



**Bank
USA**

GOLDMAN SACHS BANK USA RESOLUTION PLAN

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When we use the terms “GS Bank”, “the Bank”, “we”, “us”, and “our” in this document, we mean Goldman Sachs Bank USA (“Bank USA”), together with its consolidated subsidiaries. When we use the terms “Goldman Sachs”, and “the firm”, we mean The Goldman Sachs Group, Inc. (“Group Inc.”) and its consolidated subsidiaries. GS Bank is a wholly-owned subsidiary of Group Inc. Group Inc. is a bank holding company (“BHC”) under the U.S. Bank Holding Company Act of 1956 (“BHC Act”), a financial holding company (“FHC”) under amendments to the BHC Act effected by the U.S. Gramm-Leach-Bliley Act of 1999, and is subject to supervision and examination by the Board of Governors of the Federal Reserve System, as its primary regulator.

GS Bank was included as one of the firm’s material entities within the required resolution plan for Group Inc. that was filed on June 30, 2017 (the “Firm Plan”). The next resolution plan submission for Group Inc. is required to be submitted by July 1, 2019.

Cautionary Note on Forward-Looking Statements

The Resolution Plan is based on a series of hypothetical scenarios and assumptions about future events and circumstances. Accordingly, many of the statements and assessments in the Resolution Plan constitute “forward-looking statements” within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. These statements include statements, other than historical information or statements of current conditions, that relate to, among other things, our future plans, objectives and resolution strategies (including our expectations and projections regarding the implementation of those strategies), to the objectives and effectiveness of our risk management policies and practices, and to our resolution capabilities (including those regarding capital, liquidity, operational matters, separability, our governance mechanisms, derivatives and trading activities and Management Information Systems). The Resolution Plan is based on many significant assumptions, including assumptions about the actions of regulators, creditors, depositors, counterparties and the state of the economy. None of these assumptions may prove to be correct in an actual resolution situation. The Resolution Plan is not binding on the Federal Deposit Insurance Corporation (“FDIC”) or any other resolution authority, and the scenarios that we describe and the assumptions that we make in the Resolution Plan are hypothetical and do not necessarily reflect events to which we are or may become subject. In the event of the resolution of GS Bank, the strategies implemented by GS Bank, the FDIC or any other resolution authority could differ, possibly materially, from the strategies we have described. As a result, our actual resolution strategies, or the outcomes of our resolution strategies, could differ, possibly materially, from those we have described.

We have also included information about the status or efficacy of projects we have undertaken in connection with resolution planning. The statements with respect to the completion, impact and effectiveness of these projects are also forward-looking statements, and these projects may not be completely effective or have the impact we anticipate.

1. Summary of Resolution Plan

Introduction

This resolution plan provides all material information that would enable the FDIC to efficiently resolve GS Bank in the event of our failure. Throughout the resolution planning process, we have continued to make progress in identifying and remediating obstacles to our resolution. Our Board of Directors (“Bank Board”) and senior management are committed to considering our resolvability and have taken an active role in resolution planning.

We do not underestimate the complexity of resolving a large financial institution such as GS Bank. In order to ensure that we are positioned to execute our resolution strategy should it ever be required, we have considered a wide variety of factors and interdependencies, including many complex financial, legal, regulatory, organizational, governance and operational matters. The firm, including the Bank, has devoted resources to the resolution planning process which has been the catalyst for important changes, including a reduction in the complexity of our organizational structure and numerous enhancements to our governance and booking practices. These changes address both regulatory feedback and enhancements that we ourselves identified through the course of resolution planning and business-as-usual (“BAU”) processes.

A particular challenge of resolution planning is that, although we hope that our resolution plan will never be tested in reality, it must be operationally feasible in practice. We are conscious that mistaken assumptions or unaddressed issues could impact important aspects of the plan in the pressurized circumstances of an actual resolution. In order to mitigate this risk, it was essential for numerous internal subject matter experts, dispersed across the business and operational areas of the Bank as well as the firm and supported by external experts, to assist with resolution planning and contribute their specialized “real world” knowledge (based, in many cases, on their first-hand experience during the financial crisis).

The Bank’s 2018 Resolution Plan (the “Bank Plan”) has been prepared in accordance with the rules and guidance provided by the FDIC, including:

- The FDIC’s final rule, 12 CFR Part 360.10 (the “IDI Rule”), which requires any insured depository institution (“IDI”) with over \$50 billion in assets, including GS Bank, to submit a periodic resolution plan
- The FDIC’s ‘Guidance for Covered Depository Institution Resolution Plan Submissions’ (“IDI Guidance”), issued on December 16, 2014

Group Inc. is also required to submit periodic resolution plans, and filed its most recent plan on June 30, 2017, as required under the applicable rules. Although the filing dates of each plan did not coincide, the preparation of the Firm Plan and the Bank Plan has been coordinated. However, because of the different rules and regulatory guidance applicable to the Firm Plan and the Bank Plan, they differ in some important aspects, including the strategies they describe and the underlying assumptions on which they are based.

The Bank Plan is prepared in order to demonstrate how the FDIC would resolve GS Bank, via powers provided to it under the Federal Deposit Insurance Act (“FDIA”), should the Bank enter FDIC receivership, as opposed to being wound down in an orderly fashion outside of resolution proceedings as outlined in the Firm Plan.

We recognize that resolution planning encompasses more than the mere creation of a formal resolution plan. It is also about ensuring a strong planning process that is flexible as conditions change, and taking measures so that the plan is fully operational at all times. We have devoted substantial resources to our resolution planning process, and we have found it to be a useful exercise, not only to improve the resilience and resolvability of GS Bank, but also to improve our operational capabilities and reduce our reliance on affiliates.

About GS Bank

GS Bank is a New York State-chartered bank and a member of the Federal Reserve System. The Bank is supervised and regulated by the Board of Governors of the Federal Reserve System (“Federal Reserve Board” or “FRB”), the New York State Department of Financial Services (“NYDFS”) and the U.S. Consumer Financial Protection Bureau (“CFPB”), and is a member of the FDIC. The Bank’s deposits are insured by the FDIC up to the maximum amount provided by law. The Bank is registered (i) with the U.S. Commodity Futures Trading

Commission (“CFTC”) as a swap dealer and (ii) as a government securities dealer subject to the rules and regulations of the U.S. Department of the Treasury.

Our primary activities include lending, deposit taking and engaging in derivatives transactions. We are a lender to private wealth management clients, institutional and corporate clients and directly to retail clients through our digital platforms, *Marcus: by Goldman Sachs* (“Marcus”) and *Goldman Sachs Private Bank Select* (“GS Select”). We accept deposits from private wealth management clients, retail clients through Marcus and through deposit sweep programs, and we also issue brokered certificates of deposit (“CDs”). We enter into interest rate, credit, currency, commodity and equity derivatives and certain related products for the purpose of market making and risk management.

Strengthened Financial Profile¹

Since our establishment as a New York State-chartered bank in November 2008, GS Bank has undergone substantial changes to our structure and business activities which have served to improve our overall resolvability and resilience.

Since November 2008, we have:

- Grown shareholder’s equity by more than 80%
- Focused our business growth efforts on traditional banking activities such as lending and deposit taking
- Diversified our deposit raising and other funding channels
- Grown our Net Interest Margin to approximately 129bps with net interest income comprising approximately 52% of net revenues
- Significantly increased the volume of derivatives that are centrally cleared

¹ Unless otherwise stated, all financial data is as of December 31, 2017.

Summary of GS Bank's Resolution Strategy

As an FDIC-insured depository institution with \$50 billion or more in total assets, GS Bank must submit a resolution plan to the FDIC to enable the FDIC, as receiver, to resolve GS Bank in a manner that ensures that depositors receive access to their insured deposits within one business day of the institution's failure (two business days if the failure occurs on a day other than Friday), maximizes the net present value return from the sale or disposition of its assets and minimizes the amount of any loss realized by creditors in resolution. The IDI Rule requires that the plan address the resolution of GS Bank in the event of its insolvency. As a result, the resolution strategy for the Bank in FDIC receivership in this Bank Plan differs from the Bank's wind-down strategy outside of resolution proceedings as outlined in the Firm Plan.

While our overall strategies for GS Bank's separation from our parent company's organization and for the sale or disposition of assets and business lines remain consistent with our 2015 submission, the ease with which we could be separated from our parent and options for potential dispositions have improved as GS Bank has evolved. We have considerably reduced GS Bank's reliance upon affiliates, which would enable the FDIC to quickly and efficiently move the Bank's operations into a bridge bank in the event of failure without potential disruption from the loss of affiliate services. While our disposition strategy in the event of an FDIC receivership is largely focused on asset sales and the wind down of our derivatives portfolio, we have also identified potential alternatives for certain businesses within GS Bank, including our digital consumer platform.

Initiatives that Support Resolvability

GS Bank, independently and together with the firm as a whole, continues to undertake initiatives that support resolvability:

- Operational Continuity of Critical Services¹:
 - The Bank used a comprehensive process to identify Critical Services and mapped each Critical Service to the provider of the Critical Service and to the Core Business Lines² that it supports. We believe the Bank has a robust resolution strategy and is well-positioned to support operational continuity in receivership, including in the event of the failure of Group Inc. and its Material Operating Entities (“MOEs”)
 - The Bank’s Critical Services are performed by three groups: (1) Bank Legal Entity Employees (“BLEEs”), (2) Bank affiliates providing services under Service Level Agreements (“SLAs”) and (3) third-party vendors
 - The Bank has established a standardized process for identifying key personnel (“Key Personnel”) tasked with managing Core Business Lines, maintaining the branch organization or serving as points of contact for Management Information Systems (“MIS”). Additionally, individuals who provide a unique function for the Bank or are subject matter experts who cannot be replaced have been considered in the identification of Key Personnel
 - To ensure that these Key Personnel are retained in a resolution scenario, the Bank has adopted a retention strategy that would be used to encourage the Key Personnel to remain with GS Bank (or a successor bridge bank) for as long as needed to maintain Critical Services. The strategy includes retention payment options and pre-drafted retention agreements, releases and related documentation
 - Where the Bank’s Critical Services are performed by employees of affiliates, the Bank has expanded its use of the firm’s resolution-resilient Material Service Entities³ (“MSEs”). Technology assets, including but not limited to hardware used by the Bank, are also housed in MSEs

¹ Critical services refers to services and operations of the IDI, such as servicing, information technology support and operations, human resources and personnel that are necessary to continue the day-to-day operation of the IDI.

² Core Business Lines refers to those business lines of the IDI, including associated operations, functions, services and support, that upon failure, in the IDI’s view, would result in a material loss of revenue, profit, or franchise value.

³ Material Service Entities refers to entities of the firm that provide services to other material entities of the firm.

- To further increase resolution resilience, the Bank is in the process of onboarding MSEs to its SLAs so that it can receive services directly rather than through an intermediary relationship with affiliates such as Goldman Sachs & Co. LLC (“GSCO”) and Goldman Sachs International (“GSI”). We expect to complete this initiative by year end
- Leveraging our existing Employee Designation framework, the Bank has taken steps to ensure it has a robust population of BLEEs providing Critical Services that are also provided by MOEs (rather than resolution-resilient MSEs). Those steps included: (1) reviewing the Bank’s population of BLEEs to ensure the Bank has sufficient BLEEs to perform those Critical Services in resolution, as a result of which the Bank converted employees of MOEs to BLEEs and (2) amending the Bank’s policies and procedures to require: (i) regular reviews be conducted to ensure the Bank has sufficient BLEEs to perform Critical Services, (ii) individuals critical to the Bank for resolution purposes be made BLEEs if these individuals do not otherwise satisfy a factor for employment and (iii) Bank Business and Federation heads generally be made BLEEs to ensure the Bank has appropriate senior level expertise to support operational continuity in receivership
- As of December 2017, GS Bank employed 1,236 BLEEs. Since the Bank’s prior submission in 2015, there has been a net increase of 883 BLEEs
- For Critical Services performed by third-party vendors, we have reviewed and updated vendor contracts with resolution resilient-terms
- Access to Financial Market Utilities (“FMUs”):
 - Uninterrupted access to critical FMUs is vital during financial stress and in resolution. The firm has conducted an analysis of the viability of contingency arrangements that can be pursued to maintain continued access to payment, clearing and settlement activities in the rare event that an FMU terminates GS’ direct access. As a result, we have identified options for maintaining access to FMUs following either a failure of GS Bank or a failure of Group Inc. and other affiliates, including relying on an alternate FMU through which the Bank has direct access and obtaining indirect access through a third-party

- Our parent company, Group Inc., is well positioned to act as a source of strength¹ to GS Bank:
 - Group Inc. has substantial levels of Total Loss Absorbing Capacity² (“TLAC”), and its financing is long-dated and diversified. Its loss-absorbing instruments are in the form of common and preferred equity, as well as subordinated and senior unsecured debt. This large amount of TLAC is available to absorb losses, thereby insulating taxpayers from risk of loss and providing the ultimate resources necessary for re-capitalizing its MOEs
 - The firm has established Goldman Sachs Funding LLC (“Funding IHC”), a direct subsidiary of Group Inc. and a MSE of the firm. This entity holds most of the firm’s excess liquidity that is not already pre-positioned at the MOEs. The firm has also put in place the Capital and Liquidity Support Agreement (“CLSA”), a fully collateralized, contractually binding mechanism pursuant to which participating material entities, including GS Bank, will obtain from the Funding IHC the capital and liquidity they need in the event of a Group Inc. insolvency
- Mitigation of Certain Cross-Default Provisions:
 - GS Bank and affiliates that engage in external derivatives activity under International Swaps and Derivatives Association (“ISDA”) Master Agreements, signed the November 2015 ISDA Resolution Stay Protocol (“Stay Protocol”), which imposes a stay on certain cross-default and early termination rights in standard ISDA derivative, repo and securities lending contracts in the event of resolution. The Stay Protocol greatly reduces our vulnerability to the destabilizing effect of certain cross-default provisions in derivatives contracts in the event of an affiliate’s failure
- Ongoing Management of Intercompany Transactions:
 - We have focused heavily on projects to clear certain intercompany transactions through Central Counterparties (“CCPs”) and to enter into trade “compressions” (whereby offsetting and near-offsetting cleared or over-the-counter (“OTC”) derivative transactions are matched and bilaterally terminated at mutually agreed prices) between the Bank and its affiliates

¹ The requirement that a bank holding company serves as a source of financial and managerial strength to its subsidiary banks is a long-standing doctrine established by the Federal Reserve.

² External TLAC takes the form of common equity, preferred equity, subordinated debt and senior unsecured debt that complies with the requirements of the Federal Reserve’s TLAC rule that becomes effective in January 2019.

- Enhancement to Collateral Management:
 - Our systems and processes for managing, identifying and valuing the securities collateral received from and posted to both external counterparties and affiliates ensure that collateral flows can be properly managed in a timely manner, even against the backdrop of spikes in volume during a period of stress. The functionality provided by our systems enables us to:
 - Track all sources and uses of collateral
 - Provide information on cross-entity and cross-contract netting
 - Identify CUSIP and asset-class information on collateral pledged to specific counterparties on a T+1 basis
 - Track and report on inter-affiliate collateral pledged and received

Other Attributes of our Structure that Contribute to our Resiliency and Resolvability

Several attributes of GS Bank's structure are important to our resiliency and contribute to our resolvability, including the fact that we have a relatively simple legal entity structure, with one material subsidiary and the vast majority of our activities are concentrated in Bank USA itself, rather than our subsidiaries. Other relevant attributes include the following:

We maintain strong liquidity risk management: In order to pre-fund our estimated potential cash needs during a liquidity crisis, we maintain a significant balance of unencumbered, highly liquid securities and cash. Our goal is to ensure that we maintain sufficient liquidity to fund our assets and meet our contractual and contingent obligations in normal times, as well as during periods of market stress. We maintain a contingency funding plan to provide a framework for analyzing and responding to a liquidity crisis situation or periods of market stress

The Bank's risk management practices provide transparency into its exposures: A critical element of the firm's and GS Bank's risk management practices is our adherence to fair value principles. Although GS Bank accounts for a growing population of its loans under the Held for Investment ("HFI") convention, whereby they are recorded at amortized cost net of an allowance for loan losses, for risk-management purposes we track the fair value of HFI loans. The discipline of marking exposures to market (and the supporting discipline of a rigorous price

verification process) gives us ongoing transparency into our economic exposures and greatly reduces the likelihood that unrecognized losses would come to light during a resolution process

Access to Federal Home Loan Bank (“FHLB”): GS Bank is a member of the FHLB of New York and finances eligible inventory through this source in the normal course of business

The Bank’s resolution strategy requires relatively little cross-jurisdictional coordination among regulators: Cross-jurisdictional issues are reduced by the concentration of our operations in the United States

Conclusion

We believe that GS Bank’s 2018 Resolution Plan demonstrates our focus on resolvability and resiliency. In conjunction with the broader firm, we have taken numerous steps to identify and mitigate potential obstacles to this resolution plan and enhance its operationalization.

We do not underestimate the complexity of resolving a financial institution such as ours. We recognize that resolution planning is about more than simply creating a formal resolution plan. It is also about designing a process that can be flexible as conditions change, taking steps to make our resolution strategy fully operational and embedding resolution considerations in our day-to-day business decisions.

Since our last submission, we have invested significant time and resources to upgrade the Bank Plan. While the work is our own, we have benefitted from the valuable feedback and guidance from the FDIC through the process.

2. Names of Material Entities

“Material Entity” is a term defined in the IDI Rule as a company that is significant to the activities of a Critical Service or Core Business Line. Based on this definition, the following entities within the consolidated Bank have been identified as material entities:

- Bank USA (FDIC insured New York State-chartered bank)
- Goldman Sachs Mitsui Marine Derivative Products, L.P. (“GSMMDP”) (a Delaware limited partnership and 50-50 joint venture with Mitsui Sumitomo Insurance Co., Ltd.)

Critical Services are provided by either Bank Material Entities, certain firm affiliates or third parties. Most of the Bank’s Core Business Line activities take place within Bank USA. Some derivatives activities are also conducted within GSMMDP.

3. Description of Core Business Lines

Introduction

The Bank has a number of business lines that form the core of its franchise, allow it to serve its clients, and achieve its strategic objectives. A “Core Business Line” is defined in the IDI Rule as those business lines of the IDI, including associated operations, services, functions and support that upon failure, in the IDI’s view, would result in a material loss of revenue, profit or franchise value. Based on this definition, the Bank has identified the following five businesses as Core Business Lines:

- **Corporate Lending.** The Bank offers term loans, revolving lines of credit, letter of credit facilities and bridge loans to institutional and corporate clients. The proceeds from these forms of lending are principally used by borrowers for operating, liquidity and general corporate purposes or in connection with acquisitions. We may elect to syndicate portions of these loans either directly or through our affiliates or may retain the loans
- **Private Bank Lending.** The Bank provides loans and lines of credit to private wealth management clients, which are primarily secured by commercial and residential real estate and other assets, including securities. We work with clients in order to finance private asset purchases and strategic investments, bridge cash flow timing gaps and leverage existing holdings to generate liquidity
- **Other Lending.** We (i) originate and purchase loans backed by commercial real estate, (ii) purchase loans backed by residential real estate, which includes loans extended by us to clients who warehouse assets that are directly or indirectly secured by residential real estate and (iii) lend to clients who warehouse assets that are directly or indirectly secured by retail loans, including auto loans and private student loans, and other assets, including unsecured consumer receivables. We also originate unsecured fixed-rate loans directly to retail clients through Marcus
- **Deposit Taking.** The Bank accepts deposits from private wealth management clients and directly from retail clients through Marcus. We also accept savings and demand deposits through deposit sweep programs with affiliates and third-party broker-dealers. We issue

time deposits, primarily brokered CDs, substantially all of which are in FDIC-insurable amounts and distributed through third-party broker-dealers and GSCO. Deposits are our primary source of funding to support our assets

- **Derivatives.** Derivatives are instruments that derive their value from underlying asset prices, indices, reference rates and other inputs, or a combination of these factors. Derivative transactions provide liquidity to clients and facilitate the active management of risk exposures, including market, credit and other risks. We act as a market maker in interest rate, credit, currency and other derivatives in order to facilitate customer transactions in such products and also use derivatives to manage our own risk exposure as part of our risk management processes. We enter into various types of derivatives, including (i) swaps (which are agreements to exchange cash flows, such as currency or interest payment streams), (ii) options (contracts which provide the right but not the obligation to buy or sell a certain financial instrument or currency on a specified date in the future at a certain price) and (iii) futures and forwards (which are contracts to purchase or sell a financial instrument, currency or commodity in the future). Derivatives may be traded on an exchange (exchange-traded) or they may be privately negotiated contracts, which are referred to as OTC derivatives. Certain of these OTC derivatives are cleared and settled through CCPs, while others are bilateral contracts between two counterparties. We have entered into derivatives transactions with both affiliates and unaffiliated third parties. Affiliate trades are part of Group Inc.'s centralized hedging and risk management processes and practices

4. Summary of Financial Information Regarding Assets, Liabilities, Capital and Major Funding Sources

Set out on the following pages is financial information extracted from the Bank's Consolidated Financial Statements as of, and for the years ended, December 31, 2017 and December 31, 2016 ("Bank's Financial Statements"). The financial statements are prepared in accordance with generally accepted accounting principles in the United States.

Set forth below are the consolidated statements of earnings from the Bank's Financial Statements¹:

<i>\$ in millions</i>	Year Ended December	
	2017	2016
Revenues		
Interest income	\$ 3,694	\$ 2,702
Interest expense	1,772	1,183
Net interest income	1,922	1,519
Gains and losses from financial instruments, net	2,001	1,646
Other revenues	139	170
Provision for losses on loans and lending commitments	(335)	(71)
Total non-interest revenues	1,805	1,745
Net revenues, including net interest income	3,727	3,264
Operating expenses		
Compensation and benefits	309	234
Service charges	322	400
Professional fees	135	88
Market development	132	50
Brokerage, clearing, exchange and distribution fees	106	76
Other expenses	371	253
Total operating expenses	1,375	1,101
Pre-tax earnings	2,352	2,163
Provision for taxes	938	705
Net earnings	\$ 1,414	\$ 1,458

The notes accompanying our consolidated statements of earnings in the Bank's Financial Statements are an integral part of our consolidated financial statements.

¹ The Bank's Financial Statements are available on our website at www.goldmansachs.com.

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Set forth below are the consolidated statements of financial condition from the Bank's Financial Statements¹:

<i>\$ in millions, except per share amounts</i>	As of December	
	2017	2016
Assets		
Cash	\$ 51,528	\$ 74,668
Collateralized agreements:		
Securities purchased under agreements to resell (includes \$17,918 and \$2,825 at fair value)	18,320	3,673
Receivables:		
Loans receivable	50,849	37,907
Customers and counterparties, brokers, dealers and clearing organizations	8,318	5,857
Financial instruments owned (at fair value and includes \$814 and \$2,719 pledged as collateral)	34,334	35,456
Other assets	1,411	1,551
Total assets	\$ 164,760	\$ 159,112
Liabilities and shareholder's equity		
Deposits (includes \$4,428 and \$5,301 at fair value)	\$ 115,894	\$ 114,985
Collateralized financings:		
Securities sold under agreements to repurchase (at fair value)	56	310
Other secured financings (includes \$3,395 and \$2,432 at fair value)	3,502	2,569
Payables to customers and counterparties, brokers, dealers and clearing organizations	3,593	3,757
Financial instruments sold, but not yet purchased (at fair value)	10,297	8,805
Unsecured borrowings (includes \$186 and \$236 at fair value)	4,219	2,253
Other liabilities and accrued expenses	1,653	1,822
Total liabilities	139,214	134,501
Commitments, contingencies and guarantees		
Shareholder's equity		
Shareholder's equity (includes common stock, \$100 par value; 80,000,000 shares authorized, issued and outstanding)	25,546	24,611
Total liabilities and shareholder's equity	\$ 164,760	\$ 159,112

The notes accompanying our consolidated statements of financial condition in the Bank's Financial Statements are an integral part of our consolidated financial statements.

¹ The Bank's Financial Statements are available on our website at www.goldmansachs.com.

Capital

As of December 31, 2017, the Bank's total shareholder's equity was \$25.5 billion.

Regulatory Capital

The Bank is regulated and subject to consolidated regulatory capital requirements as described below. For purposes of assessing the adequacy of its capital, the Bank calculates its capital requirements in accordance with the risk-based capital and leverage regulations applicable to state member banks which are based on the FRB's risk-based capital and leverage regulations, subject to certain transitional provisions ("Capital Framework").

The risk-based capital requirements are expressed as capital ratios that compare measures of regulatory capital to risk-weighted assets ("RWAs"). Failure to comply with these capital requirements could result in restrictions being imposed by the Bank's regulators. The Bank's capital levels are also subject to qualitative judgments by the regulators about components of capital, risk weightings and other factors.

Capital Framework

The regulations under the Capital Framework are largely based on the Basel Committee on Banking Supervision's ("Basel Committee") capital framework for strengthening international capital standards ("Basel III") and also implement certain provisions of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"). Under the Capital Framework, the Bank is an "Advanced approach" banking organization.

The Bank calculates its Common Equity Tier 1 ("CET1"), Tier 1 capital and Total capital ratios in accordance with (i) the Standardized approach and market risk rules set out in the Capital Framework (together, the Standardized Capital Rules) and (ii) the Advanced approach and market risk rules set out in the Capital Framework (together, the "Basel III Advanced Rules"). The lower of each capital ratio calculated in (i) and (ii) is the ratio against which the Bank's compliance with its minimum ratio requirements is assessed. Each of the capital ratios calculated in accordance with the Standardized Capital Rules was lower than that calculated in accordance with the Basel III Advanced Rules and therefore the Standardized Capital ratios were the ratios that applied to the Bank as of both December 2017 and December 2016. The

capital ratios that apply to the Bank can change in future reporting periods as a result of these regulatory requirements.

Regulatory Capital and Capital Ratios

The U.S. Federal Deposit Insurance Corporation Improvement Act of 1991 (“FDICIA”), among other things, requires the federal bank regulatory agencies to take “prompt corrective action” in respect of depository institutions that do not meet specified capital requirements. FDICIA establishes five capital categories for FDIC-insured banks: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized.

Under the regulatory framework for prompt corrective action applicable to the Bank, in order to meet the quantitative requirements for being a “well-capitalized” depository institution, the Bank must meet higher minimum requirements than the minimum ratios in the table below. As of both December 2017 and December 2016, the Bank was in compliance with its minimum capital requirements and the “well-capitalized” minimum ratios.

The table below presents the minimum ratios and “well-capitalized” minimum ratios required for the Bank.

	Minimum Ratio as of December		“Well-Capitalized”
	2017	2016	Minimum Ratio
CET1 ratio	5.750%	5.125%	6.500%
Tier 1 capital ratio	7.250%	6.625%	8.000%
Total capital ratio	9.250%	8.625%	10.000%
Tier 1 leverage ratio	4.000%	4.000%	5.000%

In the table above:

- The minimum capital ratios as of December 2017 reflect (i) the 50% phase-in of the capital conservation buffer of 2.5%, and (ii) the countercyclical capital buffer of zero percent, each described below
- The minimum capital ratios as of December 2016 reflect (i) the 25% phase-in of the capital conservation buffer of 2.5%, and (ii) the countercyclical capital buffer of zero percent, each described below

- Tier 1 leverage ratio is defined as Tier 1 capital divided by quarterly average adjusted total assets (which includes adjustments for goodwill and identifiable intangible assets)

The Bank's capital levels and prompt corrective action classification are also subject to qualitative judgments by the regulators about components of capital, risk weightings and other factors. Failure to comply with these capital requirements, including a breach of the buffers described above, could result in restrictions being imposed by the Bank's regulators.

Certain aspects of the Capital Framework's requirements phase in over time (transitional provisions), including capital buffers. The minimum CET1, Tier 1 and Total capital ratios that apply to the Bank will increase as the capital buffers are phased in.

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

The Capital Framework also provides for a countercyclical capital buffer, which is an extension of the capital conservation buffer, of up to 2.5% (consisting entirely of CET1) intended to counteract systemic vulnerabilities. As of December 2017, the FRB has set the countercyclical capital buffer at zero percent.

Failure to meet the capital levels inclusive of the buffers could limit the Bank's ability to distribute capital, including dividend payments, and to make certain discretionary compensation payments.

Definition of Risk-Weighted Assets

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

- RWAs for credit risk in accordance with the Standardized Capital Rules are calculated in a different manner than the Basel III Advanced Rules. The primary difference is that the Standardized Capital Rules do not contemplate the use of internal models to compute exposure for credit risk on derivatives and securities financing transactions, whereas the Basel III Advanced Rules permit the use of such models, subject to supervisory approval. In

addition, credit RWAs calculated in accordance with the Standardized Capital Rules utilize prescribed risk-weights which depend largely on the type of counterparty, rather than on internal assessments of the creditworthiness of such counterparties

- RWAs for market risk in accordance with the Standardized Capital Rules and the Basel III Advanced Rules are generally consistent; and
- RWAs for operational risk are not required by the Standardized Capital Rules, whereas the Basel III Advanced Rules do include such a requirement

Regulatory Capital Ratios and RWAs

Each of the capital ratios calculated in accordance with the Standardized Capital Rules was lower than that calculated in accordance with the Basel III Advanced Rules as of both December 2017 and December 2016, and therefore such lower ratios applied to the Bank as of these dates.

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

<i>\$ in millions</i>	As of December	
	2017	2016
Common Equity Tier 1	\$ 25,343	\$ 24,485
Tier 1 capital	\$ 25,343	\$ 24,485
Standardized Tier 2 and Total capital		
Tier 1 capital	\$ 25,343	\$ 24,485
Qualifying subordinated debt	2,000	2,000
Allowance for losses on loans and lending commitments	547	382
Standardized Tier 2 capital	2,547	2,382
Standardized Total capital	\$ 27,890	\$ 26,867
Basel III Advanced Tier 2 and Total capital		
Tier 1 capital	\$ 25,343	\$ 24,485
Standardized Tier 2 capital	2,547	2,382
Allowance for losses on loans and lending commitments	(547)	(382)
Basel III Advanced Tier 2 capital	2,000	2,000
Basel III Advanced Total capital	\$ 27,343	\$ 26,485
RWAs		
Standardized	229,775	204,232
Basel III Advanced	164,602	131,051
CET1 ratio		
Standardized	11.0%	12.0%
Basel III Advanced	15.4%	18.7%
Tier 1 capital ratio		
Standardized	11.0%	12.0%
Basel III Advanced	15.4%	18.7%
Total capital ratio		
Standardized	12.1%	13.2%
Basel III Advanced	16.6%	20.2%
Tier 1 leverage ratio	15.0%	14.4%

In the table above:

- The decrease in the Bank's Standardized and Basel III Advanced capital ratios from December 2016 to December 2017 is primarily due to an increase in credit RWAs, principally due to an increase in lending activity
- Qualifying subordinated debt is subordinated debt issued by the Bank with an original maturity of five years or greater. The outstanding amount of subordinated debt qualifying for Tier 2 capital is reduced upon reaching a remaining maturity of five years

Funding Sources

The Bank's primary sources of funding are deposits, collateralized financings and unsecured borrowings from affiliates. The Bank seeks to maintain broad and diversified funding sources across products, programs, tenors and creditors to avoid funding concentrations.

Deposits

- Our deposits provide us with a diversified source of funding and reduce our reliance on wholesale funding. The Bank raises funding through a number of different deposit sources including:
 - Savings and demand deposits sourced through deposit sweep programs with affiliated and third-party broker dealers, Marcus and affiliate deposit accounts
 - Time deposits, substantially all of which are brokered certificates of deposits received through third-party and affiliated brokers and non-brokered certificates of deposit sourced from retail clients
- The table below presents the types and sources of the Bank's deposits

<i>\$ in millions</i>	Savings and		
	Demand	Time	Total
<u>As of December 2017</u>			
Private bank deposits	\$ 41,902	\$ 281	\$ 42,183
Marcus deposits	13,787	3,330	17,117
Brokered certificates of deposit	–	35,859	35,859
Deposit sweep programs	16,019	–	16,019
Institutional deposits	1,713	3,003	4,716
Total	\$ 73,421	\$ 42,473	\$ 115,894
 <u>As of December 2016</u>			
Private bank deposits	\$ 41,686	\$ 1,601	\$ 43,287
Marcus deposits	10,511	1,337	11,848
Brokered certificates of deposit	–	35,155	35,155
Deposit sweep programs	16,019	–	16,019
Institutional deposits	5,676	3,000	8,676
Total	\$ 73,892	\$ 41,093	\$ 114,985

Note: Substantially all of the Bank's deposits are interest-bearing and are held in the U.S.

Collateralized Financings

- We fund certain of our inventory on a secured basis by entering into collateralized financing agreements, such as repurchase agreements and FHLB advances as we are also a member of the FHLB of New York. Outstanding borrowings from the FHLB of New York were \$3.4 billion and \$2.4 billion as of December 2017 and December 2016, respectively
- We also have access to funding through the Federal Reserve Bank discount window. While we do not rely on this funding in our liquidity planning and stress testing, we maintain policies and procedures necessary to access this funding and we test the discount window borrowing procedures

Unsecured Borrowings

- The Bank may raise funding through unsecured borrowings primarily from Funding IHC and Group Inc. Group Inc. raises non-deposit unsecured funding and lends to Funding IHC and other affiliates, including consolidated subsidiaries, such as us, to meet those entities' funding needs. This approach enhances the flexibility with which Funding IHC and Group Inc. can meet our and other Group Inc. subsidiaries' funding requirements. Outstanding long-term subordinated borrowings include \$2 billion from a \$5 billion revolving subordinated loan agreement with Funding IHC as of December 2017. This revolving subordinated loan was assigned by Group Inc. to Funding IHC in May 2017

5. Description of Derivatives and Hedging 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 Bank’s OTC derivatives are cleared and settled through CCPs, while others are bilateral contracts between two counterparties.

- **Market-Making.** As a market maker, the Bank enters into derivative transactions to provide liquidity to clients and to facilitate the transfer and hedging of their risks. In this role, the Bank typically acts as principal and is required to commit capital to provide execution, and maintains inventory in response to, or in anticipation of, client demand
- **Risk Management.** The Bank also enters into derivatives to actively manage risk exposures that arise from its market-making and lending activities in derivative and cash instruments. The Bank’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. In addition, the Bank may enter into derivatives designated as hedges under U.S. GAAP. These derivatives are used to manage interest rate exposure in certain deposits

The Bank enters into various types of derivatives, including:

- **Futures and Forwards.** Contracts that commit counterparties to purchase or sell financial instruments 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, 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 or currencies within a defined time period for a specified price

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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. Derivatives are accounted for at fair value, net of cash collateral received or posted under enforceable credit support agreements.

6. Memberships in Material Payment, Clearing and Settlement Systems

Set forth below is a list of the Bank's direct memberships in material payment, clearing and settlement systems:

Market	Payment, Clearing and Settlement Systems	Description of Services
Global	The Bank of New York Mellon	Agent bank providing tri-party services, corporate trust services, direct credit support, US government security clearing, custody services, and USD clearing to multiple GS entities globally
	Citibank	Agent bank providing settlement and custody services across multiple global markets
	HSBC	Agent bank providing settlement and custody services across multiple global markets
	JPMorgan Chase	Agent bank providing settlement services across multiple global markets
	Standard Chartered Bank	Agent bank providing settlement and custody services across multiple global markets
	SWIFT	Telecommunication platform for the exchange of standardized financial messages between financial institutions and corporations
Europe	Euroclear	International central securities depository and provider of settlement services for cross-border transactions involving bonds, equities, derivatives, and investment funds
	LCH Clearnet Group	Central counterparty clearing provider for commodities (exchange traded and OTC), equities, fixed income, energy and freight, and interest rate and credit default swaps
United States	The Depository Trust Company	Central depository providing depository and book-entry services for eligible securities and other financial assets
	Promontory Interfinancial Network	Provider of FDIC-insured deposit placement services through the Insured Network Deposit (IND®) program

7. Description of Foreign Operations

Effective March 21, 2013, GS Bank received authorization to operate a branch in London, United Kingdom (the “London Branch”). The London Branch became operational for clients in early July 2013. As of the filing date of the Bank Plan, there is limited activity in the London Branch.

8. Material Supervisory Authorities

Regulation Within the United States

GS Bank is supervised and regulated primarily by the FRB, FDIC, NYSDFS and the CFPB. GS Bank is also a government securities dealer subject to the rules and regulations of the U.S. Department of the Treasury.

We have registered Bank USA and GSMMDP as “swap dealers” under the CFTC rules. These entities, and our businesses more broadly, are subject to significant and developing regulation and regulatory oversight in connection with swap-related activities, including standardized execution and clearing, margining and reporting requirements for OTC derivatives.

Regulation Outside the United States

The London Branch is regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

9. Principal Officers

The following are the Bank's Principal Officers

- Chief Executive Officer ("CEO"): Stephen M. Scherr
- Chief Financial Officer ("CFO"): Carey Halio
- Chief Administrative Officer ("CAO"): Connie J. Shoemaker
- Chief Risk Officer ("CRO"): Alan Rapfogel
- Chief Compliance Officer ("CCO"): Steven T. Elia
- General Counsel ("GC"): Thomas S. Riggs

10. Resolution Planning Corporate Governance Structure and Processes Related to Resolution Planning

Corporate Governance

GS Bank's resolution planning process involves staff members across numerous different disciplines. For such a process to be successful, a robust governance structure is essential: this helps ensure that the Bank Board and senior management are in a position to exert oversight, challenge assumptions and give direction.

The Bank Plan's governing and oversight bodies consist of the following groups and individuals:

- The Bank Board is responsible for establishing the strategic direction of the Bank and overseeing the performance of GS Bank's business and management. The Bank Board is responsible for providing general oversight of the Bank Plan. The Bank Board reviews and approves the Bank Plan prior to its submission. In addition, at its regularly held or special meetings, the Bank Board will receive updates on significant developments that may occur, some of which may be impactful to the Bank Plan
- The Bank Asset Liability Committee ("ALCO") is responsible for the ongoing monitoring and review of the Bank's liquidity and funding risks (including interest rate risk), balance sheet planning and asset liability management and capital maintenance. In 2016, the ALCO's responsibilities were expanded to include oversight over resolution planning, including having primary responsibility for (i) reviewing and approving the Bank Plan and (ii) reviewing, approving and monitoring the triggers and alerts developed for resolution planning
- The Bank Management Risk Committee ("Bank Risk Committee") is responsible for the ongoing monitoring and management of the Bank's risks, including but not limited to market risk, credit risk, liquidity and funding risk, model risk, legal risk and operational risk. The Bank Risk Committee receives updates on the Bank Plan prior to submission
- The Principal Officers of the Bank are responsible for oversight of the Bank Plan's development, maintenance, implementation, filing and compliance

- The Bank’s CFO is the senior management official of the Bank primarily responsible for overseeing the development, maintenance, implementation and filing of the Bank Plan and for the Bank’s compliance with the IDI Rule. The Bank’s CFO is responsible for the day-to-day oversight of various workstreams that focus on specific components of the Bank Plan. The Bank’s CFO and the Bank Resolution Team manage the overall Bank Plan activities, meet with our regulators, respond to requests for comments on various regulatory proposals, and engage directly with the firm’s Recovery and Resolution Planning Steering Group (“Steering Group”), the Bank Board, the Bank Risk Committee and ALCO, as necessary. In addition, the Bank’s CFO and GC oversee engagement of outside legal counsel and consultants, as necessary
- The Bank Resolution Team, led by a managing director, is comprised of Bank personnel within the Bank Finance and Treasury team. The team focuses on resolution planning considerations for the Bank and coordinates the development of the Bank Plan and the review and approval of each of its components. The Bank Resolution Team supports the Bank’s CFO and provides input on the Bank Plan submission based on the underlying regulations and guidance, communications with our regulators, participation in the Steering Group, and information from, and communications with, various divisions of the firm and within the Bank
- The firm’s Steering Group, which is responsible for the firm’s resolution plan submission, includes representation from members in the Bank, including the Bank Resolution Team’s managing director lead. Through their participation in the Steering Group, the Bank ensures that the approach and assumptions in the Bank Plan are consistent with those of the Firm Plan, where applicable. In addition, the Steering Group provides direction and strategy for the Bank Plan, helps to resolve issues and policy decisions, and approves scope changes and resolution planning deliverables. The Steering Group meets frequently (typically weekly)
- Our Internal Audit department also provides independent assurance over key controls supporting the development of the Bank Plan

Resolution Planning in BAU

Since our 2015 Bank Plan submission, we have instituted a number of changes to incorporate resolution planning considerations into our business as usual processes:

- We recognize that the introduction of a new business activity or a significant change to an existing activity creates the potential to add complexity and make recovery or resolution more difficult. To address this, we have updated our new activity process within the Bank such that, as part of each approval, we consider whether the proposed new activity would create obstacles or complications to the rapid and orderly resolution of the Bank. We have also updated the charters of relevant Bank committees to provide that they should specifically consider resolution matters as part of their routine oversight and decision-making processes
- We have also incorporated resolution planning considerations into the management of our third-party and affiliate vendor relationships to ensure the resiliency of such relationships following a failure of the Bank or an affiliate of the Bank

Process Steps

- The development of the various components of the Bank Plan were coordinated by the Bank Resolution Team under the direction of the Bank's CFO based on the underlying regulations and guidance, communications with the FDIC, and information from, and communications with, various divisions of the firm and within the Bank
- The Bank Resolution Team and Bank CFO have overseen the preparation of previous iterations of the Bank Plan. The insights gained during these exercises proved invaluable as we considered the additional initiatives required to continue to develop the Bank Plan
- The Bank Resolution Team obtained input on various topics, from both internal teams and external advisors (legal counsel and consultants), as well as meetings with regulators. Based on this input and subsequent discussions, the Bank Resolution Team formulated a direction for the Bank Plan. The Bank Resolution Team then assigned components of the Bank Plan to various workstream leads and conducted regular meetings to ensure timely progression, and to answer questions and provide feedback, soliciting the input of internal and external advisors as needed
- The Bank Plan was updated and presented broadly across the Bank as well as the firm. Outside legal counsel was engaged to provide legal advice on jurisdictional, bankruptcy and other issues and to review the overall strategy and resolution plan. Once reviewed and vetted, the Bank Plan was presented to the Bank Board for review and approval

11. Description of Material Management Information Systems

GS Bank has been a beneficiary of Goldman Sachs' long-standing history of investing in technology. Our MIS are designed to support and enable the Bank's core functions across all service and business units. As an integral component of our resolution plan, our systems serve to manage risk and provide complete, timely and accurate information.

Over recent years, Goldman Sachs has invested in the broad adoption of platform strategies to support the firm's enterprise architecture. In most cases, a single technology platform supports a given function across all geographies and entities. This results in a high degree of consistency in both functionality and reporting to enable key decision making at all levels.

As a firm, we place a strong focus on developing software applications internally, although we also make use of third-party vendor software. Our system architecture supports data, modeling, user interface and workflow capabilities, which our MIS systems leverage to provide a rich feature set for our businesses. To ensure the rigor and effectiveness of our systems, we have focused on promoting standardization and reusability.

Our data aggregation capabilities and risk reporting practices are overseen by a governance framework which is supported by documented policies, standards and procedures. We recognize that, in a resolution scenario, the effectiveness of our systems is driven by adhering to an appropriate governance framework which is supported by the relevant controls. For example, our business resiliency program is intended to ensure that all critical applications, including our data aggregation capabilities and risk reports, are available not only in normal times, but also during times of stress or crisis scenarios.

The Firmwide Technology Risk Committee reviews matters related to the design, development, deployment and use of technology: it oversees and monitors the effectiveness of cyber security matters, as well as technology risk management frameworks and methodologies. The governance framework is supported by documented policies, standards and procedures. The firm has developed and implemented a framework of principles, policies and technology to protect client and firm assets from cyber-attacks and other misappropriation, corruption or loss; safeguards are applied to maintain the confidentiality and availability of information resources.

Our MIS have extensive ad hoc reporting capabilities and have been used extensively to prepare financial and other information used in the preparation of our resolution plan. We have performed a detailed assessment of our ability to satisfy MIS reporting requirements in resolution, and we have determined that there are no material gaps or weaknesses in our ability to provide relevant data in a crisis scenario.

Recovery and Resolution Systems

As our resolution planning process progressed, we came to recognize the benefits of being able to identify, aggregate, visualize and easily navigate key interdependencies and relationships between the Bank and the firm's other legal entities and critical services. We leveraged tools integrated with several of the firm's other platforms, including the global framework for the documentation and management of the inter-affiliate SLAs, the firm's "document lake" which stores resolution-critical legal agreements and associated metadata, and the firm's "data lake" which is a central data warehousing solution.