $1.53 billion and $1.21 billion, respectively.

In addition to its alternative minimum net capital requirements, GS&Co. is also required to hold tentative net capital in excess of $1 billion and net capital in excess of $500 million in accordance with the market and credit risk standards of Appendix E of Rule 15c3-1. GS&Co. is also required to notify the SEC in the event that its tentative net capital is less than $5 billion. As of December 2014 and December 2013, GS&Co. had tentative net capital and net capital in excess of both the minimum and the notification requirements.

Non-U.S. Regulated Broker-Dealer Subsidiaries. The firm's principal non-U.S. regulated broker-dealer subsidiaries include Goldman Sachs International (GSI) and Goldman Sachs Japan Co., Ltd. (GSJCL). GSI, the firm's regulated U.K. broker-dealer, is regulated by the PRA and the FCA. GSJCL, the firm's Japanese broker-dealer, is regulated by Japan's Financial Services Agency. These and certain other non-U.S. subsidiaries of the firm are also subject to capital adequacy requirements promulgated by authorities of the countries in which they operate. As of December 2014 and December 2013, these subsidiaries were in compliance with their local capital adequacy requirements.

Restrictions on Payments

Group Inc.'s ability to withdraw capital from its regulated subsidiaries is limited by minimum equity capital requirements applicable to those subsidiaries, as well as by provisions of applicable law and regulations that limit the ability of those subsidiaries to declare and pay dividends without prior regulatory approval even if the relevant subsidiary would satisfy the equity capital requirements applicable to it after giving effect to the dividend. As of December 2014 and December 2013, Group Inc. was required to maintain $33.62 billion and $31.20 billion, respectively, of minimum equity capital in its regulated subsidiaries in order to satisfy the regulatory requirements of such subsidiaries. In addition to statutory limitations on the payment of dividends, the Federal Reserve Board, the FDIC and the New York State Department of Financial Services have authority to prohibit or to limit the payment of dividends by the banking organizations they supervise (including GS Bank USA) if, in the relevant regulator's opinion, payment of a dividend would constitute an unsafe or unsound practice in the light of the financial condition of the banking organization. Similar restrictions are imposed by regulators in jurisdictions outside of the U.S.

Note 21.

Earnings Per Common Share

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

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

	Year Ended December		
in millions, except per share amounts	**2014**	2013	2012
Numerator for basic and diluted EPS — net earnings applicable to common shareholders	**$8,077**	$7,726	$7,292
Denominator for basic EPS — weighted average number of common shares	**458.9**	471.3	496.2
Effect of dilutive securities:			
RSUs	**6.1**	7.2	11.3
Stock options and warrants	**8.2**	21.1	8.6
Dilutive potential common shares	**14.3**	28.3	19.9
Denominator for diluted EPS — weighted average number of common shares and dilutive potential common shares	**473.2**	499.6	516.1
Basic EPS	**$17.55**	$16.34	$14.63
Diluted EPS	**17.07**	15.46	14.13

In the table above, unvested share-based awards that have non-forfeitable rights to dividends or dividend equivalents are treated as a separate class of securities in calculating EPS. The impact of applying this methodology was a reduction in basic EPS of $0.05 for both 2014 and 2013, and $0.07 for 2012.

The diluted EPS computations in the table above do not include antidilutive RSUs and common shares underlying antidilutive stock options and warrants of 6.0 million for both 2014 and 2013, and 52.4 million for 2012.

Note 22.

Transactions with Affiliated Funds

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

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

	Year Ended December		
$ in millions	**2014**	2013	2012
Fees earned from affiliated funds	**$3,232**	$2,897	$2,935

	As of December	
$ in millions	**2014**	2013
Fees receivable from funds	**$ 724**	$ 817
Aggregate carrying value of interests in funds [1]	**9,099**	13,124

1. The decrease from December 2013 to December 2014 primarily reflects both cash and in-kind distributions received by the firm.

As of December 2014 and December 2013, the firm had outstanding guarantees on behalf of its funds of $304 million and $147 million, respectively. The amounts as of December 2014 and December 2013 primarily relate to a guarantee that the firm has voluntarily provided in connection with a financing agreement with a third-party lender executed by one of the firm's real estate funds that is not covered by the Volcker Rule. As of December 2014 and December 2013, the firm had no outstanding loans or commitments to extend credit to affiliated funds.

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

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

Note 23.

Interest Income and Interest Expense

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

	Year Ended December		
$ in millions	**2014**	2013	2012
Interest income			
Deposits with banks	**$ 164**	$ 186	$ 156
Securities borrowed, securities purchased under agreements to resell and federal funds sold [1]	**(81)**	43	(77)
Financial instruments owned, at fair value	**7,452**	8,159	9,817
Loans receivable	**708**	296	150
Other interest [2]	**1,361**	1,376	1,335
Total interest income	**9,604**	10,060	11,381
Interest expense			
Deposits	**333**	387	399
Securities loaned and securities sold under agreements to repurchase	**431**	576	822
Financial instruments sold, but not yet purchased, at fair value	**1,741**	2,054	2,438
Short-term borrowings [3]	**447**	394	581
Long-term borrowings [3]	**3,460**	3,752	3,736
Other interest [4]	**(855)**	(495)	(475)
Total interest expense	**5,557**	6,668	7,501
Net interest income	**$4,047**	$ 3,392	$ 3,880

1. Includes rebates paid and interest income on securities borrowed.
2. Includes interest income on customer debit balances and other interest-earning assets.
3. Includes interest on unsecured borrowings and other secured financings.
4. 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 tables below present the components of the provision/(benefit) for taxes and a reconciliation of the U.S. federal statutory income tax rate to the firm's effective income tax rate.

	Year Ended December		
$ in millions	**2014**	2013	2012
Current taxes			
U.S. federal	**$1,908**	$2,589	$3,013
State and local	**576**	466	628
Non-U.S.	**901**	613	447
Total current tax expense	**3,385**	3,668	4,088
Deferred taxes			
U.S. federal	**190**	(188)	(643)
State and local	**38**	67	38
Non-U.S.	**267**	150	249
Total deferred tax (benefit)/expense	**495**	29	(356)
Provision for taxes	**$3,880**	$3,697	$3,732

	Year Ended December		
	2014	2013	2012
U.S. federal statutory income tax rate	**35.0%**	35.0%	35.0%
State and local taxes, net of U.S. federal income tax effects	**3.2%**	4.1%	3.8%
Tax credits	**(1.1)%**	(1.0)%	(1.0)%
Non-U.S. operations [1]	**(5.8)%**	(5.6)%	(4.8)%
Tax-exempt income, including dividends	**(0.3)%**	(0.5)%	(0.5)%
Other	**0.4%**	(0.5)%	0.8%
Effective income tax rate	**31.4%**	31.5%	33.3%

1. Includes the impact of permanently reinvested earnings.

Deferred Income Taxes

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

The table below presents the significant components of deferred tax assets and liabilities, excluding the impact of netting within tax jurisdictions.

	As of December	
$ in millions	**2014**	2013
Deferred tax assets		
Compensation and benefits	**$3,032**	$2,740
Unrealized losses	**—**	309
ASC 740 asset related to unrecognized tax benefits	**172**	475
Non-U.S. operations	**1,418**	1,318
Net operating losses	**336**	232
Occupancy-related	**78**	108
Other comprehensive income-related	**277**	69
Other, net	**545**	729
Subtotal	**5,858**	5,980
Valuation allowance	**(64)**	(183)
Total deferred tax assets	**$5,794**	$5,797
Depreciation and amortization	**$1,176**	$1,269
Unrealized gains	**406**	—
Other comprehensive income-related	**—**	68
Total deferred tax liabilities	**$1,582**	$1,337

The firm has recorded deferred tax assets of $336 million and $232 million as of December 2014 and December 2013, respectively, in connection with U.S. federal, state and local and foreign net operating loss carryforwards. The firm also recorded a valuation allowance of $26 million and $45 million as of December 2014 and December 2013, respectively, related to these net operating loss carryforwards.

As of December 2014, the U.S. federal and foreign net operating loss carryforwards were $108 million and $1.2 billion, respectively. If not utilized, the U.S. federal net operating loss carryforward will begin to expire in 2015. The foreign net operating loss carryforwards can be carried forward indefinitely. State and local net operating loss carryforwards of $790 million will begin to expire in 2015. If these carryforwards expire, they will not have a material impact on the firm's results of operations. The firm had no foreign tax credit carryforwards and no related net deferred income tax assets as of December 2014 and December 2013.

The firm had no capital loss carryforwards and no related net deferred income tax assets as of December 2014 and December 2013.

The valuation allowance decreased by $119 million during 2014 and increased by $15 million during 2013. The decrease in 2014 was primarily due to a decrease in deferred tax assets from which the firm does not expect to realize any benefit. The increase in 2013 was primarily due to an increase in deferred tax assets from which the firm does not expect to realize any benefit.

The firm permanently reinvests eligible earnings of certain foreign subsidiaries and, accordingly, does not accrue any U.S. income taxes that would arise if such earnings were repatriated. As of December 2014 and December 2013, this policy resulted in an unrecognized net deferred tax liability of $4.66 billion and $4.06 billion, respectively, attributable to reinvested earnings of $24.88 billion and $22.54 billion, respectively.

Unrecognized Tax Benefits

The firm recognizes 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. 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 financial statements.

As of December 2014 and December 2013, the accrued liability for interest expense related to income tax matters and income tax penalties was $101 million and $410 million, respectively. The firm recognized interest expense and income tax penalties of $45 million, $53 million and $95 million for 2014, 2013 and 2012, respectively. It is reasonably possible that unrecognized tax benefits could change significantly during the twelve months subsequent to December 2014 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. This liability is included in "Other liabilities and accrued expenses." See Note 17 for further information.

	As of December		
$ in millions	**2014**	2013	2012
Balance, beginning of year	**$ 1,765**	$2,237	$1,887
Increases based on tax positions related to the current year	**204**	144	190
Increases based on tax positions related to prior years	**263**	149	336
Decreases based on tax positions related to prior years	**(241)**	(471)	(109)
Decreases related to settlements	**(1,112)**	(299)	(35)
Acquisitions/(dispositions)	**—**	—	(47)
Exchange rate fluctuations	**(8)**	5	15
Balance, end of year	**$ 871**	$1,765	$2,237
Related deferred income tax asset [1]	**172**	475	685
Net unrecognized tax benefit [2]	**$ 699**	$1,290	$1,552

1. Included in "Other assets." See Note 13.

2. If recognized, the net tax benefit would reduce the firm's effective income tax rate.

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, Korea 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 2014
U.S. Federal	**2008**
New York State and City	**2007**
United Kingdom	**2012**
Japan	**2010**
Hong Kong	**2006**
Korea	**2010**

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

New York State and City examinations of fiscal 2004 through 2006 were finalized during 2014. The examinations of fiscal 2007 through 2010 began in 2013.

The United Kingdom examinations of fiscal 2008 through 2011 were finalized during 2014.

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.

In January 2013, the firm was accepted into the Compliance Assurance Process program by the IRS. This program allows the firm to work with the IRS to identify and resolve potential U.S. federal tax issues before the filing of tax returns. The 2013 tax year is the first year that was examined under the program, and remains subject to post-filing review. The firm was also accepted into the program for the 2014 and 2015 tax years.

Note 25.

Business Segments

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

Basis of Presentation

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

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

The firm allocates assets (including allocations of global core liquid assets and cash, secured client financing and other assets), revenues and expenses among the four business segments. Due to the integrated nature of these segments, estimates and judgments are made in allocating certain assets, revenues and expenses. The allocation process is based on the manner in which management currently views the performance of the segments. Transactions between segments are based on specific criteria or approximate third-party rates. Total operating expenses include charitable contributions that have not been allocated to individual business segments.

Management believes that the information in the table below provides a reasonable representation of each segment's contribution to consolidated pre-tax earnings and total assets.

$ in millions	Year Ended or as of December 2014	2013	2012
Investment Banking			
Financial Advisory	$ 2,474	$ 1,978	$ 1,975
Equity underwriting	1,750	1,659	987
Debt underwriting	2,240	2,367	1,964
Total Underwriting	3,990	4,026	2,951
Total net revenues	6,464	6,004	4,926
Operating expenses	3,688	3,479	3,333
Pre-tax earnings	$ 2,776	$ 2,525	$ 1,593
Segment assets	$ 1,845	$ 1,901	$ 1,712
Institutional Client Services			
Fixed Income, Currency and Commodities Client Execution	$ 8,461	$ 8,651	$ 9,914
Equities client execution	2,079	2,594	3,171
Commissions and fees	3,153	3,103	3,053
Securities services	1,504	1,373	1,986
Total Equities	6,736	7,070	8,210
Total net revenues [1]	15,197	15,721	18,124
Operating expenses	10,880	11,792	12,490
Pre-tax earnings	$ 4,317	$ 3,929	$ 5,634
Segment assets	$696,013	$788,238	$825,496
Investing & Lending			
Equity securities	$ 3,813	$ 3,930	$ 2,800
Debt securities and loans	2,165	1,947	1,850
Other	847	1,141	1,241
Total net revenues	6,825	7,018	5,891
Operating expenses	2,819	2,686	2,668
Pre-tax earnings	$ 4,006	$ 4,332	$ 3,223
Segment assets	$143,842	$109,285	$ 98,600
Investment Management			
Management and other fees	$ 4,800	$ 4,386	$ 4,105
Incentive fees	776	662	701
Transaction revenues	466	415	416
Total net revenues	6,042	5,463	5,222
Operating expenses	4,647	4,357	4,296
Pre-tax earnings	$ 1,395	$ 1,106	$ 926
Segment assets	$ 14,540	$ 12,083	$ 12,747
Total net revenues	$ 34,528	$ 34,206	$ 34,163
Total operating expenses [2]	22,171	22,469	22,956
Total pre-tax earnings	$ 12,357	$ 11,737	$ 11,207
Total assets	$856,240	$911,507	$938,555

1. Includes $37 million for 2013 and $121 million for 2012 of realized gains on available-for-sale securities.
2. Includes charitable contributions that have not been allocated to the firm's segments of $137 million for 2014, $155 million for 2013 and $169 million for 2012. Operating expenses related to real estate-related exit costs, previously not allocated to the firm's segments, have now been allocated. This allocation reflects the change in the manner in which management views the performance of the firm's segments. Reclassifications have been made to previously reported segment amounts to conform to the current presentation.

The segment information presented in the table above is prepared according to the following methodologies:

- 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 interest expense to specific securities, commodities and other positions in relation to the cash generated by, or funding requirements of, such underlying positions. Net interest is included in segment net revenues as it is consistent with the way in which management assesses segment performance.
- Overhead expenses not directly allocable to specific segments are allocated ratably based on direct segment expenses.

The tables below present the amounts of net interest income or interest expense included in net revenues, and the amounts of depreciation and amortization expense included in pre-tax earnings.

	Year Ended December		
$ in millions	**2014**	2013	2012
Investment Banking	**$ —**	$ —	$ (15)
Institutional Client Services	**3,679**	3,250	3,723
Investing & Lending	**237**	25	26
Investment Management	**131**	117	146
Total net interest income	**$4,047**	$3,392	$3,880

	Year Ended December		
$ in millions	**2014**	2013	2012
Investment Banking	**$ 135**	$ 144	$ 166
Institutional Client Services	**525**	571	802
Investing & Lending	**530**	441	565
Investment Management	**147**	166	205
Total depreciation and amortization [1]	**$1,337**	$1,322	$1,738

1. Depreciation and amortization related to real estate-related exit costs, previously not allocated to the firm's segments, have now been allocated. This allocation reflects the change in the manner in which management views the performance of the firm's segments. Reclassifications have been made to previously reported segment amounts to conform to the current presentation.

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.
- Institutional Client Services: Fixed Income, Currency and Commodities Client Execution, and Equities (excluding Securities Services): location of the market-making desk; Securities Services: location of the primary market for the underlying security.
- Investing & Lending: Investing: location of the investment; Lending: location of the client.
- Investment Management: location of the sales team.

The table below presents the total net revenues, pre-tax earnings and net earnings of the firm by geographic region allocated based on the methodology referred to above, as well as the percentage of total net revenues, pre-tax earnings and net earnings (excluding Corporate) for each geographic region. In the table below, Asia includes Australia and New Zealand.

	Year Ended December					
$ in millions	**2014**		2013		2012	
Net revenues						
Americas	**$20,062**	**58%**	$19,858	58%	$20,159	59%
Europe, Middle East and Africa	**9,057**	**26%**	8,828	26%	8,612	25%
Asia	**5,409**	**16%**	5,520	16%	5,392	16%
Total net revenues	**$34,528**	**100%**	$34,206	100%	$34,163	100%
Pre-tax earnings						
Americas	**$ 7,144**	**57%**	$ 6,794	57%	$ 6,956	61%
Europe, Middle East and Africa	**3,338**	**27%**	3,230	27%	2,931	26%
Asia	**2,012**	**16%**	1,868	16%	1,489	13%
Subtotal	**12,494**	**100%**	11,892	100%	11,376	100%
Corporate [1]	**(137)**		(155)		(169)	
Total pre-tax earnings	**$12,357**		$11,737		$11,207	
Net earnings						
Americas	**$ 4,558**	**53%**	$ 4,425	54%	$ 4,255	56%
Europe, Middle East and Africa	**2,576**	**30%**	2,377	29%	2,361	31%
Asia	**1,434**	**17%**	1,345	17%	971	13%
Subtotal	**8,568**	**100%**	8,147	100%	7,587	100%
Corporate	**(91)**		(107)		(112)	
Total net earnings	**$ 8,477**		$ 8,040		$ 7,475	

1. Includes charitable contributions that have not been allocated to the firm's geographic regions. Operating expenses related to real estate-related exit costs, previously not allocated to the firm's geographic regions, have now been allocated. This allocation reflects the change in the manner in which management views the performance of the geographic regions. Reclassifications have been made to previously reported geographic region amounts to conform to the current presentation.

Note 26.

Credit Concentrations

Credit concentrations may arise from market making, client facilitation, investing, underwriting, lending and collateralized transactions and may be impacted by changes in economic, industry or political factors. The firm seeks to mitigate credit risk by actively monitoring exposures and obtaining collateral from counterparties as deemed appropriate.

While the firm's activities expose it to many different industries and counterparties, the firm routinely executes a high volume of transactions with asset managers, investment funds, commercial banks, brokers and dealers, clearing houses and exchanges, which results in significant credit concentrations.

In the ordinary course of business, the firm may also be subject to a concentration of credit risk to a particular counterparty, borrower or issuer, including sovereign issuers, or to a particular clearing house or exchange.

The table below presents the credit concentrations in cash instruments held by the firm.

	As of December	
$ in millions	**2014**	2013
U.S. government and federal agency obligations [1]	**$69,170**	$90,118
% of total assets	**8.1%**	9.9%
Non-U.S. government and agency obligations [1]	**$37,059**	$40,944
% of total assets	**4.3%**	4.5%

1. Included in "Financial instruments owned, at fair value" and "Cash and securities segregated for regulatory and other purposes."

As of December 2014 and December 2013, the firm did not have credit exposure to any other counterparty that exceeded 2% of total assets.

To reduce credit exposures, the firm may enter into agreements with counterparties that 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. 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 federal agency obligations and non-U.S. government and agency obligations. See Note 10 for further information about collateralized agreements and financings.

The table below presents U.S. government and federal agency obligations, and non-U.S. government and agency obligations, that collateralize resale agreements and securities borrowed transactions (including those in "Cash and securities segregated for regulatory and other purposes"). Because 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.

	As of December	
$ in millions	**2014**	2013
U.S. government and federal agency obligations	**$103,263**	$100,672
Non-U.S. government and agency obligations [1]	**71,302**	79,021

1. Principally consists of securities issued by the governments of France, the United Kingdom, Japan and Germany.

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 an underwriting and is not being indemnified by a party that the firm believes will pay 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 underwriting and the estimated lowest subsequent price of such securities and (c) in the case of (iii), the price that purchasers paid for the securities less the estimated value, if any, as of December 2014 of the relevant securities, in each of cases (i), (ii) and (iii), taking into account any 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 $3.0 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 future mortgage-related "put-back" claims, any future claims arising from the ongoing investigations by members of the Residential Mortgage-Backed Securities Working Group of the U.S. Financial Fraud Enforcement Task Force (RMBS Working Group) and the action filed by the Libyan Investment Authority discussed below may ultimately result in a significant increase in the firm's liabilities, but are not included in management's estimate of reasonably possible loss. As another example, the firm's potential liabilities with respect to the investigations and reviews discussed below under "Regulatory Investigations and Reviews and Related Litigation" also 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.

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 CDO market, the firm's conflict of interest management, and the SEC investigation that led to GS&Co. entering into a consent agreement with the SEC, settling all claims made against GS&Co. by the SEC in connection with the ABACUS 2007-AC1 CDO offering (ABACUS 2007-AC1 transaction), pursuant to which GS&Co. paid $550 million of disgorgement and civil penalties. The consolidated amended complaint filed on July 25, 2011, which names as defendants Group Inc. and certain 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 unspecified damages. On June 21, 2012, the district court dismissed the claims based on Group Inc.'s not disclosing that it had received a "Wells" notice from the staff of the SEC related to the ABACUS 2007-AC1 transaction, but permitted the plaintiffs' other claims to proceed.

In June 2012, the Board of Directors of Group Inc. (Board) received a demand from a shareholder that the Board investigate and take action relating to the firm's mortgage-related activities and to stock sales by certain directors and executives of the firm. On February 15, 2013, this shareholder filed a putative shareholder derivative action in New York Supreme Court, New York County, against Group Inc. and certain current or former directors and employees, based on these activities and stock sales. The derivative complaint includes allegations of breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement and corporate waste, and seeks, among other things, unspecified monetary damages, disgorgement of profits and certain corporate governance and disclosure reforms. On May 28, 2013, Group Inc. informed the shareholder that the Board completed its investigation and determined to refuse the demand. On June 20, 2013, the shareholder made a books and records demand requesting materials relating to the Board's determination. The parties have agreed to stay proceedings in the putative derivative action pending resolution of the books and records demand.

In addition, the Board has received books and records demands from several shareholders for materials relating to, among other subjects, the firm's mortgage servicing and foreclosure activities, participation in federal programs providing assistance to financial institutions and homeowners, loan sales to Fannie Mae and Freddie Mac, mortgage-related activities and conflicts management.

GS&Co., Goldman Sachs Mortgage Company and GS Mortgage Securities Corp. and three current or former Goldman Sachs employees are defendants in a putative class action commenced on December 11, 2008 in the U.S. District Court for the Southern District of New York brought on behalf of purchasers of various mortgage pass-through certificates and asset-backed certificates issued by various securitization trusts established by the firm and underwritten by GS&Co. in 2007. The complaint generally alleges that the registration statement and prospectus supplements for the certificates violated the federal securities laws, and seeks unspecified compensatory damages and rescission or rescissionary damages. By a decision dated September 6, 2012, the U.S. Court of Appeals for the Second Circuit affirmed the district court's dismissal of plaintiff's claims with respect to 10 of the 17 offerings included in plaintiff's original complaint but vacated the dismissal and remanded the case to the district court with instructions to reinstate the plaintiff's claims with respect to the other seven offerings. On October 31, 2012, the plaintiff served an amended complaint relating to those seven offerings, plus seven additional offerings (additional offerings). On July 10, 2014, the court granted the defendants' motion to dismiss as to the additional offerings. On June 3, 2010, another investor filed a separate putative class action asserting substantively similar allegations relating to one of the additional offerings and thereafter moved to further amend its amended complaint to add claims with respect to two of the additional offerings. On March 27, 2014, the district court largely denied defendants' motion to dismiss as to the original offering, but denied the separate plaintiff's motion to add the two additional offerings through an amendment. The securitization trusts issued, and GS&Co. underwrote, approximately $11 billion principal amount of certificates to all purchasers in the offerings at issue in the complaints.

On September 30, 2010, a class action was filed in the U.S. District Court for the Southern District of New York against GS&Co., Group Inc. and two former GS&Co. employees on behalf of investors in $823 million of notes issued in 2006 and 2007 by two synthetic CDOs (Hudson Mezzanine 2006-1 and 2006-2). The amended complaint asserts federal securities law and common law claims, and seeks unspecified compensatory, punitive and other damages. The defendants' motion to dismiss was granted as to plaintiff's claim of market manipulation and denied as to the remainder of plaintiff's claims by a decision dated March 21, 2012. On May 21, 2012, the defendants counterclaimed for breach of contract and fraud. On June 27, 2014, the appellate court denied defendants' petition for leave to appeal from the district court's January 22, 2014 order granting class certification. On January 30, 2015, defendants moved for summary judgment.

Various alleged purchasers of, and counterparties and providers of credit enhancement involved in transactions relating to, mortgage pass-through certificates, CDOs and other mortgage-related products (including Aozora Bank, Ltd., Basis Yield Alpha Fund (Master), the Charles Schwab Corporation, CIFG Assurance of North America, Inc., CMFG Life Insurance Company and related parties, Deutsche Zentral-Genossenschaftbank, the FDIC (as receiver for Guaranty Bank), the Federal Home Loan Banks of Chicago and Seattle, IKB Deutsche Industriebank AG, John Hancock and related parties, Massachusetts Mutual Life Insurance Company, National Australia Bank, the National Credit Union Administration (as conservator or liquidating agent for several failed credit unions), Phoenix Light SF Limited and related parties, Royal Park Investments SA/NV, The Union Central Life Insurance Company, Ameritas Life Insurance Corp., Acacia Life Insurance Company, Watertown Savings Bank, Commerzbank, Texas County & District Retirement System and the Commonwealth of Virginia (on behalf of the Virginia Retirement System)) have filed complaints or summonses with notice in state and federal court or initiated arbitration proceedings against firm affiliates, generally alleging that the offering documents for the securities that they purchased contained untrue statements of material fact and material omissions and generally seeking rescission and/or damages. Certain of these complaints allege fraud and seek punitive damages. Certain of these complaints also name other firms as defendants.

A number of other entities (including John Hancock and related parties, Norges Bank Investment Management, Selective Insurance Company and the State of Illinois (on behalf of Illinois state retirement systems)) have threatened to assert claims of various types against the firm in connection with the sale of mortgage-related securities. The firm has entered into agreements with a number of these entities to toll the relevant statute of limitations.

As of the date hereof, the aggregate amount of mortgage-related securities sold to plaintiffs in active and threatened cases described in the preceding two paragraphs where those plaintiffs are seeking rescission of such securities was approximately $6.6 billion (which does not reflect adjustment for any subsequent paydowns or distributions or any residual value of such securities, statutory interest or any other adjustments that may be claimed). This amount does not include the potential claims by these or other purchasers in the same or other mortgage-related offerings that have not been described above, or claims that have been dismissed.

The firm has entered into agreements with Deutsche Bank National Trust Company and U.S. Bank National Association to toll the relevant statute of limitations with respect to claims for repurchase of residential mortgage loans based on alleged breaches of representations related to $11.4 billion original notional face amount of securitizations issued by trusts for which they act as trustees.

Group Inc., Litton, Ocwen and Arrow Corporate Member Holdings LLC, a former subsidiary of Group Inc., are defendants in a putative class action pending since January 23, 2013 in the U.S. District Court for the Southern District of New York generally challenging the procurement manner and scope of "force-placed" hazard insurance arranged by Litton when homeowners failed to arrange for insurance as required by their mortgages. The complaint asserts claims for breach of contract, breach of fiduciary duty, misappropriation, conversion, unjust enrichment and violation of Florida unfair practices law, and seeks unspecified compensatory and punitive damages as well as declaratory and injunctive relief. An amended complaint, filed on November 19, 2013, added an additional plaintiff and RICO claims. On September 29, 2014, the court denied without prejudice and with leave to renew at a later date Group Inc.'s motion to sever the claims against it and certain other defendants.

The firm has also received, and continues to receive, requests for information and/or subpoenas as part of inquiries or investigations by the U.S. Department of Justice, other members of the RMBS Working Group and other federal, state and local regulators and law enforcement authorities relating to the mortgage-related securitization process, subprime mortgages, CDOs, synthetic mortgage-related products, sales communications and particular transactions involving these products, and servicing and foreclosure activities, which may subject the firm to actions, including litigation, penalties and fines. In December 2014, as part of the RMBS Working Group investigation, the firm received a letter from the U.S. Attorney for the Eastern District of California stating in connection with potentially bringing a civil action that it had preliminarily concluded that the firm had violated federal law in connection with its underwriting, securitization and sale of residential mortgage-backed securities and offering the firm an opportunity to respond. The firm is cooperating with these regulators and other authorities, including in some cases agreeing to the tolling of the relevant statute of limitations. See also "Regulatory Investigations and Reviews and Related Litigation" below.

The firm expects to be the subject of additional putative shareholder derivative actions, purported class actions, rescission and "put back" claims and other litigation, additional investor and shareholder demands, and additional regulatory and other investigations and actions with respect to mortgage-related offerings, loan sales, CDOs, and servicing and foreclosure activities. See Note 18 for information regarding mortgage-related contingencies not described in this Note 27.

Private Equity-Sponsored Acquisitions Litigation. Group Inc. is among numerous private equity firms named as defendants in a federal antitrust action filed in the U.S. District Court for the District of Massachusetts in December 2007. As amended, the complaint generally alleges that the defendants have colluded to limit competition in bidding for private equity-sponsored acquisitions of public companies, thereby resulting in lower prevailing bids and, by extension, less consideration for shareholders of those companies in violation of Section 1 of the U.S. Sherman Antitrust Act and common law. The complaint seeks, among other things, treble damages in an unspecified amount. In June 2014, Group Inc. and the plaintiffs agreed to a settlement, which the court preliminarily approved on September 29, 2014. Group Inc., together with its affiliates, has paid the full amount of its proposed contribution to the settlement.

RALI Pass-Through Certificates Litigation. GS&Co. is among numerous underwriters named as defendants in a securities class action initially filed in September 2008 in New York Supreme Court, and subsequently removed to the U.S. District Court for the Southern District of New York. As to the underwriters, plaintiffs allege that the offering documents in connection with various offerings of mortgage-backed pass-through certificates violated the disclosure requirements of the federal securities laws. In addition to the underwriters, the defendants include Residential Capital, LLC (ResCap), Residential Accredit Loans, Inc. (RALI), Residential Funding Corporation (RFC), Residential Funding Securities Corporation (RFSC), and certain of their officers and directors. On January 3, 2013, the district court certified a class in connection with one offering underwritten by GS&Co. which includes only initial purchasers who bought the securities directly from the underwriters or their agents no later than ten trading days after the offering date. On April 30, 2013, the district court granted in part plaintiffs' request to reinstate a number of the previously dismissed claims relating to an additional nine offerings underwritten by GS&Co. On May 10, 2013, the plaintiffs filed an amended complaint incorporating those nine additional offerings. On December 27, 2013, the court granted the plaintiffs' motion for class certification as to the nine additional offerings but denied the plaintiffs' motion to expand the time period and scope covered by the previous class definition. On October 17, 2014, the plaintiffs and defendants moved for summary judgment. On February 11, 2015, GS&Co. and the other underwriter defendants agreed to a settlement with the plaintiffs, subject to court approval. The firm has reserved the full amount of its proposed contribution to the settlement.

GS&Co. underwrote approximately $5.57 billion principal amount of securities to all purchasers in the offerings included in the amended complaint. On May 14, 2012, ResCap, RALI and RFC filed for Chapter 11 bankruptcy in the U.S. Bankruptcy Court for the Southern District of New York. On June 28, 2013, the district court entered a final order and judgment approving a settlement between plaintiffs and ResCap, RALI, RFC, RFSC and their officers and directors named as defendants in the action.

MF Global Securities Litigation. GS&Co. is among numerous underwriters named as defendants in class action complaints and an individual action filed in the U.S. District Court for the Southern District of New York commencing November 18, 2011. These complaints generally allege that the offering materials for two offerings of MF Global Holdings Ltd. (MF Global) convertible notes (aggregating approximately $575 million in principal amount) in February 2011 and July 2011, among other things, failed to describe adequately the nature, scope and risks of MF Global's exposure to European sovereign debt, in violation of the disclosure requirements of the federal securities laws. On December 12, 2014, the court preliminarily approved a settlement resolving the class action, and on January 5, 2015, the court entered an order effectuating the settlement of all claims against GS&Co. in the individual action. GS&Co. has paid the full amount of its contribution to the settlements.

GS&Co. has also received inquiries from various governmental and regulatory bodies and self-regulatory organizations concerning certain transactions with MF Global prior to its bankruptcy filing. Goldman Sachs is cooperating with all such inquiries.

GT Advanced Technologies Securities Litigation. GS&Co. is among the underwriters named as defendants in several putative securities class actions filed in October 2014 in the U.S. District Court for the District of New Hampshire. In addition to the underwriters, the defendants include certain directors and officers of GT Advanced Technologies Inc. (GT Advanced Technologies). As to the underwriters, the complaints generally allege misstatements and omissions in connection with the December 2013 offerings by GT Advanced Technologies of approximately $86 million of common stock and $214 million principal amount of convertible senior notes, assert claims under the federal securities laws, and seek compensatory damages in an unspecified amount and rescission. GS&Co. underwrote 3,479,769 shares of common stock and $75 million principal amount of notes for an aggregate offering price of approximately $105 million. On October 6, 2014, GT Advanced Technologies filed for Chapter 11 bankruptcy.

FireEye Securities Litigation. GS&Co. is among the underwriters named as defendants in several putative securities class actions, filed beginning in June 2014 in the California Superior Court, County of Santa Clara. In addition to the underwriters, the defendants include FireEye, Inc. (FireEye) and certain of its directors and officers. The complaints generally allege misstatements and omissions in connection with the offering materials for the March 2014 offering of approximately $1.15 billion of FireEye common stock, assert claims under the federal securities laws, and seek compensatory damages in an unspecified amount and rescission. GS&Co. underwrote 2,100,000 shares for a total offering price of approximately $172 million.

Millennial Media Securities Litigation. GS&Co. is among the underwriters named as defendants in a putative securities class action filed on September 30, 2014 in the U.S. District Court for the Southern District of New York. In addition to the underwriters, the defendants include Millennial Media, Inc. (Millennial Media) and certain of its directors, officers and shareholders. As to the underwriters, the complaint generally alleges misstatements and omissions in connection with Millennial Media's $152 million March 2012 initial public offering and the October 2012 offering of approximately $163 million of Millennial Media's common stock, asserts claims under the federal securities laws, and seeks compensatory damages in an unspecified amount and rescission. GS&Co. underwrote 3,519,000 and 3,450,000 shares of common stock in the March and October 2012 offerings, respectively, for an aggregate offering price of approximately $95 million.

Zynga Securities Litigation. GS&Co. was among the underwriters named as defendants in a putative securities class action filed on August 1, 2012 in the California Superior Court, County of San Francisco. In addition to the underwriters, the defendants included Zynga Inc. (Zynga) and certain of its directors and officers. The consolidated amended complaint, filed on April 29, 2013, generally alleged that the offering materials for the March 2012 $516 million secondary offering of Zynga common stock by certain of Zynga's shareholders violated the disclosure requirements of the federal securities laws, and sought compensatory damages in an unspecified amount and rescission. On February 11, 2015, the court dismissed the action.

Cobalt International Energy Securities Litigation. Cobalt International Energy, Inc. (Cobalt), certain of its officers and directors (including employees of affiliates of Group Inc. who served as directors of Cobalt), shareholders of Cobalt (including certain funds affiliated with Group Inc.), affiliates of these shareholders (including Group Inc.) and underwriters (including GS&Co.) for certain offerings of Cobalt's securities are defendants in a putative securities class action filed on November 30, 2014 in the U.S. District Court for the Southern District of Texas. The complaint asserts claims under the federal securities laws, seeks compensatory and rescissory damages in unspecified amounts and alleges material misstatements and omissions concerning Cobalt in connection with a $1.67 billion February 2012 offering of Cobalt common stock, a $1.38 billion December 2012 offering of Cobalt's convertible notes, a $1.00 billion January 2013 offering of Cobalt's common stock, a $1.33 billion May 2013 offering of Cobalt's common stock, and a $1.30 billion May 2014 offering of Cobalt's convertible notes. The complaint alleges that Group Inc., GS&Co. and the affiliated funds are liable as controlling persons with respect to all five offerings. The complaint also seeks damages (i) from GS&Co. in connection with its acting as an underwriter of 14,430,000 shares of common stock representing an aggregate offering price of approximately $465 million, $690 million principal amount of convertible notes, and approximately $508 million principal amount of convertible notes in the February 2012, December 2012 and May 2014 offerings, respectively, for an aggregate offering price of approximately $1.66 billion, and (ii) from Group Inc. and the affiliated funds in connection with their sales of 40,042,868 shares of common stock for aggregate gross proceeds of approximately $1.06 billion in the February 2012, January 2013 and May 2013 common stock offerings.

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 alleging that Group Inc. and GS&Co. have systematically discriminated against female employees in respect of compensation, promotion, assignments, mentoring 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 July 17, 2012, the district court issued a decision granting in part Group Inc.'s and GS&Co.'s motion to strike certain of plaintiffs' class allegations on the ground that plaintiffs lacked standing to pursue certain equitable remedies and denying Group Inc.'s and GS&Co.'s motion to strike plaintiffs' class allegations in their entirety as premature. On March 21, 2013, the U.S. Court of Appeals for the Second Circuit held that arbitration should be compelled with one of the named plaintiffs, who as a managing director was a party to an arbitration agreement with the firm. On May 19, 2014, plaintiffs moved for class certification.

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.

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.

Credit Derivatives Antitrust Matters. The European Commission announced in April 2011 that it was initiating proceedings to investigate further numerous financial services companies, including Group Inc., in connection with the supply of data related to credit default swaps and in connection with profit sharing and fee arrangements for clearing of credit default swaps, including potential anti-competitive practices. On July 1, 2013, the European Commission issued to those financial services companies a Statement of Objections alleging that they colluded to limit competition in the trading of exchange-traded unfunded credit derivatives and exchange trading of credit default swaps more generally, and setting out its process for determining fines and other remedies. Group Inc.'s current understanding is that the proceedings related to profit sharing and fee arrangements for clearing of credit default swaps have been suspended indefinitely. The firm has received civil investigative demands from the U.S. Department of Justice for information on similar matters. Goldman Sachs is cooperating with the investigations and reviews.

GS&Co. and Group Inc. are among the numerous defendants in putative antitrust class actions relating to credit derivatives, filed beginning in May 2013 and consolidated in the U.S. District Court for the Southern District of New York. The complaints generally allege that defendants violated federal antitrust laws by conspiring to forestall the development of alternatives to OTC trading of credit derivatives and to maintain inflated bid-ask spreads for credit derivatives trading. The complaints seek declaratory and injunctive relief as well as treble damages in an unspecified amount. On September 4, 2014, the court granted in part and denied in part the defendants' motion to dismiss, permitting the claim alleging an antitrust conspiracy to proceed but confining it to a period after the fall of 2008.

Libya-Related Litigation. GSI is the defendant in an action filed on January 21, 2014 with the High Court of Justice in London by the Libyan Investment Authority, relating to nine derivative transactions between the plaintiff and GSI and seeking, among other things, rescission of the transactions and unspecified equitable compensation and damages exceeding $1 billion. On August 4, 2014, GSI withdrew its April 10, 2014 motion for summary judgment, and on December 4, 2014, the Libyan Investment Authority filed an amended statement of claim.

Municipal Securities Matters. GS&Co. (along with, in some cases, other financial services firms) is named as respondent in a number of FINRA arbitrations filed by municipalities, municipal-owned entities, state-owned agencies or instrumentalities and non-profit entities, based on GS&Co.'s role as underwriter of the claimants' issuances of an aggregate of approximately $2.0 billion of auction rate securities from 2003 through 2007 and as a broker-dealer with respect to auctions for these securities. The claimants generally allege that GS&Co. failed to disclose that it had a practice of placing cover bids in auctions, and/or failed to inform the claimant of the deterioration of the auction rate market beginning in the fall of 2007, and that, as a result, the claimant was forced to engage in a series of expensive refinancing and conversion transactions after the failure of the auction market in February 2008. Certain claimants also allege that GS&Co. advised them to enter into interest rate swaps in connection with their auction rate securities issuances, causing them to incur additional losses. The claims include breach of fiduciary duty, fraudulent concealment, negligent misrepresentation, breach of contract, violations of the Exchange Act and state securities laws, and breach of duties under the rules of the Municipal Securities Rulemaking Board and the NASD. One claimant has also filed a complaint against GS&Co. in federal court asserting the same claims as in the FINRA arbitration.

GS&Co. filed complaints and motions in federal court seeking to enjoin certain of the arbitrations to effectuate the exclusive forum selection clauses in the transaction documents. In one case, the district court denied the injunction but was reversed by the appellate court, and the U.S. Supreme Court denied the claimant's petition for certiorari seeking review of the appellate court's decision; in other cases, the district court granted the injunctions, which have been affirmed by the appellate court.

GS&Co. has also filed motions with the FINRA Panels to dismiss the arbitrations, one of which has been granted.

Commodities-Related Litigation. Group Inc. and its subsidiary, GS Power Holdings LLC (GS Power), as well as 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 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 violation of federal antitrust laws and other federal and state laws in connection with the management of aluminum storage facilities. The complaints seek declaratory, injunctive and other equitable relief as well as unspecified monetary damages, including treble damages. On August 29, 2014, the court granted the Goldman Sachs defendants' motion to dismiss. Certain plaintiffs appealed on September 24, 2014, and the remaining plaintiffs filed proposed amended complaints on October 9 and 10, 2014.

Group Inc., GS Power, Metro and GSI are among the defendants named in putative class actions, filed beginning on May 23, 2014 in the U.S. District Court for the Southern District of New York, based on similar alleged violations of the federal antitrust laws in connection with the management of zinc storage facilities.

GSI is among the defendants named in putative class actions relating to trading in platinum and palladium, filed beginning on November 25, 2014, in the U.S. District Court for the Southern District of New York. The complaints generally allege 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.

ISDAFIX-Related Litigation. GS&Co. is among the defendants named in several putative class actions relating to trading in interest rate derivatives, filed beginning in September 2014 in the U.S. District Court for the Southern District of New York. The complaints generally allege that the defendants violated federal antitrust laws and the Commodity Exchange Act in connection with an alleged conspiracy to manipulate the ISDAFIX benchmark and seek declaratory and injunctive relief as well as treble damages in an unspecified amount. On December 12, 2014, defendants moved to dismiss the consolidated amended complaint, and on February 12, 2015, the plaintiffs filed a second amended consolidated complaint.

Currencies-Related Litigation. GS&Co. and Group Inc. are among the defendants named in several putative antitrust class actions relating to trading in the foreign exchange markets, filed beginning in December 2013 in the U.S. District Court for the Southern District of New York. The complaints generally allege that defendants violated federal antitrust laws in connection with an alleged conspiracy to manipulate the foreign currency exchange markets and seek declaratory and injunctive relief as well as treble damages in an unspecified amount. On February 13, 2014, the cases were consolidated into one action. On February 28, 2014, Group Inc. was named in a separate putative class action on behalf of non-U.S. plaintiffs containing substantially similar allegations, which was not consolidated but was coordinated with the other proceedings for pretrial purposes; that complaint was amended on April 30, 2014. On January 28, 2015, the court denied defendants' motion to dismiss the consolidated action and granted defendants' motion to dismiss the amended complaint on behalf of the non-U.S. plaintiffs.

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 relating to various matters relating to the firm's businesses and operations, including:

- The 2008 financial crisis;
- 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 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, underwriting of Build America Bonds, municipal advisory services and the possible impact of credit default swap transactions on municipal issuers;
- The sales, trading and clearance of corporate and government securities, currencies, commodities and other financial products and related sales and other communications and activities, including compliance with the SEC's short sale rule, algorithmic, high-frequency and quantitative trading, the firm's U.S. alternative trading system, futures trading, options trading, transaction reporting, technology systems and controls, securities lending practices, trading and clearance of credit derivative instruments, 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 and the ISDAFIX benchmark rates;
- Compliance with the U.S. Foreign Corrupt Practices Act, including with respect to the firm's hiring 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.

Goldman Sachs is cooperating with all such 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 the employee's 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, but allows existing participants to continue to accrue benefits. In 2014, the firm notified plan participants that it intends to close the U.K. defined benefit plan to future benefit accruals after 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 such that existing participants would not accrue any additional benefits. 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 statements of financial condition. As of December 2014, "Other assets" and "Other liabilities and accrued expenses" included $273 million (related to overfunded pension plans) and $739 million, respectively, related to these plans. As of December 2013, "Other assets" and "Other liabilities and accrued expenses" included $179 million (related to overfunded pension plans) and $482 million, respectively, 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 $223 million for 2014, $219 million for 2013 and $221 million for 2012.

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. Expected forfeitures are included in determining share-based employee compensation expense.

The firm pays cash dividend equivalents on outstanding RSUs. Dividend equivalents paid on RSUs are generally charged to retained earnings. Dividend equivalents paid on RSUs expected to be forfeited are included in compensation expense. The firm accounts for the tax benefit related to dividend equivalents paid on RSUs as an increase to additional paid-in capital.

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

Stock Incentive Plan

The firm sponsors a stock incentive plan, The Goldman Sachs Amended and Restated Stock Incentive Plan (2013) (2013 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 23, 2013, shareholders approved the 2013 SIP. The 2013 SIP replaces The Goldman Sachs Amended and Restated Stock Incentive Plan (SIP) previously in effect, and applies to awards granted on or after the date of approval.

The total number of shares of common stock that may be delivered pursuant to awards granted under the 2013 SIP cannot exceed 60 million shares, subject to adjustment for certain changes in corporate structure as permitted under the 2013 SIP. The 2013 SIP is scheduled to terminate on the date of the annual meeting of shareholders that occurs in 2016. As of December 2014, 45.7 million shares were available for grant under the 2013 SIP.

Restricted Stock Units

The firm grants RSUs to employees under the 2013 SIP, which are 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 transfer restrictions. RSUs generally vest and underlying shares of common stock deliver as outlined in the applicable RSU agreements. Employee RSU agreements generally provide that vesting is accelerated in certain circumstances, such as on retirement, death, disability and 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.

The table below presents the activity related to 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
Outstanding, December 2013	8,226,869 [4]	21,002,821	$118.91	$117.53
Granted [1, 2]	4,832,540	9,567,783	155.13	149.52
Forfeited	(800,429)	(158,958)	130.57	139.02
Delivered [3]	—	(14,723,912)	—	121.60
Vested [2]	(5,602,111)	5,602,111	119.78	119.78
Outstanding, December 2014	**6,656,869 [4]**	**21,289,845**	**143.07**	**129.52**

1. The weighted average grant-date fair value of RSUs granted during 2014, 2013 and 2012 was $151.40, $122.59 and $84.72, respectively. The fair value of the RSUs granted during 2014, 2013 and 2012 includes a liquidity discount of 13.8%, 13.7% and 21.7%, respectively, to reflect post-vesting transfer restrictions of up to 4 years.
2. The aggregate fair value of awards that vested during 2014, 2013 and 2012 was $2.39 billion, $2.26 billion and $1.57 billion, respectively.
3. Includes RSUs that were cash settled.
4. Includes restricted stock subject to future service requirements as of December 2014 and December 2013 of 20,651 and 4,768 shares, respectively.

In the first quarter of 2015, the firm granted to its employees 14.0 million year-end RSUs, of which 3.6 million RSUs require future service as a condition of delivery. 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 transfer restrictions through January 2020. These grants are not included in the table above.

Stock Options

Stock options generally vest as outlined in the applicable stock option agreement. No options have been granted since 2010. In general, options expire on the tenth anniversary of the grant date, although they may be subject to earlier termination or cancellation under certain circumstances in accordance with the terms of the applicable stock option agreement and the SIP in effect at the time of grant.

The table below presents the activity related to stock options.

	Options Outstanding	Weighted Average Exercise Price	Aggregate Intrinsic Value *(in millions)*	Weighted Average Remaining Life *(years)*
Outstanding, December 2013	42,565,241	$ 99.37	$3,465	4.60
Exercised	**(22,609,903)**	**80.81**		
Outstanding, December 2014	**19,955,338**	**120.40**	**1,516**	**3.28**
Exercisable, December 2014	**19,955,338**	**120.40**	**1,516**	**3.28**

The total intrinsic value of options exercised during 2014, 2013 and 2012 was $2.03 billion, $26 million and $151 million, respectively.

The table below presents options outstanding.

Exercise Price	**Options Outstanding**	**Weighted Average Exercise Price**	**Weighted Average Remaining Life *(years)***
$ 75.00 - $ 89.99	**12,236,264**	**$ 78.78**	**4.00**
90.00 - 119.99	**—**	**—**	**—**
120.00 - 134.99	**1,737,950**	**131.64**	**0.92**
135.00 - 194.99	**—**	**—**	**—**
195.00 - 209.99	**5,981,124**	**202.27**	**2.48**
Outstanding, December 2014	**19,955,338**	**120.40**	**3.28**

As of December 2014, there was $468 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 1.53 years.

The table below presents the share-based compensation and the related excess tax benefit/(provision).

	Year Ended December		
$ in millions	**2014**	2013	2012
Share-based compensation	**$2,101**	$2,039	$1,338
Excess net tax benefit related to options exercised	**549**	3	53
Excess net tax benefit/(provision) related to share-based awards [1]	**788**	94	(11)

1. Represents the net tax benefit/(provision) recognized in additional paid-in capital on stock options exercised and the delivery of common stock underlying share-based awards.

Note 30.

Parent Company

Group Inc. — Condensed Statements of Earnings

$ in millions	Year Ended December 2014	2013	2012
Revenues			
Dividends from subsidiaries			
Bank subsidiaries	$ 16	$2,000	$ —
Nonbank subsidiaries	2,739	4,176	3,622
Undistributed earnings of subsidiaries	5,330	1,086	3,682
Other revenues	826	2,209	1,567
Total non-interest revenues	8,911	9,471	8,871
Interest income	3,769	4,048	4,751
Interest expense	3,802	4,161	4,287
Net interest income/(loss)	(33)	(113)	464
Net revenues, including net interest income	8,878	9,358	9,335
Operating expenses			
Compensation and benefits	411	403	452
Other expenses	282	424	448
Total operating expenses	693	827	900
Pre-tax earnings	8,185	8,531	8,435
Provision/(benefit) for taxes	(292)	491	960
Net earnings	8,477	8,040	7,475
Preferred stock dividends	400	314	183
Net earnings applicable to common shareholders	$8,077	$7,726	$7,292

Group Inc. — Condensed Statements of Financial Condition

$ in millions	As of December 2014	2013
Assets		
Cash and cash equivalents	$ 42	$ 17
Loans to and receivables from subsidiaries		
Bank subsidiaries	8,222	5,366
Nonbank subsidiaries [1]	171,121	169,653
Investments in subsidiaries and other affiliates		
Bank subsidiaries	22,393	20,972
Nonbank subsidiaries and other affiliates	57,311	52,422
Financial instruments owned, at fair value	11,812	16,065
Other assets	7,629	7,575
Total assets	$278,530	$272,070
Liabilities and shareholders' equity		
Payables to subsidiaries	$ 129	$ 489
Financial instruments sold, but not yet purchased, at fair value	169	421
Unsecured short-term borrowings		
With third parties [2]	31,022	30,611
With subsidiaries	1,955	4,289
Unsecured long-term borrowings		
With third parties [3]	158,613	153,576
With subsidiaries [4]	1,616	1,587
Other liabilities and accrued expenses	2,229	2,630
Total liabilities	195,733	193,603
Commitments, contingencies and guarantees		
Shareholders' equity		
Preferred stock	9,200	7,200
Common stock	9	8
Share-based awards	3,766	3,839
Additional paid-in capital	50,049	48,998
Retained earnings	78,984	71,961
Accumulated other comprehensive loss	(743)	(524)
Stock held in treasury, at cost	(58,468)	(53,015)
Total shareholders' equity	82,797	78,467
Total liabilities and shareholders' equity	$278,530	$272,070

Group Inc. — Condensed Statements of Cash Flows

$ in millions	Year Ended December 2014	2013	2012
Cash flows from operating activities			
Net earnings	$ 8,477	$ 8,040	$ 7,475
Adjustments to reconcile net earnings to net cash provided by operating activities			
Undistributed earnings of subsidiaries	(5,330)	(1,086)	(3,682)
Depreciation and amortization	42	15	15
Deferred income taxes	(4)	1,398	(1,258)
Share-based compensation	188	194	81
Gain on extinguishment of junior subordinated debt	(289)	—	—
Changes in operating assets and liabilities			
Financial instruments owned, at fair value	6,766	(3,235)	2,197
Financial instruments sold, but not yet purchased, at fair value	(252)	183	(3)
Other, net	(5,793)	586	1,888
Net cash provided by operating activities	3,805	6,095	6,713
Cash flows from investing activities			
Purchase of property, leasehold improvements and equipment	(15)	(3)	(12)
Repayments/(issuances) of short-term loans by/(to) subsidiaries, net	(4,099)	(5,153)	6,584
Issuance of term loans to subsidiaries	(8,803)	(2,174)	(17,414)
Repayments of term loans by subsidiaries	3,979	7,063	18,715
Capital distributions from/(contributions to) subsidiaries, net	865	655	(298)
Net cash provided by/(used for) investing activities	(8,073)	388	7,575
Cash flows from financing activities			
Unsecured short-term borrowings, net	963	1,296	(2,647)
Proceeds from issuance of long-term borrowings	37,101	28,458	26,160
Repayment of long-term borrowings, including the current portion	(27,931)	(29,910)	(35,608)
Purchase of trust preferred securities and senior guaranteed trust securities	(1,801)	—	—
Common stock repurchased	(5,469)	(6,175)	(4,640)
Dividends and dividend equivalents paid on common stock, preferred stock and share-based awards	(1,454)	(1,302)	(1,086)
Proceeds from issuance of preferred stock, net of issuance costs	1,980	991	3,087
Proceeds from issuance of common stock, including exercise of share-based awards	123	65	317
Excess tax benefit related to share-based awards	782	98	130
Cash settlement of share-based awards	(1)	(1)	(1)
Net cash provided by/(used for) financing activities	4,293	(6,480)	(14,288)
Net increase in cash and cash equivalents	25	3	—
Cash and cash equivalents, beginning of year	17	14	14
Cash and cash equivalents, end of year	$ 42	$ 17	$ 14

SUPPLEMENTAL DISCLOSURES:

Cash payments for third-party interest, net of capitalized interest, were $4.31 billion, $2.78 billion and $5.11 billion for 2014, 2013 and 2012, respectively.

Cash payments for income taxes, net of refunds, were $2.35 billion, $3.21 billion and $1.59 billion for 2014, 2013 and 2012, respectively.

Non-cash activity:

During 2014, the firm exchanged $1.58 billion of Trust Preferred Securities, common beneficial interests and senior guaranteed trust securities held by the firm for $1.87 billion of the firm's junior subordinated debt held by the issuing trusts. Following the exchange, this junior subordinated debt was extinguished.

1. Primarily includes overnight loans, the proceeds of which can be used to satisfy the short-term obligations of Group Inc.
2. Includes $5.88 billion and $5.83 billion at fair value for 2014 and 2013, respectively.
3. Includes $11.66 billion and $8.67 billion at fair value for 2014 and 2013, respectively.
4. Unsecured long-term borrowings with subsidiaries by maturity date are $186 million in 2016, $338 million in 2017, $159 million in 2018, $44 million in 2019, and $889 million in 2020-thereafter.