

Full Year and Fourth Quarter 2018 Earnings Results Presentation

January 16, 2019

Earnings Call Agenda

1 David M. Solomon, Chairman and Chief Executive Officer

- Strategic priorities
- Macro perspectives and client engagement
- Update on 1MDB

2 Stephen M. Scherr, Chief Financial Officer

- Key financial highlights
- Segment performance review
- Expenses and taxes
- Capital, balance sheet and liquidity

3 Q&A

Strategic Overview

Key Priorities

**Client Centricity:
One Goldman Sachs**

**Business Reviews & Expanding
our Addressable Market**

**Investing for Scale via
Technology and Platform
Expansion**

Targets and Accountability

Updates on Select Business Reviews

Market Making: FICC and Equities

- Leverage technology to create best-in-class client experience across more products
- Expand addressable market while optimizing expenses and capital allocation

Alternative Investing Platform

- Opportunities to increase 3rd party assets under supervision
- Continue monetization of on-balance sheet investments
- Increase fee-based revenues and optimize capital consumption

Cash Management

- Deepen corporate relationships
- Leverage franchise adjacencies and innovation
- Potential for FX opportunities

Consumer Business

- Continue to evolve Marcus to multi-product platform
- Launch multi-tiered mass affluent strategy

Superior Long-Term Shareholder Returns

Macro Perspectives

Economic Fundamentals

Positive but slowing global growth

2019 estimated GDP growth ¹ :	+2.4% U.S.	+3.5% Global
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Strong corporate performance

22% 2018 estimated S&P 500 EPS growth ¹	\$4.2 trillion Announced M&A volumes in 2018 ²	Corporate confidence remains high – 2017 levels ¹
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Market Dynamics (4Q18)



 **10-year Government Bond Yields:**
 -36bps U.S. ♦ -22bps U.K. ♦ -12bps Japan

 **U.S. Credit Spreads¹:**
 +56bps IG ♦ +171bps HY

 **Volatility:**
 VIX +110% ♦ MOVE +44% ♦ CVIX +12%

Client Engagement Opportunities

Market dislocation creates opportunity for strategic client engagement

Market uncertainty drives tactical structuring of equity and debt financing

Portfolio repositioning and alpha generation

Hedging and liquidity solutions

Shifting macro environment creates opportunity for productive engagement with clients

Annual Results Snapshot

Strong 2018 performance across the firm created operating leverage to fund investments in our business

Net Revenues³

2018	\$36.6 billion
2017	\$32.7 billion

- Net revenues up 12% YoY, with highest net revenues since 2010
- Broad contribution with every segment up YoY

EPS⁴

2018	\$25.27
2017	\$9.01

- Record diluted EPS

2018 Returns^{4,5}

ROE	13.3%
ROTE	14.1%

- Highest annual ROE and ROTE since 2009

2018 Book Value

BVPS	\$207.36
TBVPS⁵	\$196.64

- 14.6% YoY growth in book value per share
- 15.3% YoY growth in tangible book value per share

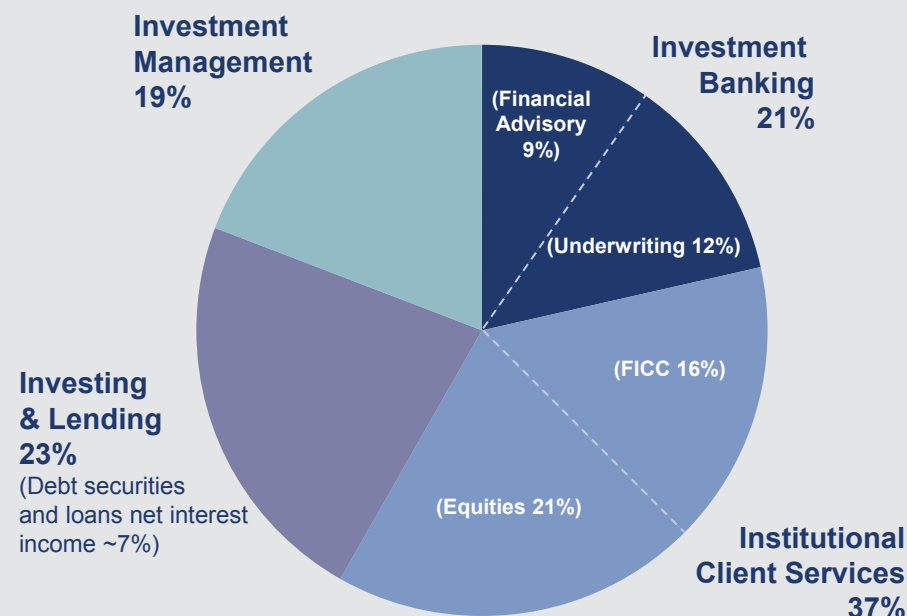
Financial Overview

Financial Results

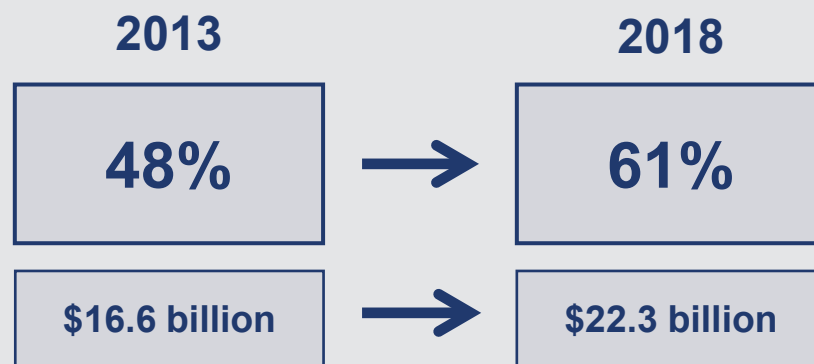
\$ in millions, except per share amounts

	4Q18	vs. 3Q18	vs. 4Q17	2018	vs. 2017
Investment Banking	\$ 2,044	3%	-5%	\$ 7,862	7%
FICC	822	-37%	-18%	5,882	11%
Equities	1,604	-11%	17%	7,600	15%
Institutional Client Services	2,426	-22%	2%	13,482	13%
Investing & Lending	1,906	-6%	-2%	8,250	14%
Investment Management	1,704	—	2%	7,022	13%
Net revenues³	\$ 8,080	-8%	-1%	\$36,616	12%
Provision for credit losses ³	222	28%	-23%	674	3%
Operating expenses	5,150	-8%	9%	23,461	12%
Pre-tax earnings	2,708	-12%	-13%	12,481	12%
Provision for taxes ⁴	170	-69%	-97%	2,022	-70%
Net earnings	2,538	1%	N.M.	10,459	144%
Net earnings to common	\$ 2,322	-5%	N.M.	\$ 9,860	168%
Diluted EPS⁴	\$ 6.04	-4%	N.M.	\$ 25.27	180%
ROE^{4,5}	12.1%	-1.0pp	N.M.	13.3%	8.4pp
ROTE^{4,5}	12.8%	-1.0pp	N.M.	14.1%	8.9pp

Full Year Net Revenue Mix by Segment



Fee-Based or More-Recurring Revenues⁶

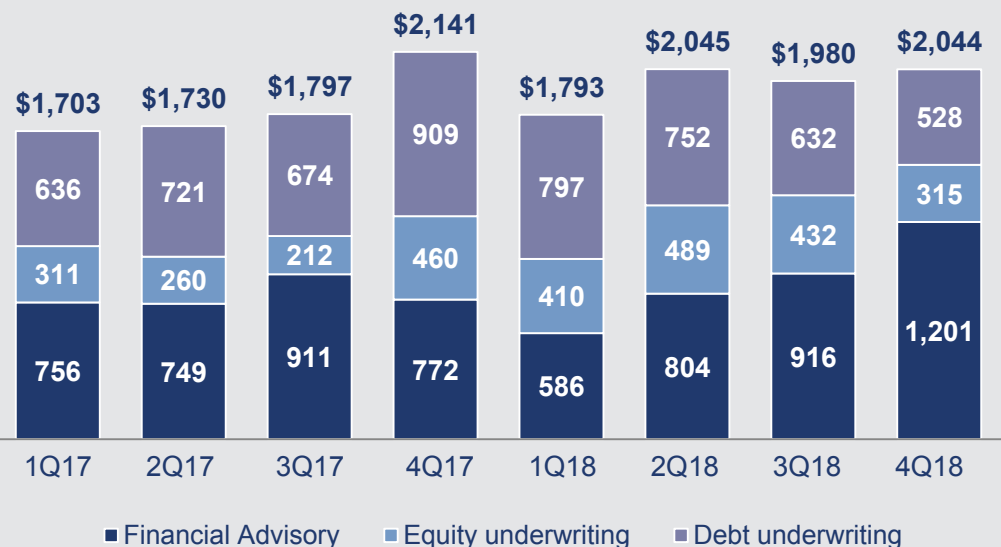


Investment Banking

Financial Results

<i>\$ in millions</i>	4Q18	vs. 3Q18	vs. 4Q17	2018	vs. 2017
Financial Advisory	\$ 1,201	31%	56%	\$ 3,507	10%
Equity underwriting	315	-27%	-32%	1,646	32%
Debt underwriting	528	-16%	-42%	2,709	-8%
Total Underwriting	843	-21%	-38%	4,355	4%
Total Investment Banking	\$ 2,044	3%	-5%	\$ 7,862	7%

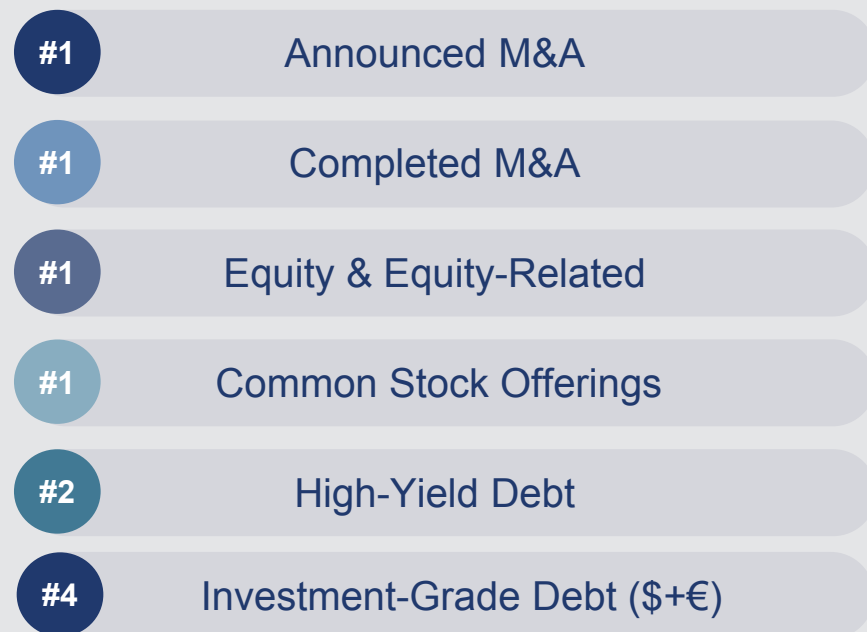
Net Revenues (\$ in millions)



Key Highlights

- Financial Advisory 2018 and 4Q18 net revenues reflect strong M&A volumes and leading market share
 - ~\$1.2 trillion of completed M&A volumes from nearly 400 transactions in 2018²
 - ~\$1.3 trillion of announced M&A volumes in 2018, including ~\$450 billion from transactions below \$5 billion in deal value²
- Strong Underwriting net revenues in 2018 driven by increased IPO activity offsetting lower debt underwriting activity; 4Q18 net revenues down significantly QoQ on lower industry-wide activity
- Continued strong levels of engagement with backlog⁷ up YoY

Full Year Worldwide League Table Rankings²



Institutional Client Services – FICC

Financial Results

<i>\$ in millions</i>	4Q18	vs. 3Q18	vs. 4Q17	2018	vs. 2017
FICC	\$ 822	-37%	-18%	\$ 5,882	11%
Equities	1,604	-11%	17%	7,600	15%
Total ICS	\$ 2,426	-22%	2%	\$ 13,482	13%

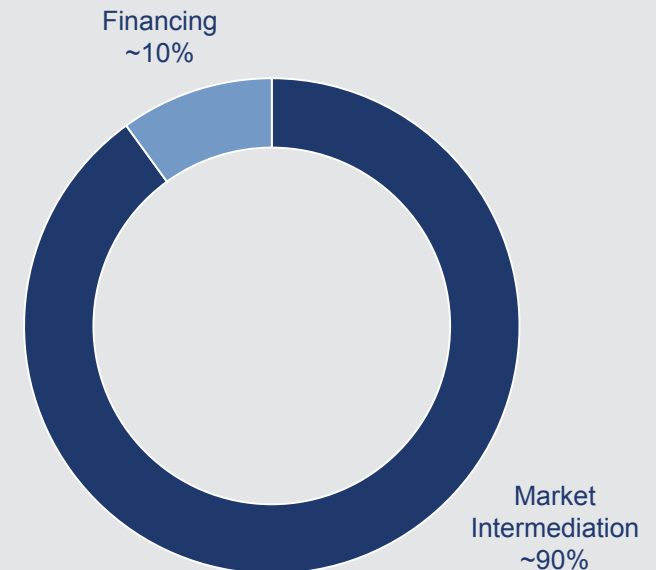
FICC Key Highlights

- 2018 net revenues increased YoY primarily reflecting higher client activity; 4Q18 performance challenged due to difficult market backdrop
- 4Q18 net revenues decreased YoY reflecting significantly lower net revenues in credit products, amid wider credit spreads and increased volatility, and lower net revenues in interest rate products
- Remain focused on expanding addressable market by broadening client relationships, streamlining expenses, optimizing capital and investing in automation and platform enhancements

FICC Net Revenues (\$ in millions)



2018 FICC Net Revenue Mix⁸



Institutional Client Services – Equities

Financial Results

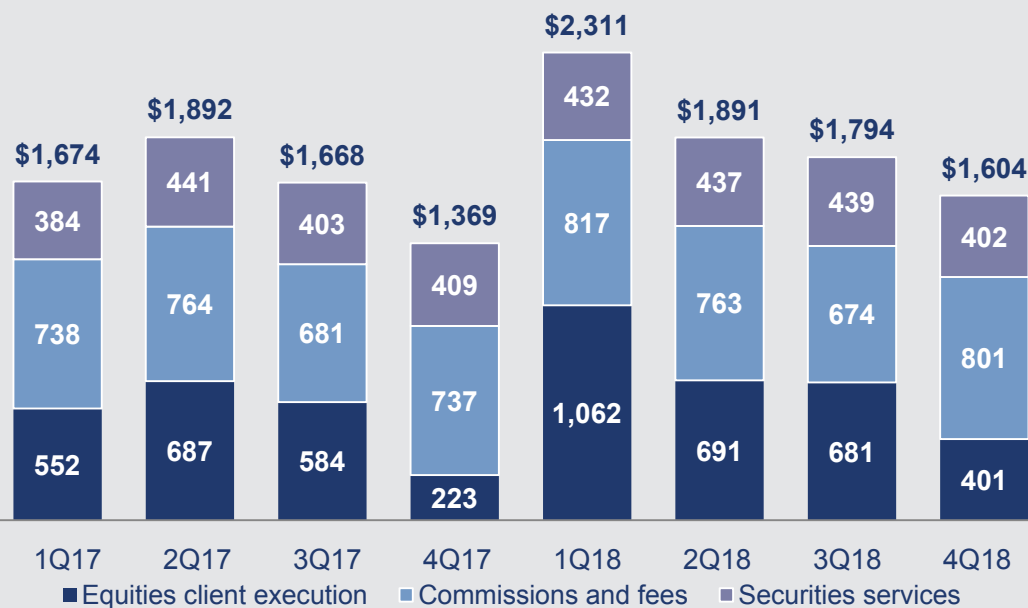
\$ in millions

	4Q18	vs. 3Q18	vs. 4Q17	2018	vs. 2017
Equities client execution	\$ 401	-41%	80%	\$ 2,835	39%
Commissions and fees	801	19%	9%	3,055	5%
Securities services	402	-8%	-2%	1,710	4%
Total Equities	\$ 1,604	-11%	17%	\$ 7,600	15%

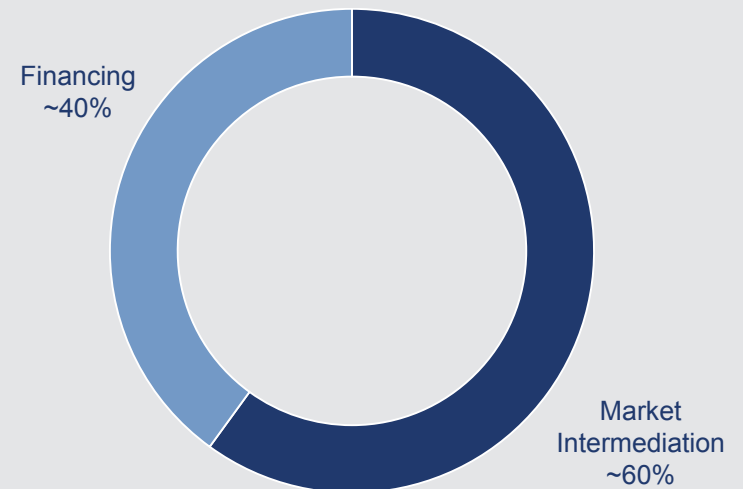
Key Highlights

- 2018 net revenues higher YoY on significantly higher equities client execution net revenues
- 4Q18 net revenues increased YoY amid improved market conditions, higher levels of volatility and higher client activity
 - Equities client execution net revenues increased significantly versus a challenging 4Q17, supported by better performance in cash products
 - Commissions and fees increased driven by higher market volumes; market share in low touch improved
 - Securities services net revenues decreased slightly; average customer balances lower

Net Revenues (\$ in millions)



2018 Equities Net Revenue Mix⁸

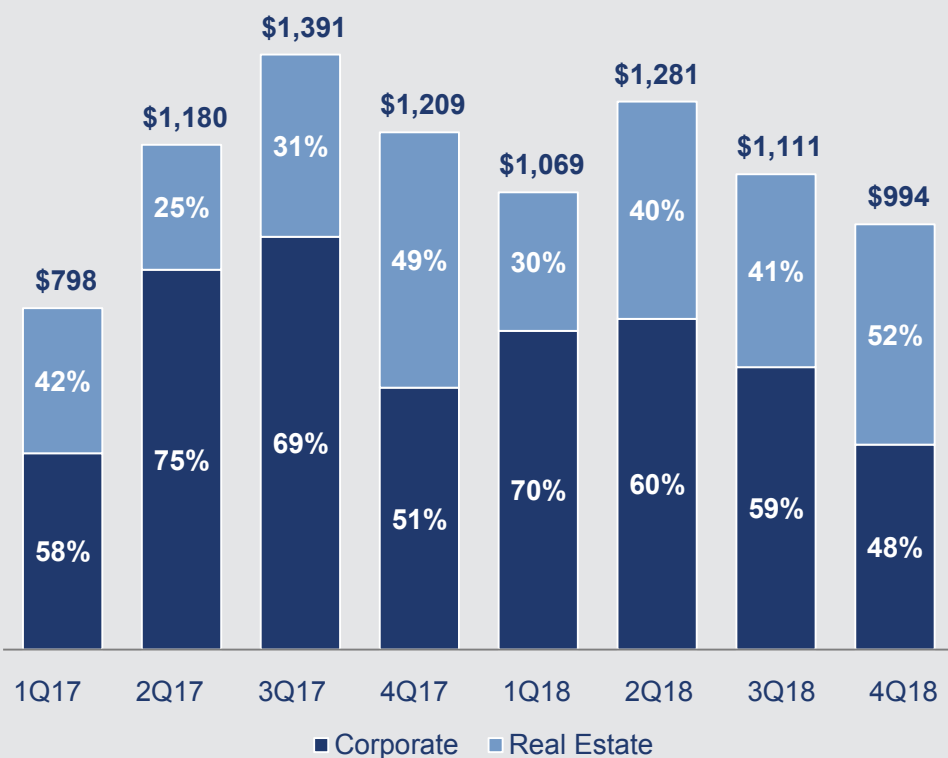


Investing & Lending – Equity Securities

Financial Results

	\$ in millions				
	4Q18	vs. 3Q18	vs. 4Q17	2018	vs. 2017
Equity securities	\$ 994	-11%	-18%	\$ 4,455	-3%

Net Revenues (\$ in millions)

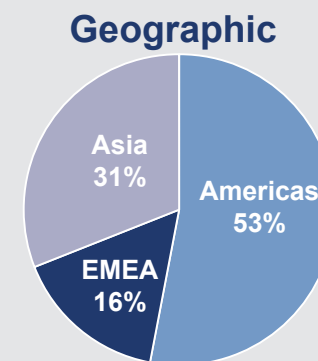
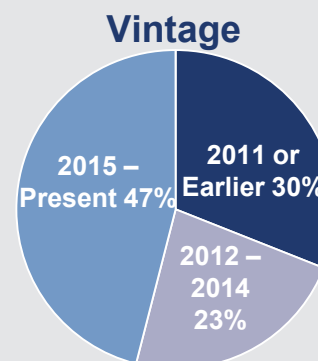


Key Highlights

- 2018 net revenues decreased slightly YoY as improved performance from private equity investments largely offset net losses from public investments
- 4Q18 net revenues reflected continued strong results in private equity investments, driven by company-specific events, including sales, and corporate performance
 - Approximately one-half of the net revenues were generated from real estate, which primarily reflected gains from sales
- Our global private and public equity portfolio consists of over 1,000 investments, which are diversified across geography and investment vintage and have a total carrying value of \$21 billion
 - In addition, our consolidated investment entities have a carrying value of \$13 billion, substantially all of which is related to real estate⁹

Equity I&L Asset Mix^{10,11}

	\$ in billions	4Q18		\$ in billions	4Q18
Corporate	\$ 17		Public equity	\$ 1	
Real estate	4		Private equity	20	
Total	\$ 21		Total	\$ 21	



Investing & Lending – Debt Securities and Loans

Financial Results

	\$ in millions				
	4Q18	vs. 3Q18	vs. 4Q17	2018	vs. 2017
Debt securities and loans³	\$ 912	-1%	23%	\$ 3,795	43%

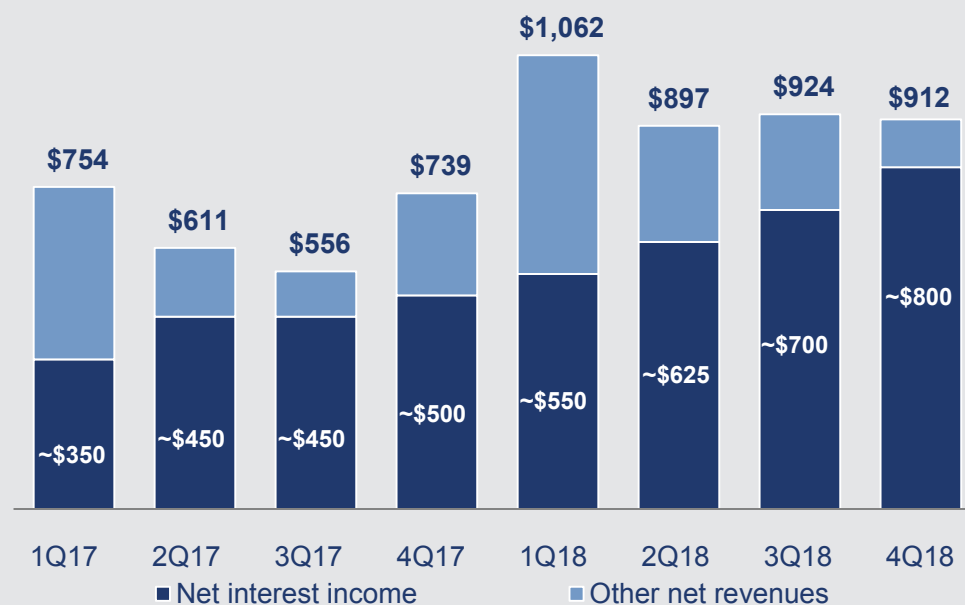
Debt I&L Asset Mix^{10,11}

	\$ in billions		
	4Q18	3Q18	4Q17
Corporate loans	\$ 37	\$ 36	\$ 31
PWM loans	17	17	17
Real estate loans	19	17	14
Consumer loans	5	4	2
Other loans	4	3	3
Allowance for loan losses	(1)	(1)	(1)
Loans receivable	81	76	66
Loans, at fair value	13	13	15
Total loans	94	89	81
Debt securities	11	11	9
Other	8	5	8
Total	\$ 113	\$ 105	\$ 98

Key Highlights

- Record net interest income in 2018 of ~\$2.7 billion; 4Q18 included ~\$800 million of net interest income (~\$3.2 billion annual pace)
- Franchise adjacent loan portfolio that complements our current product offerings and expertise
- As of 4Q18, ~85% of total loans were secured
- 2018 and 4Q18 provision for credit losses³ of \$674 million and \$222 million, respectively, driven primarily by consumer loan growth
 - Net charge-off rate 0.5% for 2018

Net Revenues³ (\$ in millions)



Investment Management

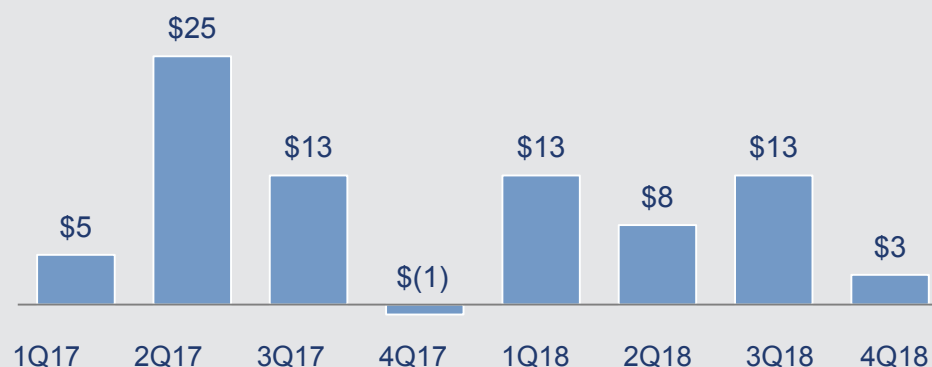
Financial Results

<i>\$ in millions</i>	4Q18	vs. 3Q18	vs. 4Q17	2018	vs. 2017
Management and other fees	\$ 1,365	-1%	—	\$ 5,438	6%
Incentive fees	153	3%	19%	830	99%
Transaction revenues	186	7%	13%	754	15%
Total Investment Management	\$ 1,704	—	2%	\$ 7,022	13%

Assets Under Supervision⁷

<i>\$ in billions</i>	4Q18	vs. 3Q18	vs. 4Q17
Long-term AUS	\$ 1,145	-4%	—
Liquidity products	397	11%	15%
Total AUS	\$ 1,542	-1%	3%

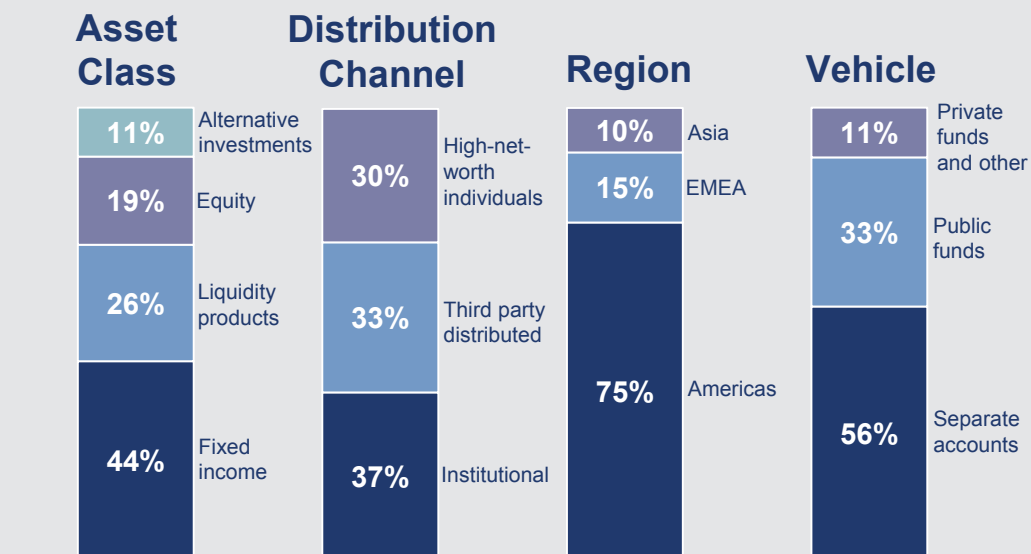
Long-Term AUS Net Flows^{7,12} (\$ in billions)



Key Highlights

- Record net revenues in 2018, driven by record management and other fees, significantly higher incentive fees and higher transaction revenues
- AUS⁷ increased \$48 billion in 2018 to \$1.54 trillion
 - Long-term net inflows of \$37 billion, primarily in fixed income and equity assets
 - Liquidity products net inflows of \$52 billion
 - Net market depreciation of \$41 billion, primarily in equity assets
- Over past five years, total cumulative organic long-term AUS net inflows of ~\$215 billion

4Q18 AUS Mix⁷



Expenses

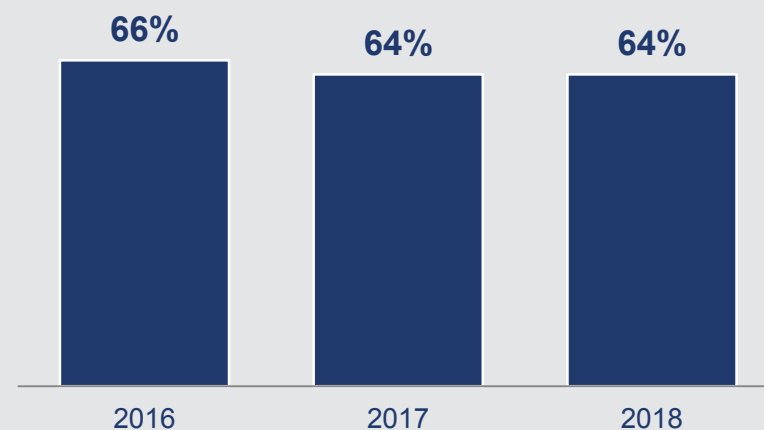
Financial Results³

<i>\$ in millions</i>	4Q18	vs. 3Q18	vs. 4Q17	2018	vs. 2017
Compensation and benefits	\$ 1,857	-38%	-11%	\$12,328	6%
Brokerage, clearing, exchange and distribution fees	830	16%	13%	3,200	11%
Market development	208	25%	19%	740	26%
Communications and technology	262	5%	14%	1,023	14%
Depreciation and amortization	377	19%	8%	1,328	15%
Occupancy	215	6%	13%	809	10%
Professional fees	317	2%	-13%	1,214	4%
Other expenses	1,084	84%	84%	2,819	50%
Total operating expenses	\$ 5,150	-8%	9%	\$23,461	12%
Provision for taxes ⁴	\$ 170	-69%	-97%	\$ 2,022	-70%
<i>Effective Tax Rate</i>				16.2%	-45.3pp

Key Highlights

- Efficiency ratio¹³ stable YoY as net revenue growth funded investments in our businesses
- 2018 operating expenses increased YoY, including:
 - Higher compensation and benefits expenses (+\$675 million); up 6%, only half the rate of net revenue growth
 - Significantly higher net provisions for litigation and regulatory proceedings (+\$656 million)
 - Revenue recognition standard impact¹⁴ (+\$297 million)
 - Substantially all of the remaining increase (+\$892 million) is from investments to drive growth (including Marcus, consolidated investments and technology) and higher activity reflected in BCE&D
- 2018 effective tax rate included a \$487 million tax benefit related to the finalization of impact of Tax Legislation⁴; 2019 effective tax rate expected to be ~22-23% excluding equity based compensation and discrete items

Efficiency Ratio¹³



Capital

Financial Metrics^{7,11,15}

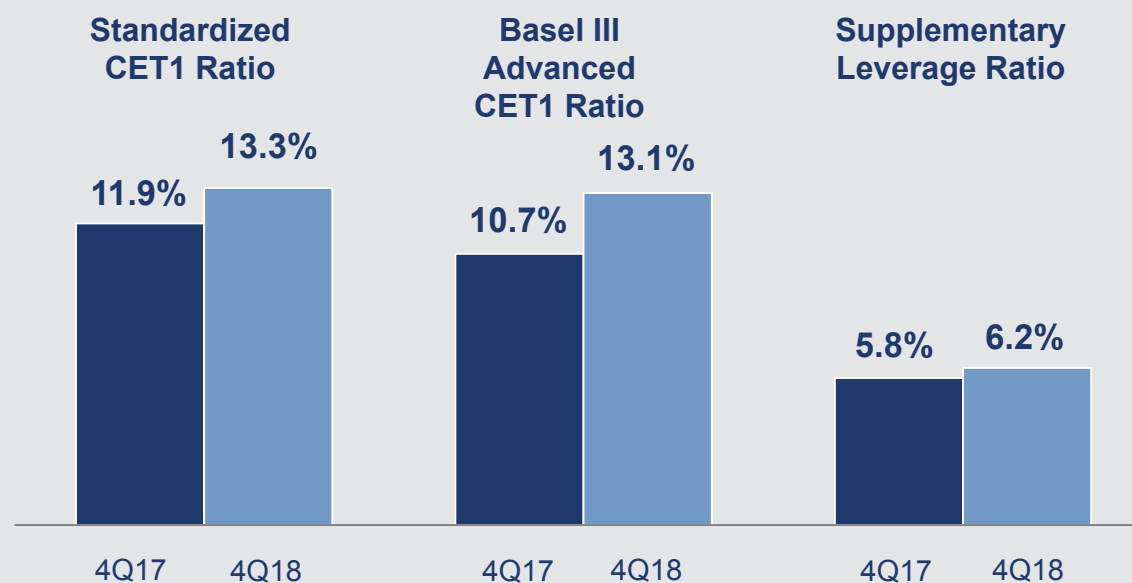
\$ in billions, except per share amounts

	4Q18	3Q18	4Q17
Common equity tier 1 (CET1)	\$ 73.1	\$ 71.8	\$ 67.0
Standardized RWAs	\$ 548	\$ 546	\$ 564
Standardized CET1 ratio	13.3%	13.1%	11.9%
Basel III Advanced RWAs	\$ 558	\$ 577	\$ 626
Basel III Advanced CET1 ratio	13.1%	12.4%	10.7%
Supplementary leverage ratio	6.2%	6.0%	5.8%
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BVPS	\$ 207.36	\$ 197.33	\$ 181.00
TBVPS ⁵	\$ 196.64	\$ 186.62	\$ 170.61

Key Highlights

- Rebuilt capital ratios to pre-Tax Legislation⁴ levels
 - YoY improvement in CET1 ratios driven by retained earnings and reduced market RWAs
 - Decrease in credit RWAs also contributed to Basel III Advanced CET1 ratio YoY improvement
- Returned \$4.52 billion of capital during the year
 - Paid \$1.23 billion in common stock dividends
 - Repurchased 13.9 million shares of common stock, for a total cost of \$3.29 billion⁷

Capital and Leverage Ratios^{7,11,15}



Balance Sheet & Liquidity

Balance Sheet Allocation^{10,11}

<i>\$ in billions</i>	4Q18	3Q18	4Q17
GCLA, segregated assets and other	\$ 313	\$ 282	\$ 285
Secured client financing	147	161	164
Institutional Client Services	308	358	319
Investing & Lending	134	126	121
Other assets	31	30	28
Total assets	\$ 933	\$ 957	\$ 917

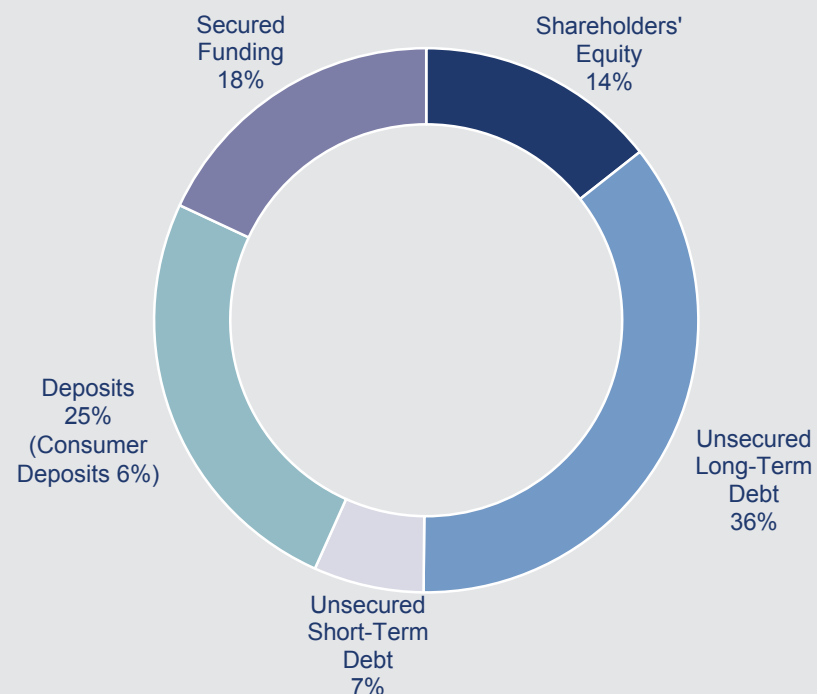
Balance Sheet Assets¹¹

<i>\$ in billions</i>	4Q18	3Q18	4Q17
Cash and cash equivalents	\$ 130	\$ 119	\$ 110
Collateralized agreements	276	298	312
Receivables	160	159	151
Financial instruments owned	336	351	316
Other assets	31	30	28
Total assets	\$ 933	\$ 957	\$ 917

Key Highlights

- Highly liquid balance sheet and robust liquidity metrics allow the firm to capitalize on market opportunities
 - GCLA⁷ averaged \$229 billion¹¹ for 4Q18
- Well-diversified funding mix across tenor, currency, channel, structure and counterparty
- Benchmark maturities expected to outpace benchmark issuance in 2019, as deposits grow
- Deposit funding lowers overall financing costs, adds diversification and reduces credit sensitivity

Sources of Funding as of 4Q18¹¹



Cautionary Note on Forward-Looking Statements

This presentation contains “forward-looking statements” within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are not historical facts, but instead represent only the firm’s beliefs regarding future events, many of which, by their nature, are inherently uncertain and outside of the firm’s control. It is possible that the firm’s actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements. For a discussion of some of the risks and important factors that could affect the firm’s future results and financial condition, see “Risk Factors” in Part I, Item 1A of the firm’s Annual Report on Form 10-K for the year ended December 31, 2017.

Information regarding the firm’s capital ratios, risk-weighted assets, supplementary leverage ratio, total assets and balance sheet data, global core liquid assets, and planned 2019 benchmark issuances consists of preliminary estimates. These estimates are forward-looking statements and are subject to change, possibly materially, including as the firm completes its financial statements.

Statements about the firm’s expected 2019 effective income tax rate constitute forward-looking statements. These statements are subject to the risk that the firm’s 2019 effective income tax rate may differ from the anticipated rate indicated in these forward-looking statements, possibly materially, due to, among other things, changes in the firm’s earnings mix, the firm’s profitability and the entities in which the firm generates profits, the assumptions the firm has made in forecasting its expected tax rate, as well as guidance that may be issued by the U.S. Internal Revenue Service.

Statements about the firm’s investment banking transaction backlog also may constitute forward-looking statements. Such statements are subject to the risk that the terms of these transactions may be modified or that they may not be completed at all; therefore, the net revenues, if any, that the firm actually earns from these transactions may differ, possibly materially, from those currently expected. Important factors that could result in a modification of the terms of a transaction or a transaction not being completed include, in the case of underwriting transactions, a decline or continued weakness in general economic conditions, outbreak of hostilities, volatility in the securities markets generally or an adverse development with respect to the issuer of the securities and, in the case of financial advisory transactions, a decline in the securities markets, an inability to obtain adequate financing, an adverse development with respect to a party to the transaction or a failure to obtain a required regulatory approval. For a discussion of other important factors that could adversely affect the firm’s investment banking transactions, see “Risk Factors” in Part I, Item 1A of the firm’s Annual Report on Form 10-K for the year ended December 31, 2017.

Footnotes

1. 2019 estimated real gross domestic product (GDP) growth and 2018 estimated S&P 500 Index earnings per share (EPS) growth both per Goldman Sachs Research. U.S. credit z-spreads per Bloomberg. Corporate confidence level per Duke Fuqua CFO survey.
2. Dealogic – January 1, 2018 through December 31, 2018.
3. The following reclassifications have been made to previously reported amounts to conform to the current presentation.
 - Provision for credit losses, previously reported in other principal transactions revenues (and Investing & Lending segment net revenues), is now reported as a separate line item in the Consolidated Statements of Earnings.
 - Headcount consists of the firm's employees, and excludes consultants and temporary staff previously reported as part of total staff. As a result, expenses related to consultants and temporary staff previously reported in compensation and benefits expenses are now reported in professional fees.
 - Regulatory-related fees that are paid to exchanges, reported in other expenses prior to 2018, are now reported in brokerage, clearing, exchange and distribution fees.
4. During the fourth quarter of 2017, the Tax Cuts and Jobs Act (Tax Legislation) was enacted and lowered U.S. corporate income tax rates as of January 1, 2018, implemented a territorial tax system and imposed a repatriation tax on deemed repatriated earnings of foreign subsidiaries. The estimated impact of Tax Legislation was an increase in income tax expense of \$4.40 billion for the fourth quarter of 2017. Excluding this expense, diluted EPS was \$19.76, return on average common shareholders' equity (ROE) was 10.8% and return on average tangible common shareholders' equity (ROTE) was 11.4% for 2017, and diluted EPS was \$5.68 for the fourth quarter of 2017. In the fourth quarter of 2018, the firm finalized this estimate to reflect the impact of updated information, including subsequent guidance issued by the U.S. Internal Revenue Service, resulting in a \$467 million income tax benefit (\$487 million total income tax benefit for 2018). Excluding this benefit, diluted EPS was \$24.02, ROE was 12.7% and ROTE was 13.4% for 2018, and diluted EPS was \$4.83 for the fourth quarter of 2018.

Management believes that presenting the firm's results excluding Tax Legislation is meaningful as excluding this item increases the comparability of period-to-period results. Diluted EPS and ROE, excluding the impact of Tax Legislation, are non-GAAP measures and may not be comparable to similar non-GAAP measures used by other companies. The tables below present the calculation of net earnings applicable to common shareholders, diluted EPS and average common shareholders' equity, excluding the impact of Tax Legislation (unaudited, in millions, except per share amounts):

	FOR THE			
	THREE MONTHS ENDED DECEMBER 31, 2018	YEAR ENDED DECEMBER 31, 2018	THREE MONTHS ENDED DECEMBER 31, 2017	YEAR ENDED DECEMBER 31, 2017
Net earnings / (loss) applicable to common shareholders, as reported	\$ 2,322	\$ 9,860	\$ (2,143)	\$ 3,685
Impact of Tax Legislation	(467)	(487)	4,400	4,400
Net earnings applicable to common shareholders, excluding the impact of Tax Legislation	\$ 1,855	\$ 9,373	\$ 2,257	\$ 8,085
Divided by average diluted common shares used in the calculation of diluted earnings (excluding the impact of Tax Legislation) per common share	384.3	390.2	397.4	409.1
Diluted earnings per common share, excluding the impact of Tax Legislation	\$ 4.83	\$ 24.02	\$ 5.68	\$ 19.76

	FOR THE	
	THREE MONTHS ENDED DECEMBER 31, 2017	YEAR ENDED DECEMBER 31, 2017
Average basic common shares, as reported	389.8	401.6
Effect of dilutive securities	7.6	7.5
Average diluted common shares used in the calculation of diluted earnings (excluding the impact of Tax Legislation) per common share	397.4	409.1

Footnotes (continued)

	AVERAGE FOR THE	
	YEAR ENDED DECEMBER 31, 2018	YEAR ENDED DECEMBER 31, 2017
Common shareholders' equity, as reported	\$ 73,985	\$ 74,721
Impact of Tax Legislation	(42)	338
Common shareholders' equity, excluding the impact of Tax Legislation	73,943	75,059
Goodwill and identifiable intangible assets	(4,090)	(4,065)
Tangible common shareholders' equity, excluding the impact of Tax Legislation	\$ 69,853	\$ 70,994

5. ROE is calculated by dividing net earnings (or annualized net earnings for annualized ROE) applicable to common shareholders by average monthly common shareholders' equity. Tangible common shareholders' equity is calculated as total shareholders' equity less preferred stock, goodwill and identifiable intangible assets. ROTE is calculated by dividing net earnings (or annualized net earnings for annualized ROTE) applicable to common shareholders by average monthly tangible common shareholders' equity. Tangible book value per common share (TBVPS) is calculated by dividing tangible common shareholders' equity by basic shares (380.9 million as of December 31, 2018, 382.9 million as of September 30, 2018 and 388.9 million as of December 31, 2017). Management believes that tangible common shareholders' equity and TBVPS are meaningful because they are measures that the firm and investors use to assess capital adequacy and that ROTE is meaningful because it measures the performance of businesses consistently, whether they were acquired or developed internally. Tangible common shareholders' equity, ROTE and TBVPS are non-GAAP measures and may not be comparable to similar non-GAAP measures used by other companies.

The table below presents the firm's average total and common shareholders' equity, as well as a reconciliation of total shareholders' equity to tangible common shareholders' equity (unaudited, \$ in millions):

	AVERAGE FOR THE		AS OF DECEMBER 31, 2018
	THREE MONTHS ENDED DECEMBER 31, 2018	YEAR ENDED DECEMBER 31, 2018	
Total shareholders' equity	\$ 87,761	\$ 85,238	\$ 90,185
Preferred stock	(11,203)	(11,253)	(11,203)
Common shareholders' equity	76,558	73,985	78,982
Goodwill and identifiable intangible assets	(4,094)	(4,090)	(4,082)
Tangible common shareholders' equity	\$ 72,464	\$ 69,895	\$ 74,900

6. Consists of Investment Banking net revenues, commissions and fees within Equities, securities services net revenues within Equities, net interest income within debt securities and loans, and Investment Management net revenues.
7. For information about the firm's investment banking transaction backlog, assets under supervision (AUS), share repurchase program and global core liquid assets (GCLA), see "Results of Operations – Investment Banking," "Results of Operations – Investment Management," "Equity Capital Management and Regulatory Capital – Equity Capital Management" and "Risk Management – Liquidity Risk Management," respectively, in Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the firm's Quarterly Report on Form 10-Q for the period ended September 30, 2018. For information about the firm's risk-based capital ratios and supplementary leverage ratio, see Note 20 "Regulation and Capital Adequacy" in Part I, Item 1 "Financial Statements (Unaudited)" in the firm's Quarterly Report on Form 10-Q for the period ended September 30, 2018.
8. Financing in FICC includes net revenues primarily from short-term repurchase agreement activities. Financing in Equities includes net revenues from prime brokerage and other financing activities, including securities lending, margin lending and swaps.

Footnotes (continued)

9. Includes consolidated investment entity assets reported in "Other Assets" on the consolidated statements of financial condition, substantially all of which relate to entities engaged in real estate investment activities. These assets are generally accounted for at historical cost less depreciation. These entities are funded with approximately \$6 billion of non-recourse debt.
10. In addition to preparing the firm's consolidated statements of financial condition in accordance with U.S. GAAP, the firm prepares a balance sheet that generally allocates assets to the firm's businesses, which is a non-GAAP presentation and may not be comparable to similar non-GAAP presentations used by other companies. The firm believes that presenting the firm's assets on this basis is meaningful because it is consistent with the way management views and manages risks associated with the firm's assets and better enables investors to assess the liquidity of the firm's assets. For more information about the firm's balance sheet allocation, see "Balance Sheet and Funding Sources - Balance Sheet Allocation" in Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the firm's Quarterly Report on Form 10-Q for the period ended September 30, 2018.

The tables below presents the reconciliations of the balance sheet allocation to the firm's businesses to the firm's U.S. GAAP balance sheet (unaudited, \$ in billions):

	GCLA, Segregated Assets and Other		Secured Client Financing		Institutional Client Services		Investing & Lending		Total
As of December 31, 2018									
Cash and cash equivalents	\$	130	\$	–	\$	–	\$	–	\$ 130
Collateralized agreements		98		117		61		–	276
Receivables		–		30		42		88	160
Financial instruments owned		85		–		205		46	336
Subtotal	\$	313	\$	147	\$	308	\$	134	\$ 902
Other assets									31
Total assets									\$ 933

	GCLA, Segregated Assets and Other		Secured Client Financing		Institutional Client Services		Investing & Lending		Total
As of September 30, 2018									
Cash and cash equivalents	\$	119	\$	–	\$	–	\$	–	\$ 119
Collateralized agreements		101		128		69		–	298
Receivables		–		33		45		81	159
Financial instruments owned		62		–		244		45	351
Subtotal	\$	282	\$	161	\$	358	\$	126	\$ 927
Other assets									30
Total assets									\$ 957

	GCLA, Segregated Assets and Other		Secured Client Financing		Institutional Client Services		Investing & Lending		Total
As of December 31, 2017									
Cash and cash equivalents	\$	110	\$	–	\$	–	\$	–	\$ 110
Collateralized agreements		122		124		65		1	312
Receivables		–		40		37		74	151
Financial instruments owned		53		–		217		46	316
Subtotal	\$	285	\$	164	\$	319	\$	121	\$ 889
Other assets									28
Total assets									\$ 917

11. Represents a preliminary estimate and may be revised in the firm's Annual Report on Form 10-K for the year ended December 31, 2018.
12. 1Q17 includes \$5 billion of outflows in connection with the divestiture of the firm's local Australian-focused investment capabilities and fund platform. 2Q17 includes \$20 billion of inflows in connection with the acquisition of a portion of Verus Investors' outsourced chief investment officer business.

Footnotes (continued)

13. Efficiency ratio is calculated by dividing total operating expenses by total net revenues.
14. In the first quarter of 2018, the firm adopted ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," which required a change in the presentation of certain costs from a net presentation within revenues to a gross basis and vice versa. For information about ASU No. 2014-09, see Note 3 "Significant Accounting Policies" in Part I, Item 1 "Financial Statements (Unaudited)" in the firm's Quarterly Report on Form 10-Q for the period ended September 30, 2018.
15. As of December 31, 2017, the firm's capital ratios on a fully phased-in basis were non-GAAP measures and may not be comparable to similar non-GAAP measures used by other companies. Management believes that the firm's capital ratios on a fully phased-in basis are meaningful because they are measures that the firm and investors use to assess capital adequacy. The table below presents reconciliations, for both the Standardized approach and the Basel III Advanced approach, of common equity tier 1 and risk-weighted assets on a transitional basis to a fully phased-in basis as of December 31, 2017 (unaudited, \$ in billions):

	AS OF DECEMBER 31, 2017	
	STANDARDIZED	BASEL III ADVANCED
Common equity tier 1, transitional basis	\$ 67.1	\$ 67.1
Transitional adjustments	(0.1)	(0.1)
Common equity tier 1, fully phased-in basis	\$ 67.0	\$ 67.0
Risk-weighted assets, transitional basis	\$ 556	\$ 618
Transitional adjustments	8	8
Risk-weighted assets, fully phased-in basis	\$ 564	\$ 626
Common equity tier 1 ratio, transitional basis	12.1%	10.9%
Common equity tier 1 ratio, fully phased-in basis	11.9%	10.7%