Goldman Sachs Group Holdings UK
("GSGHUK")

Pillar 3 Disclosures

Introduction

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

The Board of Governors of the Federal Reserve System (Federal Reserve Board) is the primary regulator of Group Inc., a bank holding company under the Bank Holding Company Act of 1956 (BHC Act) and a financial holding company under amendments to the BHC Act effected by the U.S. Gramm-Leach-Bliley Act of 1999. As a bank holding company, we are subject to consolidated risk-based regulatory capital requirements that are computed in accordance with the Federal Reserve Board's risk-based capital regulations (which are based on the Basel I Capital Accord of the Basel Committee) and also reflect the Federal Reserve Board's revised market risk regulatory capital requirements which became effective on January 1, 2013. The capital regulations also include requirements with respect to leverage. Our capital levels are also subject to qualitative judgments by our regulators about components, risk weightings and other factors.

These disclosures should be read in conjunction with our most recent Quarterly Report on Form 10-Q and our most recent Annual Report on Form 10-K. References to "Quarterly Report on Form 10-Q" are to our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2013 and references to "Annual Report on Form 10-K" are to our Annual Report on Form 10-K for the year ended December 31, 2012. All references to September 2013 refer to our period ended, or the date, September 30, 2013, as the context requires.

This document sets out the Pillar 3 capital qualitative and quantitative disclosures required by the FSA's BIPRU rules in relation to Goldman Sachs Group Holdings UK ("GSGHUK"). Additional information required under Pillar 3 may also be found in the annual financial statements for GSGHUK, and in the Annual Report for GS Group ("the Annual Report"). Information in the Annual Report under the headings of Significant Accounting Policies, Equity Capital and Overview and Structure of Risk Management is fully applicable to GSGHUK as an integrated subsidiary of GS Group. The Annual Report can be accessed via the link below:

http://www2.goldmansachs.com/our-firm/investors/financials/index.html

Measures of exposures and other metrics disclosed in this report may not be based on U.K. generally accepted accounting principles (U.K. GAAP), may not be directly comparable to measures reported in GSGHUK's financial statements, and may not be comparable to similar measures used by other companies. These disclosures are not required to be, and have not been, audited by our independent auditors.

Overview of Regulatory Capital Ratios

As required under the Federal Reserve Board's and Financial Services Authority's regulations, the adequacy of our capital is primarily measured by comparing the amount of capital to risk-weighted assets (RWAs), and a leverage ratio, a non-risk-based capital measure, which compares capital to average adjusted total assets. The risk weights that are used in the calculation of RWAs reflect an assessment of the riskiness of our assets and exposures. These risk weights are based on either predetermined levels set by regulators or on internal models which are subject to various qualitative and quantitative parameters. The relationship between capital resources and capital requirements can be expressed in the form of a ratio, where risk weighted assets are first arrived at by multiplying capital requirements by 12.5. In this document we use risk weighted assets and capital requirements interchangeably.

In evaluating our regulatory capital ratios, the following matters should be considered.

Fair Value. The inventory reflected on our condensed consolidated statements of financial condition as "financial instruments owned, at fair value" and "financial instruments sold, but not yet purchased, at fair value" and certain other financial assets and financial liabilities, are accounted for at fair value (i.e., marked-to-market), with related gains or losses generally recognized in our condensed consolidated statements of earnings and, therefore, in Tier 1 common capital and Tier 1 capital. 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. The use of fair value to measure financial instruments is fundamental to our risk management

practices and is our most critical accounting policy. The daily discipline of marking substantially all of our inventory to current market levels is an effective tool for assessing and managing risk and provides transparent and realistic insight into our financial exposures. The use of fair value is an important aspect to consider when evaluating our capital base and our capital ratios; it is also a factor used to determine the classification of positions into the banking book and trading book, as discussed further below.

For additional information regarding the determination of fair value under U.S. GAAP and controls over valuation of inventory, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies – Fair Value" in Part I, Item 2 of our Quarterly Report on Form 10-Q.

Banking Book / Trading Book Classification. In order to determine the appropriate regulatory capital treatment for our exposures, positions must be first classified into either "banking book" or "trading book." Positions are classified as banking book unless they qualify to be classified as trading book.

Banking book positions may be accounted for at amortized cost, fair value or under the equity method; they are not generally held "for the purpose of short-term resale or with the intent of benefiting from actual or expected short-term price movements or to lock in arbitrage profits." Banking book positions are subject to credit risk capital requirements. Credit risk represents the potential for loss due to the default or deterioration in credit quality of a counterparty (e.g., an OTC derivatives counterparty or a borrower) or an issuer of securities or other instruments we hold. See "Risk-Weighted Assets – Credit RWAs" for additional details.

Trading book positions generally meet the following criteria: they are assets or liabilities that are accounted for at fair value; they are risk managed using a Value-at-Risk (VaR) internal model; and they are positions that we hold as part of our market-making businesses "for the purpose of short-term resale or with the intent of benefiting from actual or expected short-term price movements or to lock in arbitrage profits." Trading Book positions are subject to market risk regulatory capital requirements, as are foreign exchange and commodity positions, whether or not they meet the other criteria for classification as trading book positions. Market risk is the risk of loss in the value of our inventory due to changes in market prices. See "Risk-Weighted Assets - Market RWAs" for further details. Some trading book positions, such as derivatives, are also subject to counterparty credit risk capital requirements.

Consolidated Regulatory Capital Ratios

GSGHUK is regulated by the UK Financial Services Authority (FSA) and as such it is subject to minimum capital adequacy standards on a consolidated basis. Certain subsidiaries of GSGHUK, as detailed below, are also subject to minimum capital adequacy standards on a standalone basis. Since 1 April 2013, after the date on which these disclosures are based, the regulatory responsibilities of the FSA have passed to the Financial Conduct Authority (the "FCA") and the Prudential Regulation Authority (the "PRA").

Basel II has been implemented in the European Union via the Capital Requirements Directive (CRD). In the UK, the FSA's General Prudential Sourcebook ("GENPRU"), and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU") together contain the rules implementing the CRD. The Basel II framework consists of three pillars: Pillar 1 "minimum capital requirements", Pillar 2 "supervisory review process" and Pillar 3 "market discipline".

GSGHUK is the holding company for a group that provides a wide range of financial services to clients located worldwide. The company primarily operates in a US Dollar environment as part of the GS Group. Accordingly, the company's functional currency is US Dollars and these disclosures are prepared in that currency.

As at 31 December 2012 the following subsidiaries of GSGHUK were subject to the FSA's BIPRU rules:

- Goldman Sachs International (GSI)
- Goldman Sachs International Bank (GSIB)
- Goldman Sachs Asset Management International (GSAMI)
- Montague Place Custody Services (MPCS)

FSA requires significant subsidiaries to make certain capital disclosures on a standalone basis. The most significant subsidiary of GSGHUK is Goldman Sachs International (GSI). GSI's risk profile is materially the same as GSGHUK, and its results are material to the GSGHUK group. Risk management policies and procedures are applied consistently to GSI and to the GSGHUK group as a whole. The capital disclosures relating to GSI are set out in section on Consolidated Regulatory Capital Ratios and Regulatory Capital below.

The basis of consolidation used for GSGHUK for accounting purposes is materially consistent with that used for regulatory purposes, except for the inclusion of quasi subsidiaries for accounting purposes. These are not included in the regulatory consolidation, and their non-inclusion has no material impact on the regulatory capital position of GSGHUK.

The table below presents information about our regulatory capital ratios for GSGHUK and GSI, as implemented by the FSA

Regulatory Capital Ratios

$ in millions	GSGHUK as at 31st December 2012	GSI as at 31st December 2012
Tier 1 Common Capital	21,053	18,487
Tier 1 Capital	21,053	18,487
Tier 2 Capital	8,972	8,587
Tier 3 Capital	341	-
Total Capital	30,366	27,074
Risk-Weighted Assets	167,725	160,338
Tier 1 Common Ratio	**12.55%**	**11.53%**
Tier 1 Capital Ratio	**12.55%**	**11.53%**
Total Capital Ratio	**18.10%**	**16.88%**

The Tier 1 capital ratio is defined as Tier 1 capital divided by RWAs, and the Total capital ratio is defined as Total capital divided by RWAs.

The Tier 1 common ratio is defined as Tier 1 common capital divided by RWAs. We believe that the Tier 1 common ratio is meaningful because it is one of the measures that we, our regulators and investors use to assess capital adequacy.

In June 2013, after the date on which these disclosures are based, the EU approved the revised capital regulations establishing a new capital framework for EU regulated financial instututions (Capital Requirements Regulation and Capital Requirements Directive – collectively known as CRDIV). These regulations are largely based on the Basel Committee's December 2010 final capital framework for strengthening international capital standards (Basel III). In addition, these regulations significantly revise the risk-based capital requirements and introduce leverage ratio reporting requirements applicable to EU regulated financial institutions.

Regulatory Capital

For regulatory purposes, our Total capital base is divided into four main categories, namely Tier 1 common capital, Tier 1 capital, Tier 2 capital and Tier 3 capital as follows:

- Tier 1 common capital is comprised of common shareholders' equity, after giving effect to deductions for disallowed items (for example, intangible assets) and other adjustments;
- Tier 1 capital is comprised of Tier 1 common capital plus other qualifying capital instruments such as perpetual non-cumulative preferred stock and other adjustments; (GSGHUK and GSI do not have any of this categorisation of capital)
- Total capital is comprised of Tier 1 capital plus Tier 2 capital and Tier 3 capital. Tier 2 capital includes long term qualifying subordinated debt, and other adjustments. Tier 3 capital includes short term qualifying subordinated debt, and unaudited trading book profit and loss.

Capital elements are subject to various regulatory limits and restrictions. In general, to qualify as an element of Tier 1 or Tier 2 capital, an instrument must be fully paid and effectively unsecured. A qualifying Tier 1 or Tier 2 capital instrument must also be subordinated to all senior indebtedness of the organization.

Assets that are deducted from capital in computing the numerator of the capital ratios are excluded from the computation of RWAs in the denominator of the ratios.

The table below presents information on the components of our regulatory capital structure, which are based on Basel II, as implemented by the FSA In the table below:

- Debt valuation adjustment represents the cumulative change in the fair value of our unsecured borrowings attributable to the impact of changes in our own credit spreads (net of tax at the applicable tax rate).
- Other adjustments within our Tier 1 common capital primarily includes securitization deductions and the derecognition of any defined benefit asset (the excess of the value of the asset in a defined benefit occupational pension scheme over the present value of the scheme liabilities) and investments in certain nonconsolidated entities.
- Qualifying subordinated debt represents subordinated debt with an original term to maturity of five years or greater for Tier 2 capital and 2 years or greater for Tier 3 capital. The outstanding amount of subordinated debt qualifying for Tier 2 capital is reduced, or discounted, upon reaching a remaining maturity of five years. The outstanding amount of

subordinated debt qualifying for Tier 3 capital is reduced, or discounted, upon reaching a remaining maturity of two years.

The table below shows GSGHUK’s financial resources as at 31 December 2012 based upon the audited financial statements. The FSA’s GENPRU rules define the items that are included or deducted in the calculation of financial resources.

GSGHUK Capital resources

($ in millions)	
Ordinary share capital	23
Share premium account including reserves	3,042
Audited retained earnings	19,292
Tier One capital before deductions	22,357
Securitization deductions (50% of deductions)	(778)
Pension Asset Deduction	(212)
Expected Loss Deduction	(212)
Other adjustments	(102)
Total Deductions from Tier One capital	(1,304)
Tier one capital	21,053
Tier two capital (before deductions)	9,894
Securitization deductions (50 % of deductions)	(778)
Expected Loss Deduction	(144)
Total Deductions from Tier Two capital	(922)
Tier two capital	8,972
Tier three capital	341
Deductions from Total Capital	0
Total Capital resources (net of deductions)	30,366
Risk-Weighted Assets	167,725

GSI Capital Resources

The table below shows GSI’s financial resources as at 31 December 2012 based upon the audited financial statements.

Capital resources

($ in millions)	
Ordinary share capital	533
Share premium account including reserves	2,880
Audited retained earnings	16,780
Tier One capital before deductions	20,193
Securitization deductions (50% of deductions)	(778)
Pension Asset Deduction	(212)
Expected Loss Deduction	(211)
Other adjustments	(505)
Total Deductions from Tier One capital	(1,706)
Tier One capital	18,487
Tier two capital (before deductions)	9,508
Securitization deductions (50% of deductions)	(778)
Expected Loss Deduction	(143)
Total Deductions from Tier Two capital	(921)
Tier two capital	8,587
Tier three capital	0
Total Capital resources (net of deductions)	27,074
Risk-Weighted Assets	160,338

As at 31 December 2012, GSGHUK’s and GSI’s capital requirements were as follows:

Capital requirement

($ in millions)	**GSGHUK**	**GSI**
Market Risk Capital requirement	7,915	7,068
Credit Risk Capital requirement	4,374	4,316
Concentration Risk Capital requirement	150	363
Operational Risk Capital requirement	979	1,080
Total Capital Requirement	$13,418	$12,827

Risk-Weighted Assets

Overview

RWAs under the FSA's current risk-based capital requirements are calculated based on measures of credit risk, operational risk and market risk. The table below presents information on the components of RWAs within GSGHUK's consolidated regulatory capital ratios, which are based on Basel II, as implemented by the FSA.

Table 4: Risk-Weighted Assets

in millions		As of 31st December 2012
Credit RWAs		
OTC derivatives	$	26,623
Commitments and guarantees[1]		0
Securities financing transactions[2]		3,576
Other[3]		24,476
Total Credit RWAs	**$**	**54,675**
Market RWAs		
Regulatory VaR	$	20,333
Stressed VaR		17,785
Incremental risk		22,178
Comprehensive risk		7,662
Standard rules		26,082
Securitization		4,898
Total Market RWAs	**$**	**98,938**
Other RWAs		
Concentration risk		**1,875**
Operational risk		12,237
Total Other RWAs	$	14,112
Total RWAs	**$**	**167,725**

1. Principally includes certain commitments to extend credit and letters of credit.
2. Represents resale and repurchase agreements and securities borrowed and loaned transactions.
3. Principally includes receivables from customers, certain loans, other assets, and cash and cash equivalents.

Credit Risk

GSGHUK has been approved by the FSA to use the Advanced Internal Ratings Based ("AIRB") approach for Credit Risk, and the Internal Models Method ("IMM") for the measurement of exposure on OTC derivative and secured funding transactions.

Risk Weighted Assets ("RWAs") for credit risk are calculated for on- and off-balance sheet exposures that are not captured in our market risk RWAs, with the exception of OTC derivatives for which both market risk and credit risk RWAs are calculated. The calculations are consistent with the AIRB and IMM approaches of Basel II, and are based on Exposure at Default (EAD), which is an estimate of the amount that would be owed to us at the time of a default, multiplied by each counterparty's risk weight.

Under the Basel II AIRB approach, a counterparty's risk weight is generally derived from a combination of the Probability of Default (PD), the Loss Given Default (LGD) and the maturity of the trade or portfolio of trades, where:

- PD is an estimate of the probability that an obligor will default over a one-year horizon. PD is derived from the use of internally determined equivalents of public rating agency ratings.
- LGD is an estimate of the economic loss rate if a default occurs during economic downturn conditions. LGD is determined based on industry data.
- EAD - The firm calculates a variety of model-based exposure metrics for OTC derivatives and secured funding trades, among them the Effective Expected Positive Exposure (EEPE).

EEPE is the average of potential positive credit exposure, calculated for the first year of the portfolio.

Wrong-way risk arises from positive expected correlation between EAD and PD to the same counterparty, and GS ensures this risk is avoided or appropriately mitigated through collateral or other mitigants. Stress testing is utilised to identify any wrong-way risk in existing portfolios and risk mitigants and /or adjustments to capital are employed to reflect any existing wrong-way risk.

GSGHUK has approval to use the Internal Models Method for the measurement of exposure on OTC derivative and secured funding transactions. EAD is regarded as a better measure of credit exposure value than balance sheet value.

As GSGHUK calculates its credit exposure under the IMM method the impact of netting and collateral are integral to the calculation of the exposure. The exposures disclosed below are therefore only available on a net basis. This does not include the effect of any economic hedges.

The table below shows GSGHUK’s credit risk capital requirement and credit risk exposures as measured for regulatory capital purposes as at 31 December 2012.

IRB Approach - Exposure Class

($ in millions)	**Capital requirements**	**EAD**
Central governments or central banks	225	17,166
Institutions	1,500	31,014
Corporates	2,649	40,295
Total IRB Approach Requirement	$4,374	$88,475

The table below shows GSGHUK’s credit exposure by residual maturity as at 31 December 2012.

EAD by residual maturity

($ in millions)	**Less than one**	**One-five years**	**Over five years**	**Total**
Central governments or central banks	12,954	1,270	2,942	**17,166**
Institutions	10,549	12,424	8,041	**31,014**
Corporates	8,765	10,883	20,647	**40,295**
Total Exposure by residual maturity	$32,268	$24,577	$31,630	**$88,475**

The table below shows GSGHUK’s credit exposure by industry as at 31 December 2012.

EAD by industry type

($ in millions)	**EAD**
Credit Institution	24,683
Insurance	5,459
Funds and Asset Management	5,418
Financial Services	28,811
Sovereigns	17,166
Business and other services	4,930
Manufacturing and Construction	291
Energy	706
Transport	701
Property	310
Total	$88,475

The table below shows GSGHUK’s credit exposure by geography as at 31 December 2012.

EAD by geography

($ in millions)	**Americas**	**Asia**	**EMEA**	**Total**
Central governments or central banks	168	6,392	10,606	**17,166**
Institutions	8,745	4,314	17,955	**31,014**
Corporates	15,115	761	24,419	**40,295**
Total Credit Risk Exposure	$24,028	$11,467	$52,980	**$88,475**

The table below shows GSGHUK’s credit exposure by financial contract type as at 31 December 2012.

EAD by contract type

($ in millions)	**EAD**
Derivative contracts	41,845
Funding	26,215
Other	20,415
Total	$88,475

The tables below show a distribution of EAD, Exposure Weighted Average LGD, and Average Risk Weight by IRB exposure class and by credit quality as at 31 December 2012

	Sovereigns			Institutions			Corporates		
Obligor Grade	**EAD Post CRM $m**	**Exposure Weighted Average LGD %**	**Average Risk Weight %**	**EAD Post CRM $m**	**Exposure Weighted Average LGD %**	**Average Risk Weight %**	**EAD Post CRM $m**	**Exposure Weighted Average LGD %**	**Average Risk Weight %**
1. 0%-0.03%	11,645	76.19%	21.31%	5,165	74.97%	21.55%	17,079	75.04%	21.70%
2. 0.03% -0.04%	5,070	74.44%	21.37%	18,390	78.79%	22.06%	9,559	70.53%	22.27%
3. 0.04%-0.27%	132	76.13%	69.10%	3,874	78.88%	81.15%	5,508	77.50%	74.29%
4. 0.27%-1.33%	53	76.77%	132.68%	1,059	79.64%	144.97%	1,506	75.30%	139.35%
5. 1.33%-6.49%	4	79.19%	273.49%	68	77.69%	153.27%	1,285	75.20%	147.02%
6. 6.49%-29.34%	0	76.29%	424.00%	299	77.96%	293.69%	2,860	76.56%	113.81%
7. 29.34%-100%	-	-	-	-	-	-	-	-	-
8. Unrated	262	0.00%	57.69%	2,159	0.73%	89.99%	2,498	0.00%	69.27%
Total	17,166			31,014			40,295		

Market Risk

As previously noted, trading book positions are subject to market risk capital requirements which are based on either predetermined levels set by regulators or on internal models, which are subject to various qualitative and quantitative parameters. The market risk regulatory capital rules require that a firm obtains the prior written approval of its regulators before using any internal model to calculate its risk-based capital requirement.

RWAs for market risk are computed using the following internal models: Value-at-Risk (VaR), Stressed VaR (SVaR), Incremental Risk Charge (IRC) and Comprehensive Risk Measure (for FSA purposes this is the All Price Risk Measure (APRM)) the latter of which is subject to a floor. In addition, Standardised Rules, in accordance with BIPRU7, are used to compute RWAs for market risk for certain securitized and non-securitized positions by applying risk-weighting factors predetermined by regulators, to positions after applicable netting is performed. RWAs for market risk are the sum of each of these measures multiplied by 12.5. An overview of each of these measures is provided below.

Regulatory VaR. VaR is the potential loss in value of inventory positions due to adverse market movements over a defined time horizon with a specified confidence level. We use a single VaR model for risk management (positions subject to VaR limits) and for regulatory capital purposes (trading positions). However, regulatory VaR will differ from risk management VaR, due to different time horizons and confidence levels (10-day and 99% for regulatory VaR vs. one-day and 95% for risk management VaR), as well as differences in the scope of positions on which VaR is calculated.

The VaR model captures risks including interest rates, equity prices, currency rates and commodity prices. As such, VaR facilitates comparison across portfolios of different risk characteristics. VaR also captures the diversification of aggregated risk at the firmwide level. Categories of market risk include the following:

- Interest rate risk: results from exposures to changes in the level, slope and curvature of yield curves, the volatilities of interest rates, mortgage prepayment speeds and credit spreads.
- Equity price risk: results from exposures to changes in prices and volatilities of individual equities, baskets of equities and equity indices.
- Currency rate risk: results from exposures to changes in spot prices, forward prices and volatilities of currency rates.
- Commodity price risk: results from exposures to changes in spot prices, forward prices and volatilities of commodities, such as electricity, natural gas, crude oil, petroleum products, and precious and base metals.

We evaluate the accuracy of our VaR model through daily backtesting. The results of the backtesting determine the size of the VaR multiplier used to compute RWAs. See "Regulatory VaR Backtesting Results" for additional information.

Stressed VaR. SVaR is the potential loss in value of inventory positions during a period of significant market stress. SVaR is calculated at a 99% confidence level over a 10-day horizon using market data inputs from a continuous 12-month period of stress. We identify the stressed period by comparing VaR using market data inputs from different historical periods.

Incremental Risk. Incremental risk is the potential loss in value of non-securitized inventory positions due to the default or credit migration of issuers of financial instruments over a one-year time horizon. As required by the market risk regulatory capital rules this measure is calculated at a 99.9% confidence level over a one-year time horizon. It uses a multi-factor model assuming a constant level of risk. When assessing the risk, we take into account market and issuer-specific concentration, credit quality, liquidity horizons and correlation of default and migration risk. The liquidity horizon is calculated based upon the size of exposures and the speed at which we can reduce risk, by hedging or unwinding positions, given our experience during a historical stress period, and is subject to the prescribed regulatory minimum.

Comprehensive Risk. Comprehensive risk is the potential loss in value, due to price risk and defaults, within the firm's credit correlation positions. A credit correlation position is defined as a securitization position for which all or substantially all of the value of the underlying exposures is based on the credit quality of a single company for which a two-way market exists, or indices based on such exposures for which a two-way market exists, or hedges of these positions (which are typically not securitization positions).

As required by the market risk regulatory capital requirements, Comprehensive risk comprises a model-based measure subject to a floor based on the standardized measurement method. The modeled measure is calculated at a 99.9% confidence level over a one-year time horizon applying a constant level of risk. The model comprehensively covers price risks including nonlinear price effects and takes into account contractual structure of cash flows, the effect of multiple defaults, credit spread risk, volatility of implied correlation, recovery rate volatility and basis risk. The liquidity horizon is based upon our experience

during a historical stress period, subject to the prescribed regulatory minimum.

The floor is 8% of the applicable standardized rules under BIPRU 7.

As of December 2012, we had credit correlation positions, subject to the Comprehensive risk measure, with a fair value of $464 million in net assets and $448 million in net liabilities.

Market Risk

($ in millions)	**2012 Capital requirement**
Model based capital requirement	1,627
Stressed VaR	1,423
Incremental risk charge	1,774
Comprehensive risk measure	613[1]
Interest Rate PRR	1,289
Equity PRR	202
Option PRR	136
Collective investment schemes PRR	58
Commodity PRR	256
Foreign exchange PRR	146
Securitization	392[2]
Total Market Risk Capital Requirement	$7,915

1. CRM result was $1,058m however the number referenced in the table above is the standard rules floor, excluding the amount deducted from capital resources
2. This excludes amounts deducted from capital resources

In the following table VaR and Stressed VaR (SVaR) are expressed as 99% 10-day, For IRC the average liquidity horizon is 3 months.

GSGHUK	VaR	IRC	SVaR
High	911	2,125	788
Low	451	899	462
Mean	592	1,461	559
Period End	575	1,774	474

Model Review and Validation

The models discussed above, which are used to determine Regulatory VaR, SVaR, Incremental risk and Comprehensive risk, are subject to review and validation at least annually by our independent model validation group, which consists of quantitative professionals who are separate from model developers. This review includes:

- a critical evaluation of the model, its theoretical soundness and adequacy for intended use;
- verification of the testing strategy utilized by the model developers to ensure that the model functions as intended; and
- verification of the suitability of the calculation techniques incorporated in the model.

Our models are regularly reviewed and enhanced in order to incorporate changes in the composition of trading positions, as well as variations in market conditions. Prior to implementing significant changes to our assumptions and/or models, we perform model validation and test runs. Additionally, we evaluate the accuracy of our Regulatory VaR model through daily backtesting. See "Regulatory VaR Backtesting Results" for further detail.

The table below presents by risk category our period-end, high, low and mean of the daily GSGHUK 95% one day VaR.

Risk Portfolio
Regulatory VaR

		Year Ended December 2013		
	Period End	**High**	**Low**	**Mean**
GSGHUK	**$ 34**	**$ 91**	**$ 25**	**$ 34**
Interest rates	27	46	21	29
Equity prices	14	85	8	15
Currency rates	6	10	3	6
Commodity prices	1	4	1	1
Diversification [1]	*(15)*			

1. Diversification effect in the table above represents the difference between total VaR and the sum of the VaRs for the four risk categories. This effect arises because the four market risk categories are not perfectly correlated.

Regulatory VaR Backtesting Results

As required by the market risk regulatory capital requirements, we validate the accuracy of our Regulatory VaR models by backtesting the output of such models against the daily positional loss results. The actual number of exceptions (that is, the number of business days for which the positional losses exceed the corresponding 99% one-day Regulatory VaR) over the most recent 250 business days is used to determine the size of the VaR multiplier, which could increase from a minimum of three to a maximum of four, depending on the number of exceptions.

As defined in the market risk regulatory capital requirements, positional net revenues for any given day represent the impact of that day's price variation on the value of positions held at the close of business the previous day. As a consequence, these results exclude certain revenues associated with market-making businesses, such as bid/offer net revenues, which by their nature are more likely than not to be positive. In addition, positional net revenues used in our Regulatory VaR backtesting relate only to positions which are included in Regulatory VaR and, as noted above, differ from positions included in our risk management VaR. This measure of positional net revenues is used to evaluate the performance of the Regulatory VaR model and is not comparable to our actual daily trading net revenues, as reported in our Quarterly Report on Form 10-Q.

Overall the backtesting results were well within the expected threshold.

Stress Testing

Stress testing is a method of determining the effect on the firm of various hypothetical stress scenarios. We use stress testing to examine risks of specific portfolios as well as the potential impact of significant risk exposures across the firm. We use a variety of stress testing techniques to calculate the potential loss from a wide range of market moves on the firm's portfolios, including sensitivity analysis, scenario analysis and firmwide stress tests. For a detailed description of our stress testing practices, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Market Risk Management – Stress Testing" in Part I, Item 2 of our Quarterly Report on Form 10-Q.

Securitization Positions. The "Securitization Framework" section of the rules is used to calculate the RWAs for any position that has been identified as a securitization or resecuritization. Criteria used to identify positions subject to the Securitization Framework include, but are not limited to the following: whether there is a transfer of risk to third parties; whether the credit risk associated with the underlying exposures has been separated into at least two tranches reflecting different levels of seniority (i.e., tranched credit risk); and whether a position references tranched credit risk. Products covered by this definition include mortgage-backed securities (MBS) and other asset-backed securities (ABS), derivatives referencing MBS or ABS, or derivatives referencing indices of MBS or ABS, which are held in inventory. The population includes positions purchased in the secondary market, as well as retained interests in securitization structures we sponsor.

GS Group undertakes securitization activity as disclosed in the firm's 10-K disclosures for 2012 (Note 10). During 2012 for the purposes of the CRD GSGHUK acted as an investor in third party securitizations, rather than as originator or sponsor.GSGHUK complied with the relevant requirements for investors relating to risk retention, due diligence and capital requirements, where applicable. In its role as investor, GSGHUK acted as market maker in and traded securitization products including asset backed securities and correlation trading instruments. Securitization positions held in trading inventory are risk managed in the same way as other inventory positions.

GS Group's business activity in this area arises through the trading of securitization products and is accounted for on a basis consistent with our broader accounting policies for recognition, derecognition and measurement for financial instruments in accordance with FRS 26 (IAS 39). Securitization positions held in trading inventory and associated hedging transactions are recognised at fair value with changes in fair value recognised in the profit and loss account. Fair value is determined in line with firmwide pricing policies.

The RWAs for trading book securitization positions are calculated by multiplying the exposure amount by the specific risk-weighting factors assigned and then multiplying by 12.5. GSGHUK uses the Supervisory Formula Approach (as defined in BIPRU) for eligible positions in the correlation trading portfolio for the calculation of the CRM floor, and the Ratings Based Approach (as defined in BIPRU) for all other securitization positions. The exposure amount is defined as the carrying value for securities, or the market value of the effective notional of the instrument or indices underlying derivative positions. The securitization capital requirements are the greater of the capital requirements on the net long or short exposure (incorporating applicable netting), and are capped at the maximum loss that could be incurred on any given transaction.

The following tables show GSGHUK securitization and resecuritization exposure and capital charges by approach for 31st December 2012.

Securitization Exposure[1] where RBA is used

($ in millions)	At 31 December 2012	
Risk weights	Securitization	Resecuritization
– less than or equal to 10%	968	
– greater than 10% and less than or equal to 20%	287	
– greater than 20% and less than or equal to 50%	1,890	5
– greater than 50% and less than or equal to 100%	969	16
– greater than 100% and less than or equal to 650%	735	28
– greater than 650% and less than 1250%	0	
Exposures subject to 1250% risk weight	1,055	57
	5,903	107

Securitization Capital Resources Requirement (RBA)

($ in millions)	At 31 December 2012	
Risk weights	Securitization	Resecuritization
– less than or equal to 10%	6	
– greater than 10% and less than or equal to 20%	4	
– greater than 20% and less than or equal to 50%	52	0
– greater than 50% and less than or equal to 100%	61	2
– greater than 100% and less than or equal to 650%	225	14
– greater than 650% and less than 1250%	0	
Deductions from capital2	1,055	57
	1,404	73

Securitization Exposure[3] –where SFA is used

($ in millions)	At 31 December 2012	
Risk weights	Securitization	Resecuritization
– less than or equal to 10%	59,863	
– greater than 10% and less than or equal to 20%	9,321	
– greater than 20% and less than or equal to 50%	1,940	
– greater than 50% and less than or equal to 100%	3,121	
– greater than 100% and less than or equal to 650%	1,737	
– greater than 650% and less than 1250%	1,649	
Max loss4	4,711	
Exposures subject to 1250% risk weight	892	
	83,235	0

Securitization Capital Resources Requirement (SFA)

($ in millions)	At 31 December 2012	
Risk weights	Securitization	Resecuritization
– less than or equal to 10%	26	
– greater than 10% and less than or equal to 20%	20	
– greater than 20% and less than or equal to 50%	5	
– greater than 50% and less than or equal to 100%	13	
– greater than 100% and less than or equal to 650%	24	
– greater than 650% and less than 1250%	84	
Max loss	377	
Deductions from capital	68	
	616	0

[1&8] Securitization exposures include both derivative and cash products. For derivative contracts, exposure is defined as the notional value for bought protection contracts and notional adjusted for changes in the market value of the credit derivative since trade inception for sold protection contracts. For cash products, exposure is the current market value.

[2] Positions with risk weights of 1250% but where maximum loss may have been applied.

[4] Positions with risk weights less than 1250% where maximum loss has been applied.

The following table presents our aggregate on-balance sheet and off-balance sheet trading book securitization exposures (excluding credit correlation positions captured by the Comprehensive risk measure) by underlying exposure type. Amounts below reflect securitization exposures, as defined for regulatory capital purposes and are not comparable to securitization measures reported in our Quarterly Report on Form 10-Q.

GSGHUK: Trading Book Securitizations

(in millions)	**Trading Book Securitization Exposures As of December 2012**
Residential mortgages	$ 1,309
Commercial mortgages	970
Corporate (CDO / CLO)[1]	2,622
Asset-backed and other	1,109
Total Securitization Exposures	$ 6,010

1. Reflects corporate collateralized debt and loan obligations.

Securitization positions, including resecuritizations, are incorporated into our overall risk management approach for financial instruments. For a detailed discussion of our risk management process and practices, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Market Risk Management” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Credit Risk Management” in Part I, Item 2 of our Quarterly Report on Form 10-Q.

Operational Risk

GSGHUK’s capital requirements for operational risk are currently calculated under the Standardised Approach in accordance with Basel standards.

The table below shows GSGHUK’s capital requirement for Operational risk as at 31 December 2012.

Operational Risk

($ in millions)	**Capital Requirement**
Standardised Approach	979

Valuation and Accounting Policies

Our trading book positions are accounted for at fair value. See Note 3. Significant Accounting Policies, and related footnotes to the condensed consolidated financial statements in Part I, Item 1 of our Quarterly Report on Form 10-Q, which address accounting and valuation policies applicable to these positions.

Overview and Structure of Risk Management

Overview. We believe that effective risk management is of primary importance to the success of the firm. Accordingly, we have comprehensive risk management processes through which we monitor, evaluate and manage the risks we assume in conducting our activities. These include market, credit, liquidity, operational, legal, regulatory and reputational risk exposures. Our risk management framework is built around three core components: governance, processes and people.

Governance. Risk management governance starts with our Board of Directors (Board), which plays an important role in reviewing and approving risk management policies and practices, both directly and through its committees, including its Risk Committee. The Board also receives regular briefings on firmwide risks, including market risk, liquidity risk, credit risk and operational risk from our independent control and support functions, including the chief risk officer, and on matters impacting our reputation from the chair of our Firmwide Client and Business Standards Committee. The chief risk officer, as part of the review of the firmwide risk package, regularly advises the Risk Committee of the Board of relevant risk metrics and material exposures. Next, at the most senior levels of the firm, our leaders are experienced risk managers, with a sophisticated and detailed understanding of the risks we take. Our senior managers lead and participate in risk-oriented committees, as do the leaders of our independent control and support functions — including those in Compliance, Controllers, our Credit Risk Management department (Credit Risk Management), Human Capital Management, Legal, Market Risk Management, Operations, our Operational Risk Management department (Operational Risk Management), Tax, Technology and Treasury.

The firm’s governance structure provides the protocol and responsibility for decision-making on risk management issues and ensures implementation of those decisions. We make extensive use of risk-related committees that meet regularly and serve as an important means to facilitate and foster ongoing discussions to identify, manage and mitigate risks.

We maintain strong communication about risk and we have a culture of collaboration in decision-making among the revenue-producing units, independent control and support functions, committees and senior management. While we believe that the first line of defense in managing risk rests with the managers in our revenue-producing units, we dedicate extensive resources to independent control and support functions in order to ensure a strong oversight structure and an appropriate segregation of duties. We regularly reinforce the firm’s strong culture of escalation and accountability across all divisions and functions.

Processes. We maintain various processes and procedures that are critical components of our risk management. First and foremost is our daily discipline of marking substantially all of the firm’s inventory to current market levels. Goldman Sachs carries its inventory at fair value, with changes in valuation reflected immediately in our risk management systems and in net revenues. We do so because we believe this discipline is one of the most effective tools for assessing and managing risk and that it provides transparent and realistic insight into our financial exposures.

We also apply a rigorous framework of limits to control risk across multiple transactions, products, businesses and markets. This includes setting credit and market risk limits at a variety of levels and monitoring these limits on a daily basis. Limits are typically set at levels that will be periodically exceeded, rather than at levels which reflect our maximum risk appetite. This fosters an ongoing dialogue on risk among revenue-producing units, independent control and support functions, committees and senior management, as well as rapid escalation of risk-related matters. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Market Risk Management” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Credit Risk Management” in Part I, Item 2 of our Quarterly Report on Form 10-Q for further information on our risk limits.

Active management of our positions is another important process. Proactive mitigation of our market and credit exposures minimizes the risk that we will be required to take outsized actions during periods of stress.

We also focus on the rigor and effectiveness of the firm’s risk systems. The goal of our risk management technology is to get the right information to the right people at the right time, which requires systems that are comprehensive, reliable and timely. We devote significant time and resources to our risk management technology to ensure that it consistently provides us with complete, accurate and timely information.

People. Even the best technology serves only as a tool for helping to make informed decisions in real time about the risks we are taking. Ultimately, effective risk management requires our people to interpret our risk data on an ongoing and timely basis and adjust risk positions accordingly. In both our revenue-producing units and our independent control and support functions, the experience of our professionals, and their understanding of the nuances and limitations of each risk measure, guide the firm in assessing exposures and maintaining them within prudent levels.

We reinforce a culture of effective risk management in our training and development programs as well as the way we evaluate performance, and recognize and reward our people. Our training and development programs, including certain sessions led by the most senior leaders of the firm, are focused on the importance of risk management, client relationships and reputational excellence. As part of our annual performance review process, we assess reputational excellence including how an employee exercises good risk management and reputational judgment, and adheres to our code of conduct and compliance policies. Our review and reward processes are designed to communicate and reinforce to our professionals the link between behavior and how people are recognized, the need to focus on our clients and our reputation, and the need to always act in accordance with the highest standards of the firm.

Structure**.** Ultimate oversight of risk is the responsibility of the firm’s Board. The Board oversees risk both directly and through its committees, including its Risk Committee. The Risk Committee consists of all of our independent directors. Within the firm, a series of committees with specific risk management mandates have oversight or decision-making responsibilities for risk management activities. Committee membership generally consists of senior managers from both our revenue-producing units and our independent control and support functions. We have established procedures for these committees to ensure that appropriate information barriers are in place. Our primary risk committees, most of which also have additional sub-committees or working groups, are described in further detail in “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Overview and Structure of Risk Management” in Part I, Item 2 of our Quarterly Report on Form 10-Q. In addition to these committees, we have other risk-oriented committees which provide oversight for different businesses, activities, products, regions and legal entities. All of our firmwide, regional and divisional committees have responsibility for considering the impact of transactions and activities which they oversee on our reputation.

Membership of the firm’s risk committees is reviewed regularly and updated to reflect changes in the responsibilities of the committee members. Accordingly, the length of time that members serve on the respective committees varies as determined by the committee chairs and based on the responsibilities of the members within the firm.

In addition, independent control and support functions, which report to the chief financial officer, the general counsel, and the chief administrative officer are responsible for day-to-day oversight or monitoring of risk. Internal Audit, which reports to the Audit Committee of the Board and includes professionals with a broad range of audit and industry experience, including risk management expertise, is responsible for independently assessing and validating key controls within the risk management framework.

Equity Capital

Overview

Capital adequacy is of critical importance to us. Our objective is to be conservatively capitalized in terms of the amount and composition of our equity base. Accordingly, we have in place a comprehensive capital management policy that serves as a guide to determine the amount and composition of equity capital we maintain.

We determine the appropriate level and composition of our equity capital by considering multiple factors including our current and future consolidated regulatory capital requirements, our Internal Capital Adequacy Assessment Process (ICAAP), Comprehensive Capital Analysis and Review (CCAR), the Dodd-Frank Act Stress Tests (DFAST) and results of stress tests, and other factors such as rating agency guidelines, subsidiary capital requirements, the business environment, conditions in the financial markets and assessments of potential future losses due to adverse changes in our business and market environments. We maintain a capital plan which projects sources and uses of capital given a range of business environments, and a contingency capital plan which provides a framework for analyzing and responding to an actual or perceived capital shortfall. For additional information regarding our CCAR submissions, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Equity Capital" in Part I, Item 2 of our Quarterly Report on Form 10-Q.

Internal Capital Adequacy Assessment Process

We perform an ICAAP with the objective of ensuring that the firm is appropriately capitalized relative to the risks in our business.

As part of our ICAAP, we perform an internal risk-based capital assessment. This assessment incorporates market risk, credit risk and operational risk. Market risk is calculated by using VaR calculations supplemented by risk-based add-ons which include risks related to rare events (tail risks). Credit risk utilizes assumptions about our counterparties' probability of default, the size of our losses in the event of a default and the maturity of our counterparties' contractual obligations to us. Operational risk is calculated based on scenarios incorporating multiple types of operational failures. Backtesting is used to gauge the effectiveness of models at capturing and measuring relevant risks. We additionally consider other risks and whether and to what extent capital is required to cover these risks.

We evaluate capital adequacy based on the result of our internal risk-based capital assessment and regulatory capital ratios, supplemented with the results of stress tests. Stress testing is an integral component of our ICAAP and is designed to measure the firm's estimated performance under various stressed market conditions and assists us in analyzing whether the firm holds an appropriate amount of capital relative to the risks of our businesses. Our goal is to hold sufficient capital to ensure we remain adequately capitalized after experiencing a severe stress event. Our assessment of capital adequacy is viewed in tandem with our assessment of liquidity adequacy and is integrated into the overall risk management structure, governance and policy framework of the firm.

We attribute capital usage to each of our businesses based upon our internal risk-based capital and regulatory frameworks and manage the levels of usage based upon the balance sheet and risk limits established.

Regulatory Reform

Over the past several years, the Basel Committee has made substantial revisions to its capital guidelines. The US Regulatory Agencies have modified their regulatory capital requirements to incorporate many of these revisions, and they have indicated their intent to make further changes in the future to incorporate other revisions. Please see latest GS Group 10Q for details.

Cautionary Note on Forward-Looking Statements

We have included or incorporated by reference in these disclosures, and from time to time our management may make, statements that may constitute "forward-looking statements." Forward-looking statements are not historical facts, but instead represent only our beliefs regarding future events, many of which, by their nature, are inherently uncertain and outside our control. These statements include statements other than historical information or statements of current condition and may relate to our future plans and objectives and results, among other things, and may also include our belief regarding the effect of changes to the capital and leverage rules applicable to bank holding companies, the impact of the Dodd-Frank Act on our businesses and operations, as well as statements about the objectives and effectiveness of our risk management and liquidity policies, statements about trends in or growth opportunities for our businesses, and statements about our future status, activities or reporting under U.S. or non-U.S. banking and financial regulation.

We have voluntarily provided in this report information regarding our consolidated estimated capital ratios, including

CET1 ratios under the Advanced and Standardized approaches on a fully phased-in and transitional basis and supplementary leverage ratios. The statements with respect to the estimated ratios are forward-looking statements, based on our current interpretation, expectations and understandings of the 2013 Capital Framework and related proposals to increase the minimum supplementary leverage ratios. The information regarding estimated ratios includes significant assumptions concerning the treatment of various assets and liabilities and the manner in which the ratios are calculated under the 2013 Capital Framework. As a result, the methods used to calculate these estimates may differ, possibly materially, from those used in calculating the estimates for any future voluntary disclosures as well as those used when such ratios are required to be disclosed. The ultimate methods of calculating the ratios will depend on, among other things, the promulgation of final rules on increased minimum supplementary leverage ratios, supervisory approval of our internal models used under the Advanced approach for calculating CET1, implementation guidance from the Agencies and the development of market practices and standards.

By identifying these statements for you in this manner, we are alerting you to the possibility that our actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements. Important factors that could cause our actual results and financial condition to differ from those indicated in the forward-looking statements include, among others, those discussed under "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K.

Index of Risk and Capital Disclosures

- **Comprehensive Risk.** The potential loss in value, due to price risk and defaults, within the firm's credit correlation positions. Comprehensive risk comprises a modeled measure which is calculated at a 99.9% confidence level over a one-year time horizon plus a surcharge which is 8% of the standardized specific risk add-on.

- **Credit Correlation Position.** A securitization position for which all or substantially all of the value of the underlying exposures is based on the credit quality of a single company for which a two-way market exists, or indices based on such exposures for which a two-way market exists, or hedges of these positions (which are typically not securitization positions).

- **Credit Risk.** The potential for loss due to the default or deterioration in credit quality of a counterparty (e.g., an OTC derivatives counterparty or a borrower) or an issuer of securities or other instruments we hold.

- **Default Risk.** The risk of loss on a position that could result from failure of an obligor to make timely payments of principal or interest on its debt obligation, and the risk of loss that could result from bankruptcy, insolvency, or similar proceedings.

- **Event Risk.** The risk of loss on equity or hybrid equity positions as a result of a financial event, such as the announcement or occurrence of a company merger, acquisition, spin-off, or dissolution.

- **Idiosyncratic Risk.** The risk of loss in the value of a position that arises from changes in risk factors unique to that position.

- **Incremental Risk.** The potential loss in value of non-securitized inventory positions due to the default or credit migration of issuers of financial instruments over a one-year time horizon. This measure is calculated at a 99.9% confidence level over a one-year time horizon using a multi-factor model.

- **Market Risk.** The risk of loss in the value of our inventory due to changes in market prices.

- **Operational Risk.** The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

- **Regulatory Value-at-Risk (VaR).** The potential loss in value of covered positions due to adverse market movements over a 10-day time horizon with a 99% confidence level.

- **Regulatory VaR Backtesting.** Comparison of daily positional loss results to the Regulatory VaR measure calculated as of the prior business day.

- **Resecuritization Position.** Represents an on or off-balance sheet transaction in which one or more of the underlying exposures is a securitization position or an exposure that directly or indirectly references a re-securitization exposure.

- **Securitization Position.** Represents an on or off-balance sheet transaction in which all or a portion of the credit risk of one or more underlying exposures is transferred to one or more third parties; the credit risk associated with the underlying exposures has been separated into at least two tranches, reflecting different levels of seniority; performance of securitization exposures is dependent upon the performance of the underlying exposures; all or substantially all of the underlying exposures are financial exposures; and the underlying exposure ownership is subject to certain ownership criteria prescribed by the regulatory rules.

- **Specific Risk.** The risk of loss on a position that could result from factors other than broad market movements and includes event risk, default risk and idiosyncratic risk. The specific risk add-on is applicable for both securitization positions and for certain non-securitized debt and equity positions, to supplement the model-based measures.

- **Stressed VaR (SVaR).** The potential loss in value of inventory positions during a period of significant market stress. SVaR is calculated at a 99% confidence level over a 10-day horizon using market data inputs from a continuous 12-month period of stress.

- **Stress Testing.** Stress testing is a method of determining the effect on the firm of various hypothetical stress scenarios.

- **Value-at-Risk (VaR).** The potential loss in value of inventory positions due to adverse market movements over a defined time horizon with a specified confidence level. Risk management VaR is calculated at a 95% confidence level over a one-day horizon.

Index of Risk and Capital Disclosures

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UK Remuneration Disclosures

The following disclosures are made in accordance with section 11.5.18 R of the UK Prudential Regulation Authority's ("PRA") Prudential sourcebook for Banks, Building Societies and Investment Firms ("BIPRU"), and the requirements of the Remuneration Code of the PRA and the Financial Conduct Authority ("FCA") (previously the Financial Services Authority ("FSA") (the "Remuneration Code") in respect of Goldman Sachs International, Goldman Sachs International Bank, Goldman Sachs Asset Management International and Montague Place Custody Services (together the "UK Companies").

Remuneration Programme Philosophy

Retention of talented employees is critical to executing our business strategy successfully. Remuneration is, therefore, a key component of the costs the firm incurs to generate revenues, similar to cost of goods sold or manufacturing costs in other industries.

The remuneration philosophy and the objectives of the remuneration programme for The Goldman Sachs Group, Inc. ("GS Group") and its affiliates, including the UK Companies (together, "the firm"), are reflected in GS Group's Compensation Principles as posted on the Goldman Sachs public website (http://www2.goldmansachs.com/investor-relations/corporate-governance/compensation.html) and Compensation Policy Statement, and as described in the firm's "Compensation Practices" document attached to the proxy statement of GS Group that was filed with the U.S. Securities and Exchange Commission on 1 April 2011. In particular, effective remuneration practices should:

(i) Encourage a real sense of teamwork and communication, binding individual short-term interests to the institution's long-term interests;

(ii) Evaluate performance on a multi-year basis;

(iii) Discourage excessive or concentrated risk-taking;

(iv) Allow an institution to attract and retain proven talent; and

(v) Align aggregate remuneration for the firm with performance over the cycle.

Remuneration Governance

The Compensation Committee

The Board of Directors of GS Group (the "Board") oversees the development, implementation and effectiveness of the firm's global remuneration practices, which it generally exercises directly or through delegation to the Compensation Committee of the Board (the "Compensation Committee"). The responsibilities of the Compensation Committee include:

- Review and approval of (or recommendation to the Board to approve) the firm's variable remuneration structure, including the portion to be paid as equity-based awards, all year-end equity-based grants for eligible employees (including those employed by the UK Companies), and the terms and conditions of such awards.
- Assisting the Board in its oversight of the development, implementation and effectiveness of policies and strategies relating to the Human Capital Management ("HCM") function, including recruiting, retention, career development and progression, management succession (other than that within the purview of the Corporate Governance, Nominating and Public Responsibilities Committee) and diversity.

The Compensation Committee held 8 meetings in 2012 to discuss and make determinations regarding remuneration.

The members of the Compensation Committee at the end of 2012 were James A. Johnson (Chair), M. Michele Burns, Claes Dahlbäck, Stephen Friedman, William W. George, Lakshmi N. Mittal, James J. Schiro, Debora L. Spar, Adebayo O. Ogunlesi and Mark E. Tucker. None of the members of the Compensation Committee is an employee of the firm. All members of the Compensation Committee are "independent" within the meaning of the New York Stock Exchange Rules and the firm's Director Independence Policy, and were also members of the Audit Committee, the Corporate Governance, Nominating and Public Responsibilities Committee and the Risk Committee of the Board.

Role of the Relevant Stakeholders

In carrying out the responsibilities of the Compensation Committee, individual members of the Compensation Committee met multiple times with senior management during the year. In addition, the Chair of the Compensation Committee met frequently with the firm's Chief Financial Officer ("CFO") and other members of senior management.

The firm's Chief Risk Officer ("CRO") presents an annual compensation-related risk assessment to the Compensation Committee, meeting jointly with the Risk Committee of the Board, to assist the Compensation Committee in its assessment of the effectiveness of the firm's remuneration programme in addressing risk, and particularly, whether the programme is consistent with regulatory guidance that financial services firms ensure variable remuneration does not encourage imprudent risk-taking.

The firm's global process for setting variable remuneration (including the requirement to consider risk and compliance issues) applies to employees of the UK Companies in the same way as to employees in other regions and is subject to oversight by the senior management of the firm in the region. The firm uses a highly disciplined and robust process for setting variable

remuneration across all divisions and regions, which occurs prior to the Compensation Committee's review and approval. The process involves divisional compensation managers, divisional compensation committees, division heads, HCM, the firmwide Management Committee (the firm's most senior executives), senior management (e.g., the firm's Chief Executive Officer ("CEO"), the Chief Operating Officer ("COO"), the CFO and the Head of HCM) and/or the Compensation Committee, as appropriate.

In addition, as part of the remuneration determination process, members of the firm's Compliance, Risk, Employment Law Group and Employee Relations functions make recommendations to divisional management to take into consideration all compliance or conduct-related disciplinary matters when determining remuneration of individuals. Before any remuneration decisions are finalised, Employee Relations and the Employment Law Group assess the recommended remuneration for these individuals in the context of overall performance and other factors, and recommendations are reviewed with respect to comparators.

The firm's Compensation Principles were approved by shareholders at the 2010 annual shareholders' meeting.

External Consultants

The Compensation Committee has for several years recognised the importance of using an independent remuneration consultant that is appropriately qualified and that provides services solely to the Compensation Committee and not to the firm. The Compensation Committee continued to retain Semler Brossy Consulting Group LLC ("Semler Brossy") as its independent remuneration consultant in 2012. Consistent with past practice, the Compensation Committee asked Semler Brossy during 2012 to assess the remuneration programme for Participating Managing Directors ("PMDs", the firm's approximately 406 most senior employees as at 31 December 2012), and to identify the challenges and accompanying considerations that could inform remuneration decisions for 2012.

In connection with its work for the Compensation Committee, Semler Brossy reviews the information provided to the Compensation Committee by the CFO, HCM, and the firm's remuneration consultants. In its assessment of the 2012 remuneration programme for PMDs, Semler Brossy confirmed that, consistent with 2011, the programme has been aligned with, and is sensitive to, corporate performance, contains features that reinforce significant alignment with shareholders and a long-term focus, and utilises policies and procedures, including subjective determinations that facilitate the firm's approach to risk-taking and risk management by supporting the mitigation of known and perceived risks. Semler Brossy also identified strengths of and challenges to the current PMD remuneration programme and value proposition.

Semler Brossy also reviewed and participated in the CRO's annual compensation-related risk assessment that was presented to the Compensation Committee, meeting jointly with the Risk Committee of the Board, in December 2012 to facilitate discussion on risk management and the remuneration programme.

Link Between Pay and Performance

Annual remuneration for employees is generally comprised of salary and variable remuneration. The firm's remuneration practices provide for variable remuneration determinations to be made on a discretionary basis. Variable remuneration is based on multiple factors and is not set as a fixed percentage of revenue or by reference to any other formula. Firmwide performance is a key factor in determining variable remuneration.

We are committed to aligning variable remuneration with performance. In order to do so, we look at the performance of the firm, division and individual over the past year, as well as over the past several years. We believe that the firm's senior leaders have responsibility for overall performance and, as a result, senior employees have experienced more volatility in their remuneration year-over-year, particularly in periods when net revenues have declined significantly.

We believe that multi-year guarantees should be avoided entirely to avoid misaligning remuneration and performance, and guaranteed remuneration in employment contracts should be used only in exceptional circumstances (for example, for certain new hires).

Performance Measurement

In connection with making remuneration decisions for 2012, the Compensation Committee reviewed with the CFO the following firmwide financial metrics and year-on-year changes:

- Return on average common shareholders' equity ("ROE");
- Diluted earnings per share;
- Book value per share ("BVPS");
- Net earnings;
- Net revenues;
- Remuneration and benefits expense;
- Ratio of remuneration and benefits to net revenues; and
- Non-remuneration expense.

No specific goals for these metrics were used, nor were any specific weights ascribed to them, in making remuneration determinations.

Additionally, each revenue-producing division, in coordination with the CRO, identifies annually the quantitative and/or qualitative financial metrics (none of which is given specific weight in determining remuneration) specific to the division, its business units and, where applicable, desks to be used to evaluate the performance of the division and its employees. Metrics include, but are not limited to:

- For the *Investment Bank*: Pre-tax income, lost business, revenue and backlog, client team and activity, relationship lending history, principalling, key transactions, as well as franchise accretion.
- For the *Investment Manager*: Revenues, pre-tax profit, pre-tax margin, assets under management and net sales (including gross contributions and redemptions), as well as business-specific measures such as client metrics for distribution channels and investment performance and risk measures for the portfolio management business units.

All employees are evaluated annually as part of the "360 degree" feedback process. This process reflects input from a number of employees, including supervisors, peers and those who are junior to the employee, regarding an array of performance measures. The detailed performance evaluations include assessments of risk management, reputational judgment and compliance with firm policies, as well as teamwork, citizenship and communication.

Risk Adjustment

Prudent risk management is a hallmark of the firm's culture and sensitivity to risk and risk management are key elements in assessing employee performance, including as part of the "360 degree" feedback process noted above.

We take risk into account in setting the amount and form of variable remuneration for employees. Different lines of business have different risk profiles and these are taken into account when determining remuneration. These include credit, market, liquidity, operational, reputational, legal and compliance risks. We provide guidelines to assist compensation managers when applying discretion during the remuneration process to promote consistent consideration of the different risks presented by our firm's businesses. Further, to ensure the independence of control function employees, remuneration for those employees is not determined by individuals in revenue-producing positions but rather by the management of the relevant control function.

For 2012, all employees with total remuneration above a particular threshold were subject to deferral of part of their variable remuneration in the form of an equity-based award. As in prior years, all 2012 equity-based awards are subject to a number of terms and conditions that could result in forfeiture or recapture. For further details see "Structure of Remuneration" below.

In the 2012 annual compensation-related risk assessment presented to the Compensation Committee, meeting jointly with our Risk Committee of the Board, the CRO presented his view that the various components of our remuneration programmes and policies (for example, process, structure and governance) work together to balance risk and incentives in a manner that does not encourage imprudent risk-taking. In addition, the CRO stated that the firm has a risk management process that, among other things, is consistent with the safety and soundness of the firm and focuses on our:

(i) *Risk management culture*: while the nature of our business requires certain employees to make decisions involving the use of our capital on a daily basis, the firm's culture emphasises continuous and prudent risk management

(ii) *Risk-taking authority*: there is a formal process for identifying employees who, individually or as part of a group, have the ability to expose the firm to material amounts of risk

(iii) *Upfront risk management*: the firm has tight controls on the allocation, utilisation and overall management of risk-taking, as well as comprehensive profit and loss and other management information which provide ongoing performance feedback

(iv) *Remuneration structure and policies*: there are rigorous, multi-party (i) employee performance assessments and (ii) remuneration decisions

(v) *Governance*: the oversight of our Board, management structure and the associated processes all contribute to a strong control environment and control functions have input into remuneration structure and design

Structure of Remuneration

Fixed Remuneration

In fiscal year 2010, the firm introduced a global salary model to ensure greater consistency in salary levels. The global salary model is intended to achieve an appropriate balance between fixed and variable remuneration, and the firm continues to review its salary structure. Currently, increases in fixed salaries for UK employees are generally determined based on total remuneration levels and/or corporate title and are reviewed on an annual basis.

Variable Remuneration

For employees with total remuneration above a specific threshold, variable remuneration is generally paid in a combination of cash and equity-based remuneration. In general, the portion paid in the form of an equity-based award increases as variable remuneration increases and, for Remuneration Code Staff, is set to ensure compliance with Principles 12(f) and 12(g) of the Remuneration Code.

The variable remuneration programme is flexible to allow the firm to respond to changes in market conditions and to maintain its pay-for-performance approach. Variable remuneration is discretionary (even if paid consistently over a period of years).

Equity Remuneration

We believe that remuneration should encourage a long-term, firmwide approach to performance and discourage imprudent risk-taking. Paying a significant portion of variable remuneration in the form of equity-based remuneration that delivers over time, changes in value according to the price of shares of common stock ("shares") of GS Group, and is subject to forfeiture or recapture encourages a long-term, firmwide focus because its value is realised through long-term responsible behavior and the financial performance of our firm.

We impose transfer restrictions, retention requirements and anti-hedging policies to further align the interests of the firm's employees with those of our shareholders. The firm's retention policies, coupled with the practice of paying senior employees a significant portion of variable remuneration in the form of equity-based awards, leads to a considerable investment in shares of GS Group over time.

In addition, from time to time, we may make awards consisting of unfunded, unsecured promises to deliver other instruments on terms and conditions that are substantially similar to those applicable to Restricted Stock Units ("RSUs") described below.

Deferral Policy: The deferred portion of fiscal year 2012 annual remuneration was generally awarded in the form of RSUs. An RSU is an unfunded, unsecured promise to deliver a share on a predetermined date. RSUs awarded in respect of fiscal year 2012 deliver in three equal instalments on or about each of the first, second and third anniversaries of the grant date, assuming the employee has satisfied the terms and conditions of the award at each such date.

Transfer Restrictions: In addition, the firm requires all individuals to hold, until the expiration of a period of up to five years from grant, a material portion of the shares they receive in respect of RSUs granted as part of their variable remuneration according to the firm's global deferral table. These transfer restrictions apply to the lower of 50% of the shares delivered before reduction for tax withholding, or the number of shares received after reduction for tax withholding. Because combined tax and social security rates in the United Kingdom are close to or exceed 50%, transfer restrictions apply to all, or substantially all, net shares delivered to employees resident in the United Kingdom.

An employee generally cannot sell, exchange, transfer, assign, pledge, hedge or otherwise dispose of any RSUs or shares that are subject to transfer restrictions.

Retention Requirement: All shares delivered to employees designated as Remuneration Code Staff are subject to retention in accordance with Principle 12(f) of the Remuneration Code. In addition, we require each of the CEO, CFO, COO and Vice Chairmen of GS Group, for so long as each holds such position, to retain sole beneficial ownership (including, in certain cases, ownership through their spouse or estate planning entities established by them) of a number of shares equal to at least 75% of the shares received (net of payment of any option exercise price and taxes) as remuneration since becoming a senior executive. We impose a similar retention requirement, equal to 25%, on other PMDs. These shares are referred to as "retention shares".

Forfeiture and Recapture Provisions: The RSUs and shares are subject to forfeiture or recapture if the Compensation Committee determines that during 2012 the employee participated (which could include, depending on the circumstances, participation in a supervisory role) in the structuring or marketing of any product or service, or participated on behalf of the firm or any of its clients in the purchase or sale of any security or other property, in any case without appropriate consideration of the risk to the firm or the broader financial system as a whole (for example, if the employee were to improperly analyse risk or fail sufficiently to raise concerns about such risk) and, as a result of such action or omission, the Compensation Committee determines there has been, or reasonably could be expected to be, a material adverse impact on the firm, the employee's business unit or the broader financial system.

This provision is not limited to financial risks and is designed to encourage the consideration of the full range of risks associated with the activities (for example, legal, compliance or reputational). The provision also does not require that a material adverse impact actually occur, but rather may be triggered if the firm determines that there is a reasonable expectation of such an impact.

The Compensation Committee previously adopted guidelines that set forth a formal process regarding determinations to forfeit or recapture awards for improper risk analysis upon the occurrence of certain pre-determined events (for example, in the event of annual firmwide, divisional, business unit or individual losses). The review of whether forfeiture or recapture is appropriate includes input from our CRO, as well as representatives from Finance, Legal and Compliance. Determinations are made by the Compensation Committee or its delegates, with any determinations made by delegates reported to the Compensation Committee.

RSUs granted to all Remuneration Code Staff are subject to forfeiture until delivery of the underlying shares if GS Group is determined by bank regulators to be "in default" or "in danger of default" as defined under the US Dodd-Frank Wall Street

Reform and Consumer Protection Act 2010, or fails to maintain for 90 consecutive business days, the required "minimum tier 1 capital ratio" (as defined under Federal Reserve Board regulations).

An employee's RSUs may also be forfeited, and shares recaptured if they engage in conduct constituting "cause" at any time until the transfer restrictions lapse. Cause includes, among other things, any material violation of any firm policy, any act or statement that negatively reflects on the firm's name, reputation or business interests and any conduct detrimental to the firm.

All RSUs are subject to forfeiture and all shares are subject to recapture, even after transfer restrictions lapse. If we determine that shares may be recaptured after delivery, we can require repayment to the firm of the fair market value of the shares when delivered (including those withheld to pay taxes).

Hedging: The firm's anti-hedging policy ensures employees maintain the intended exposure to the firm's stock performance. In particular, all employees are prohibited from hedging RSUs and shares that are subject to transfer restrictions and, in the case of PMDs, retention shares. In addition, executive officers of GS Group are prohibited from hedging any shares that they can freely sell. Employees, other than executive officers, may hedge only shares that they can otherwise sell. However, no employee may enter into uncovered hedging transactions or sell short any shares. Employees may only enter into transactions or otherwise make investment decisions with respect to shares during applicable "window periods,"

Treatment upon Termination or Change-in-Control: As a general matter, delivery schedules are not accelerated, and transfer restrictions are not removed, when an employee leaves the firm. The limited exceptions include death and "conflicted employment". In addition, a change in control alone is not sufficient to trigger acceleration of any deliveries or removal of transfer restrictions; only if the change in control is followed within 18 months by a termination of employment by the firm without "cause" or by the employee for "good reason" will delivery and release of transfer restrictions be accelerated.

Long-Term Performance Incentive Plan ("LTIP")

The Compensation Committee approved a limited number of awards under the LTIP, which allows the Compensation Committee to award remuneration based on specific performance metrics. The LTIP is intended to incentivise long-term performance in a manner that does not encourage imprudent risk-taking. Awards are not considered part of annual remuneration.

Both the performance metrics and thresholds of awards made under this plan, are meant to provide an appropriate focus on long-term shareholder returns. Subject to Compensation Committee discretion, under the terms of the awards, recipients will be rewarded for generating strong shareholder returns over a forward-looking period.

Quantitative Remuneration Disclosures

The following tables show aggregate quantitative remuneration information for 115 employees, categorised as Remuneration Code Staff for the purposes of the Remuneration Code in respect of their duties for the UK Companies. The FSA was consulted on these awards as part of their normal assessment of remuneration.

Remuneration Code Staff are also eligible to receive certain general non-discretionary ancillary payments and benefits on a similar basis to other employees. These payments and benefits are not included in the disclosures below.

Aggregate remuneration by business area

The amounts below include fixed and variable remuneration paid or awarded for the financial year ended 31 December 2012:

	Investment Bank	Investment Manager	Control Function	Total
Non-equity remuneration ($ in millions)	133.4	26.4	42.0	201.8
Restricted Stock Units (number of RSUs in 000s)	1,995	324	307	2,626

Aggregate remuneration: split between fixed and variable remuneration and forms of variable remuneration

Remuneration paid or awarded for the financial year ended 31 December 2012 comprised fixed remuneration (salaries and director fees) and variable remuneration. The figures in the table below are split into "Senior Management" and "Other Remuneration Code Staff" according to the following definitions:

- **Senior Management:** members of the Board of Directors of Goldman Sachs International, members of the Management Committee for the Europe, Middle East and Africa ("EMEA") region, the head of each revenue-producing division in the EMEA region and heads of significant business lines in the EMEA region who perform a significant management function corresponding to FSA controlled function CF29.
- **Other Remuneration Code Staff:** other employees whose activities have a material impact on the risk profile of the firm, including individuals performing an FSA Significant Influence Function, and heads of certain divisions in EMEA that perform a control function.

As required by the PRA Pillar 3 Disclosure Rules we have disclosed quantitative information separately for the senior personnel who effectively direct the business of Goldman Sachs International. Amounts disclosed in respect of senior personnel are also included in the amounts for senior management.

Form of Remuneration	Senior Management	Other Remuneration Code Staff	Total	Senior Personnel
Fixed ($ in millions)	44.0	42.1	86.1	10.1
Variable, of which:				
Non-equity remuneration ($ in millions)	75.9	39.8	115.7	16.2
Restricted Stock Units (number of RSUs in 000s)	1,762	864	2,626	296

Deferred Remuneration

The table below includes remuneration subject to the deferral requirements in Principle 12 of the Remuneration Code. The amounts relate only to those employees who were Remuneration Code Staff at the end of the fiscal year, 31 December 2012.

Restricted Stock Units (number of RSUs in 000s)	Senior Management	Other Remuneration Code Staff	Total	Senior Personnel
Outstanding unvested as at 1 January 2012	1,965	299	2,264	255
Awarded during 2012[5]	641	287	928	104
Paid out during 2012	(972)	(185)	(1,157)	(111)
Reduced through performance adjustments during 2012	0	0	0	0
Outstanding unvested as at 31 December 2012[5]	1,634	401	2,035	248

Sign-on and Severance Payments

No sign-on payments were made or awarded to Remuneration Code Staff during the year. Three Remuneration Code Staff were awarded severance payments during the year.

Severance Payments	Senior Management	Other Remuneration Code Staff	Total	Highest Individual Award
Cash awards ($ in millions)	0	1.1	1.1	0.8

[5] Amounts disclosed do not include awards made under the Long-Term Performance Incentive Plan described on page 23 because the forward-looking period for calculating the metrics against which any payouts are assessed is ongoing.