

Financial Instruments



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Financial Instruments

Assets		
Cash and cash equivalents	\$121,711	\$ 93,439
Collateralized agreements:		
Securities purchased under agreements to resell and federal funds sold (includes \$116,077 as of December 2016 and \$132,853 as of December 2015, at fair value)	116,925	134,308
Securities borrowed (includes \$82,398 as of December 2016 and \$75,340 as of December 2015, at fair value)	184,600	177,638
Receivables:		
Brokers, dealers and clearing organizations	18,044	25,453
Customers and counterparties (includes \$3,266 as of December 2016 and \$4,992 as of December 2015, at fair value)	47,780	46,430
Loans receivable	49,672	45,407
Financial instruments owned, at fair value (includes \$51,278 as of December 2016 and \$54,426 as of December 2015, pledged as collateral)	295,952	313,502
Other assets	25,481	25,218
Total assets	\$860,165	\$861,395

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Cash & Cash Equivalents

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Cash & Cash Equivalents

Short term highly liquid investments

Readily convertible into known amounts of cash

Insignificant risk of changes in value

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Repurchase Agreements (Repos)

Assets

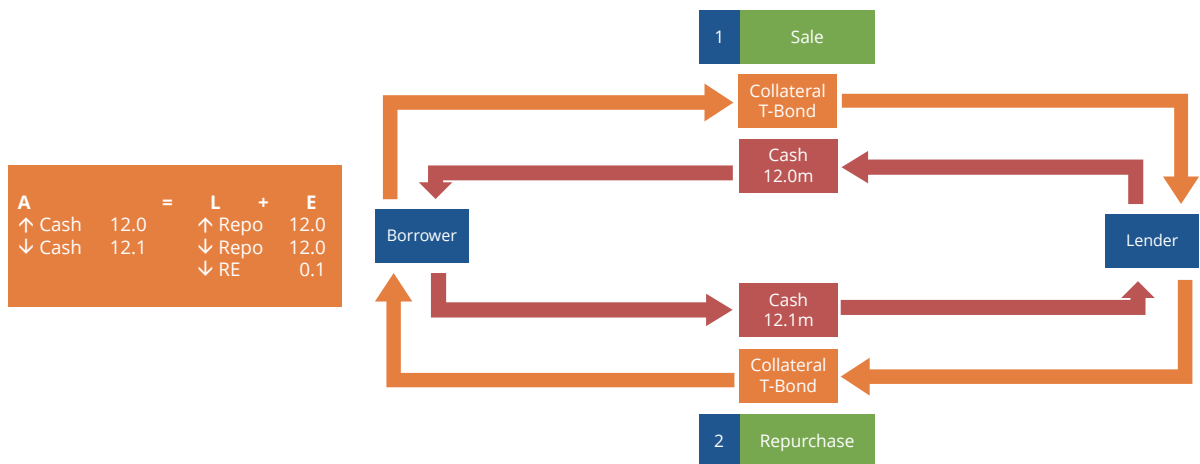
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Liabilities and shareholders' equity

Deposits (includes \$13,782 as of December 2016 and \$14,680 as of December 2015, at fair value)	\$124,098	\$ 97,519
Collateralized financings:		
Securities sold under agreements to repurchase, at fair value	71,816	86,069
Securities loaned (includes \$2,647 as of December 2016 and \$466 as of December 2015, at fair value)	7,524	3,614
Other secured financings (includes \$21,073 as of December 2016 and \$23,207 as of December 2015, at fair value)	21,523	24,753

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Repurchase Agreements (Repos) - Borrowing



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Reverse Repurchase Agreements (Reverse Repos)

Assets

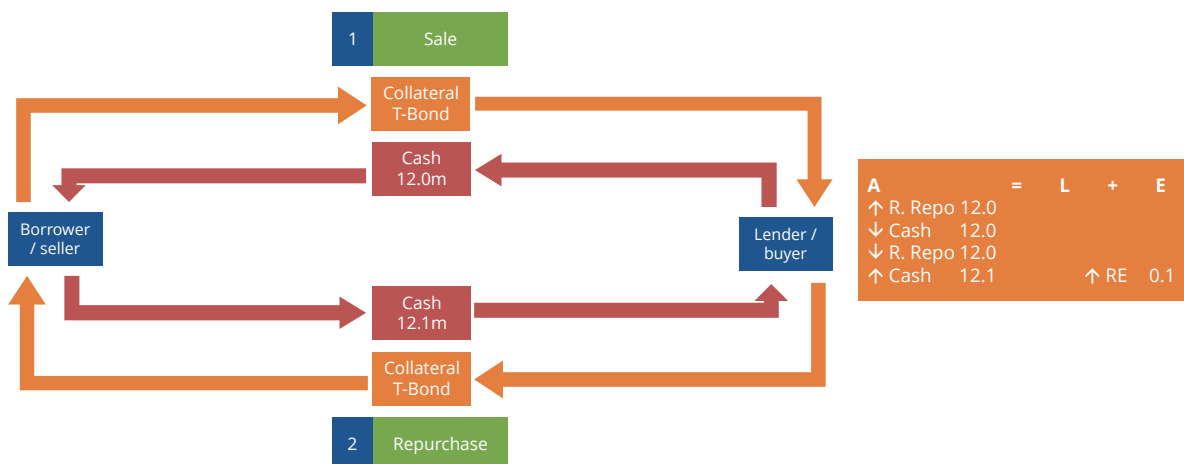
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Reverse Repurchase Agreements (Reverse Repos) - Lending



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Securities Borrowed and Loaned

Assets

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Receivables

Assets

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Receivables/Loans

\$ in millions	GCLA and Cash	Secured Client Financing	Institutional Client Services	Investing & Lending	Total
As of December 2016					
Cash and cash equivalents	\$107,066	\$ 14,645	\$ -	\$ -	\$121,711
Securities purchased under agreements to resell and federal funds sold	56,583	40,436	18,844	1,062	116,925
Securities borrowed	41,652	96,186	46,762	-	184,600
Receivables from brokers, dealers and clearing organizations	-	6,540	11,504	-	18,044
Receivables from customers and counterparties	-	26,286	18,088	3,406	47,780
Loans receivable	-	-	-	49,672	49,672
Financial instruments owned, at fair value	29,853	15,294	206,988	43,817	295,952
Subtotal	\$235,154	\$199,387	\$302,186	\$97,957	\$834,684
Other assets					25,481
Total assets					\$860,165

Receivables from Customers and Counterparties

Receivables from customers and counterparties generally relate to collateralized transactions. Such receivables are primarily comprised of customer margin loans, certain transfers of assets accounted for as secured loans rather than purchases at fair value and collateral posted in connection with certain derivative transactions.

Substantially all of these receivables are accounted for at amortized cost net of estimated uncollectible amounts.

Certain of the firm's receivables from customers and counterparties are accounted for at fair value under the fair value option, with changes in fair value generally included in "Market making" revenues. See Note 8 for further information about receivables from customers and counterparties accounted for at fair value under the fair value option. In addition, as of December 2016 and December 2015, the firm's receivables from customers and counterparties included \$2.60 billion and \$2.35 billion, respectively, of loans held for sale, accounted for at the lower of cost or fair value. See Note 5 for an overview of the firm's fair value measurement policies.

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Loans Receivable

Note 9.

Loans Receivable

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

The table below presents details about loans receivable.

\$ in millions	As of December	
	2016	2015
Corporate loans	\$24,837	\$20,740
Loans to private wealth management clients	13,828	13,961
Loans backed by commercial real estate	4,761	5,271
Loans backed by residential real estate	3,865	2,316
Other loans	2,890	3,533
Total loans receivable, gross	50,181	45,821
Allowance for loan losses	(509)	(414)
Total loans receivable	\$49,672	\$45,407

Loan amount	100.0	$100 \times 5\% = 5$			
Arrangement fees	2.0				
Cash interest rate	5.0%				
Effective interest	5.6%	$5.6\% \times 98 = 5.5$			
		Year 1	Year 2	Year 3	Year 4
Beginning balance	98.0	98.5	98.9	99.5	
Accrued interest	5.5	5.5	5.5	5.5	
Cash interest	(5.0)	(5.0)	(5.0)	(5.0)	
Principal repayment	0.0	0.0	0.0	(100.0)	
Ending balance	98.5	98.9	99.5	0.0	
Market value	98.5	99.0	99.3		

$$A = L + E$$

↑ Loan 98
↓ Cash 98

$$A = L + E$$

↑ Cash 5.0 ↑ RE 5.5
↑ Loan 0.5

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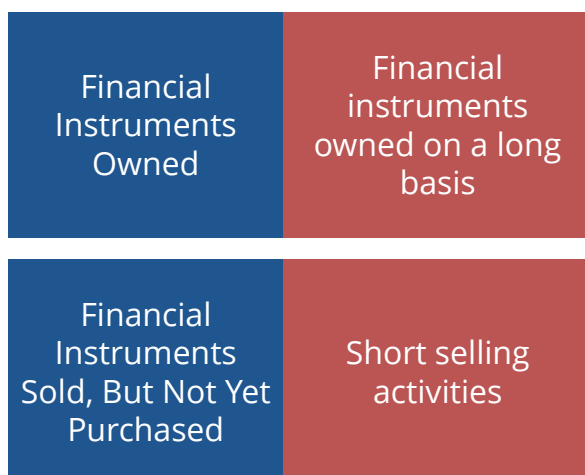
Financial Instruments Owned at Fair Value

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Other assets	25,481	25,218
Total assets	\$860,165	\$861,395

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Financial Instruments Owned at Fair Value

<i>\$ in millions</i>	Financial Instruments Owned	Financial Instruments Sold, But Not Yet Purchased
As of December 2016		
Money market instruments	\$ 1,319	\$ —
U.S. government and federal agency obligations	57,657	16,627
Non-U.S. government and agency obligations	29,381	20,502
Loans and securities backed by:		
Commercial real estate	3,842	—
Residential real estate	12,195	3
Corporate loans and debt securities	28,659	6,570
State and municipal obligations	1,059	—
Other debt obligations	1,358	1
Equities and convertible debentures	94,692	25,941
Commodities	5,653	—
Investments in funds at NAV	6,465	—
Subtotal	242,280	69,644
Derivatives	53,672	47,499
Total	\$295,952	\$117,143



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Financial Instruments Owned at Fair Value

Gains and Losses from Market Making and Other Principal Transactions

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

\$ in millions	Year Ended December		
	2016	2015	2014
Product Type			
Interest rates	\$ (1,979)	\$ (1,360)	\$ (5,316)
Credit	1,854	920	2,982
Currencies	6,158	3,345	6,566
Equities	2,873	5,515	2,683
Commodities	1,027	1,103	1,450
Market making	9,933	9,523	8,365
Other principal transactions	3,200	5,018	6,588
Total	\$13,133	\$14,541	\$14,953

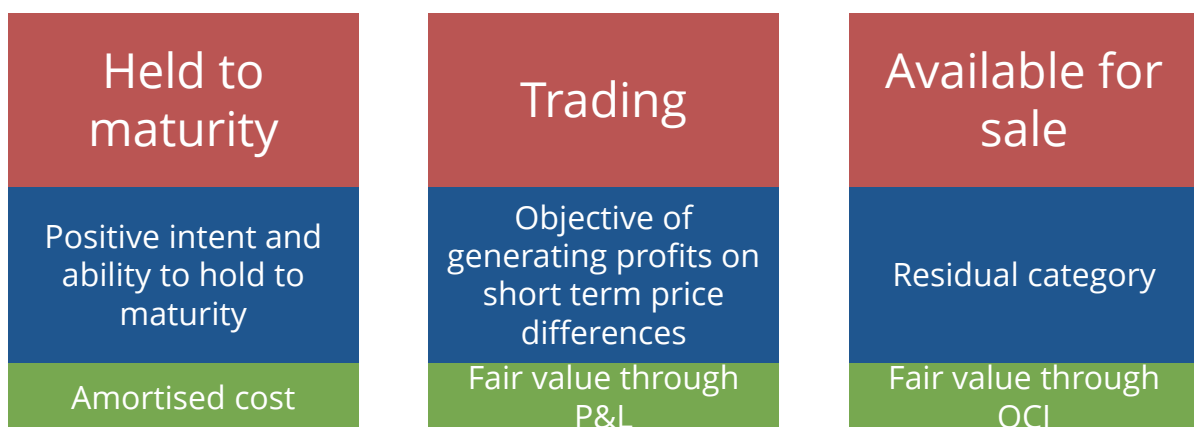
Revenues

Investment banking	\$ 6,273	\$ 7,027
Investment management	5,407	5,868
Commissions and fees	3,208	3,320
Market making	9,933	9,523
Other principal transactions	3,200	5,018
Total non-interest revenues	28,021	30,756

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Financial Instruments



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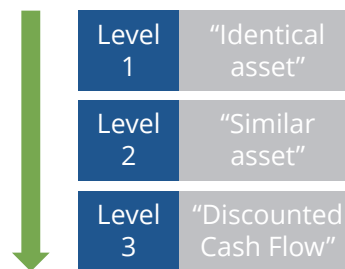
Financial Instruments Owned at Fair Value

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.

Fair Value Hierarchy



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Deposits

Liabilities and shareholders' equity

Deposits (includes \$13,782 as of December 2016 and \$14,680 as of December 2015, at fair value) **\$124,098** \$ 97,519

Collateralized financings:

Securities sold under agreements to repurchase, at fair value **71,816** 86,069

Securities loaned (includes \$2,647 as of December 2016 and \$466 as of December 2015, at fair value) **7,524** 3,614

Other secured financings (includes \$21,073 as of December 2016 and \$23,207 as of December 2015, at fair value) **21,523** 24,753

Revenues

Investment banking **\$ 6,273** \$ 7,027 \$ 6,464

Investment management **5,407** 5,868 5,748

Commissions and fees **3,208** 3,320 3,316

Market making **9,933** 9,523 8,365

Other principal transactions **3,200** 5,018 6,588

Total non-interest revenues **28,021** 30,756 30,481

Interest income **9,691** 8,452 9,604

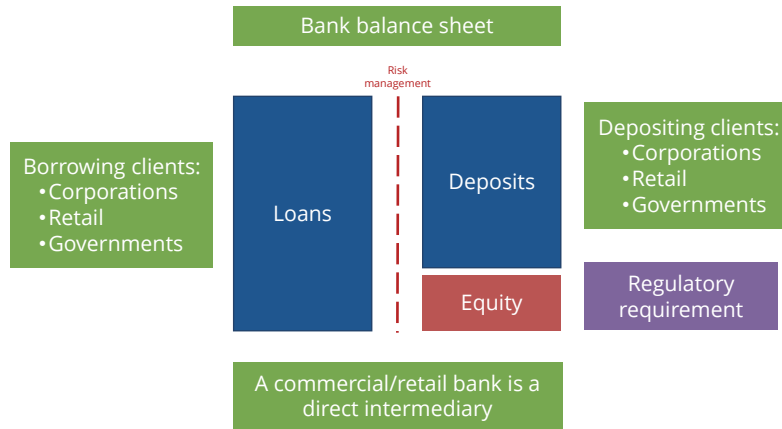
Interest expense **7,104** 5,388 5,557

Net interest income **2,587** 3,064 4,047

Net revenues, including net interest income **30,608** 33,820 34,528

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Deposits



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Deposits Detail

<i>\$ in millions</i>	Savings and Demand	Time	Total
As of December 2016			
Private bank and online retail	\$61,166	\$ 4,437	\$ 65,603
Brokered certificates of deposit	—	34,905	34,905
Deposit sweep programs	16,019	—	16,019
Institutional	12	7,559	7,571
Total	\$77,197	\$46,901	\$124,098

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

<i>\$ in millions</i>	As of December 2016		Total
	U.S.	Non-U.S.	
2017	\$11,245	\$8,262	\$19,507
2018	6,004	542	6,546
2019	5,350	—	5,350
2020	4,054	—	4,054
2021	3,519	39	3,558
2022 - thereafter	7,671	215	7,886
Total	\$37,843	\$9,058	\$46,901

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Payables

Liabilities and shareholders' equity

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Other secured financings (includes \$21,073 as of December 2016 and \$23,207 as of December 2015, at fair value)	21,523	24,753
Payables:		
Brokers, dealers and clearing organizations	4,386	5,406
Customers and counterparties	184,069	204,956
Financial instruments sold, but not yet purchased, at fair value	117,143	115,248
Unsecured short-term borrowings, including the current portion of unsecured long-term borrowings (includes \$14,792 as of December 2016 and \$17,743 as of December 2015, at fair value)	39,265	42,787
Unsecured long-term borrowings (includes \$29,410 as of December 2016 and \$22,273 as of December 2015, at fair value)	189,086	175,422
Other liabilities and accrued expenses (includes \$621 as of December 2016 and \$1,253 as of December 2015, at fair value)	14,362	18,893
Total liabilities	773,272	774,667

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Payables Income Statement Impact

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 2016 and December 2015. Interest on payables to customers and counterparties is recognized over the life of the transaction and included in "Interest expense."

Long-term secured and unsecured borrowings	4,242	3,878	3,460
Other interest	(155)	(976)	(855)
Total interest expense	7,104	5,388	5,557
Net interest income	\$2,587	\$3,064	\$4,047

In the table above:

- Securities borrowed, securities purchased under agreements to resell and federal funds sold includes rebates paid and interest income on securities borrowed.
- Other interest income includes interest income on customer debit balances and other interest-earning assets.
- Other interest expense includes rebates received on other interest-bearing liabilities and interest expense on customer credit balances.

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Financial Instruments Sold but Not Yet Purchased as Fair Value

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Financial Instruments Sold but Not Yet Purchased in Detail

\$ in millions	Financial Instruments Sold, But Not Yet Purchased		\$ in millions		
			Year Ended December		
As of December 2016	Financial Instruments Owned	Financial Instruments Sold, But Not Yet Purchased	2016	2015	2014
Money market instruments	\$ 1,319	\$ —			
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Market making	9,933	9,523	8,365
Other principal transactions	3,200	5,018	6,588
Total	\$13,133	\$14,541	\$14,953

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Selling Short

A trader borrows and immediately sells a security for \$100 then the security falls in price to \$90 before settlement

Sale of security

A = L + E			
↑ Receivable	100	↑ SBNYP	100

Mark to market

A = L + E			
		↓ SBNYP	10
		↓ Profit (RE)	10

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Unsecured Borrowings

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Unsecured Borrowings

Provides funding for the business

Valuation – a mix of level 2 and 3

Short-term

\$ in millions	As of December	
	2016	2015
Current portion of unsecured long-term borrowings	\$23,528	\$25,373
Hybrid financial instruments	11,700	12,956
Commercial paper	—	208
Other short-term borrowings	4,037	4,250
Total	\$39,265	\$42,787
Weighted average interest rate	1.68%	1.52%

Long-term

\$ in millions	U.S. Dollar	Non-U.S. Dollar	Total
As of December 2016			
Fixed-rate obligations:			
Group Inc.	\$ 93,885	\$31,274	\$125,159
Subsidiaries	2,228	885	3,113
Floating-rate obligations:			
Group Inc.	27,864	19,112	46,976
Subsidiaries	8,884	4,954	13,838
Total	\$132,861	\$56,225	\$189,086

\$ in millions	As of December 2016		
	Group Inc.	Subsidiaries	Total
2018	\$ 23,814	\$ 2,890	\$ 26,704
2019	23,012	2,582	25,594
2020	17,291	1,118	18,409
2021	20,005	740	20,745
2022 - thereafter	88,013	9,621	97,634
Total	\$172,135	\$16,951	\$189,086

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Common Stock and Additional Paid Capital

Shareholders' equity

Preferred stock, par value \$0.01 per share; aggregate liquidation preference of \$11,203 as of December 2016 and \$11,200 as of December 2015	11,203	11,200
Common stock, par value \$0.01 per share; 4,000,000,000 shares authorized, 873,608,100 shares issued as of December 2016 and 863,976,731 shares issued as of December 2015, and 392,632,230 shares outstanding as of December 2016 and 419,480,736 shares outstanding as of December 2015	9	9
Share-based awards	3,914	4,151
Nonvoting common stock, par value \$0.01 per share; 200,000,000 shares authorized, no shares issued and outstanding	—	—
Additional paid-in capital	52,638	51,340
Retained earnings	89,039	83,386
Accumulated other comprehensive loss	(1,216)	(718)
Stock held in treasury, at cost, par value \$0.01 per share; 480,975,872 shares as of December 2016 and 444,495,997 shares as of December 2015	(68,694)	(62,640)
Total shareholders' equity	86,893	86,728
Total liabilities and shareholders' equity	\$860,165	\$861,395

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FINANCIALEDGE¹

Issuing New Stock

One share is issued for \$250.00
The par value of one share is \$0.01

Par value to Common Stock

A = L + E			
↑ Cash	0.01	↑ CS	0.01

Surplus to Additional Paid In Capital

A = L + E			
↑ Cash	249.99	↑ APIC	249.99

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Retained Earnings

Shareholders' equity

Preferred stock, par value \$0.01 per share; aggregate liquidation preference of \$11,203 as of December 2016 and \$11,200 as of December 2015	11,203	11,200
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Total shareholders' equity	86,893	86,728
Total liabilities and shareholders' equity	\$860,165	\$861,395

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Movements Into and out of Retained Earnings

Retained Earnings – captures all the items on the income statement less dividends

Beginning Retained Earnings	80,000.0
Addition – Net Income	20,000.0
Subtraction - Dividends	(10,000.0)
Ending Retained Earnings	90,000.0

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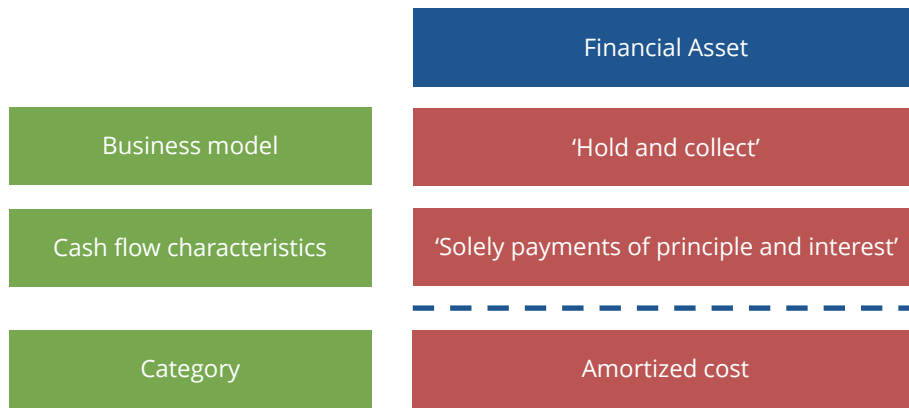
Other Equity Accounts

Shareholders' equity

Preferred stock, par value \$0.01 per share; aggregate liquidation preference of \$11,203 as of December 2016 and \$11,200 as of December 2015	11,203	11,200
Common stock, par value \$0.01 per share; 4,000,000,000 shares authorized, 873,608,100 shares issued as of December 2016 and 863,976,731 shares issued as of December 2015, and 392,632,230 shares outstanding as of December 2016 and 419,480,736 shares outstanding as of December 2015	9	9
Share-based awards	3,914	4,151
Nonvoting common stock, par value \$0.01 per share; 200,000,000 shares authorized, no shares issued and outstanding	—	—
Additional paid-in capital	52,638	51,340
Retained earnings	89,039	83,386
Accumulated other comprehensive loss	(1,216)	(718)
Stock held in treasury, at cost, par value \$0.01 per share; 480,975,872 shares as of December 2016 and 444,495,997 shares as of December 2015	(68,694)	(62,640)
Total shareholders' equity	86,893	86,728
Total liabilities and shareholders' equity	\$860,165	\$861,395

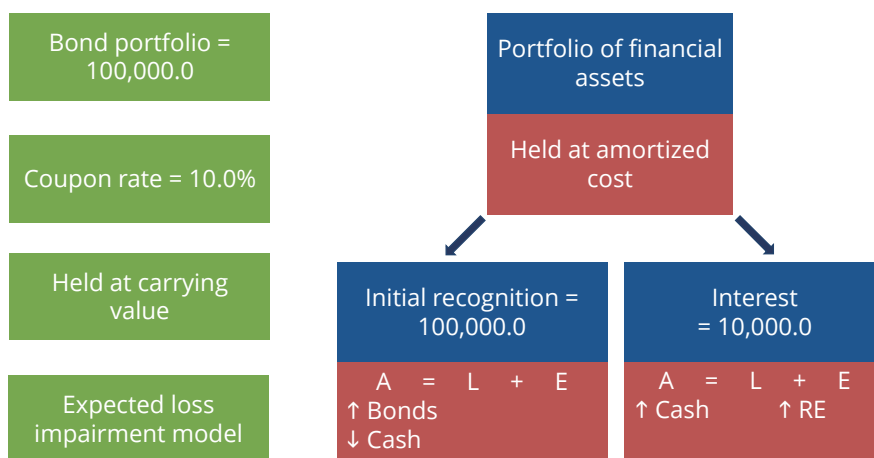
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Financial Assets Held at Amortised Cost



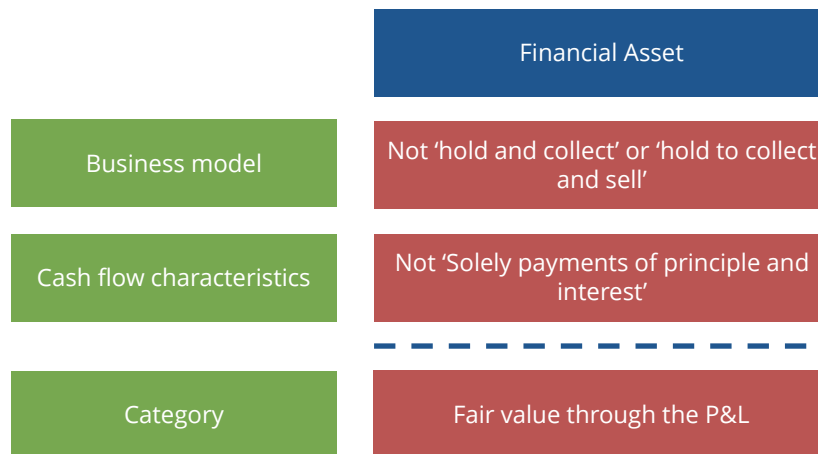
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Financial Assets Held at Amortised Cost



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Financial Assets Fair Value Through the P&L



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Financial Assets Fair Value Through OCI

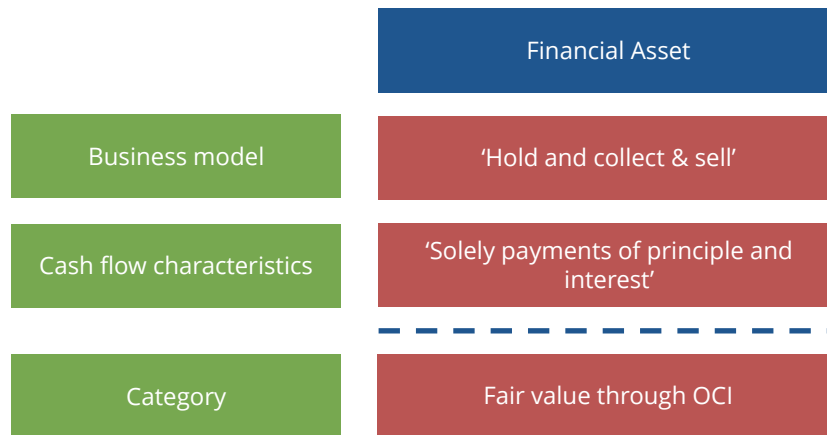
Fair value changes in the carrying amount of the financial asset are recognised in OCI

The cumulative fair value gain or loss recognised in OCI is recycled to profit or loss when the financial asset is sold

1	Purchase financial asset	A	=	L	+	E
		↑ Financial asset 100.0 ↓ Cash 100.0				
2	Fair value decreases	A	=	L	+	E
		↓ Financial asset 20.0				↓ OCI 20.0
3	Sell financial asset	A	=	L	+	E
		↑ Cash 81.0 ↓ Financial asset 80.0				↑ OCI 20.0 ↓ RE 19.0

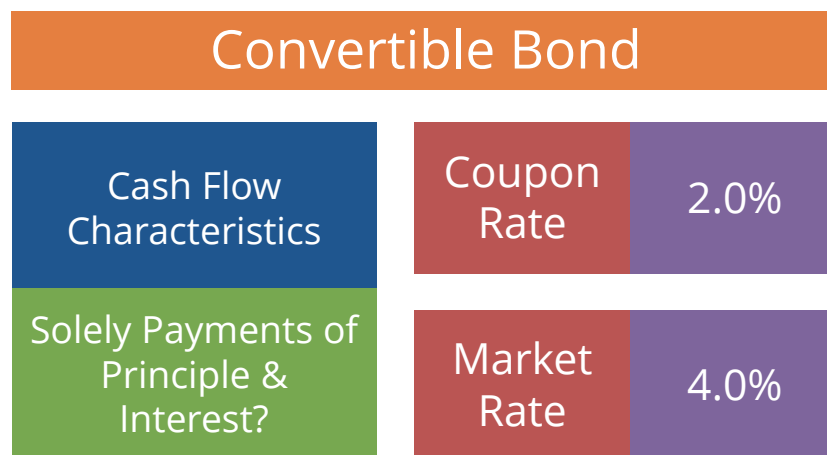
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Financial Assets Fair Value Through OCI



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Financial Assets Fair Value Through the P&L



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