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## Asset Liability Management

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We seek to maintain a highly liquid balance sheet and substantially all of our inventory is marked-to-market daily. We utilize aged inventory limits for certain financial instruments as a disincentive to our businesses to hold inventory over longer periods of time. We believe that these limits provide a complementary mechanism for ensuring appropriate balance sheet liquidity in addition to our standard position limits. Although our balance sheet fluctuates due to client activity, market conventions and periodic market opportunities in certain of our businesses, our total assets and adjusted assets at financial statement dates are typically not materially different from those occurring within our reporting periods.

We seek to manage the maturity profile of our secured and unsecured funding base such that we should be able to liquidate our assets prior to our liabilities coming due, even in times of prolonged or severe liquidity stress. We do not rely on immediate sales of assets (other than our Global Core Excess) to maintain liquidity in a distressed environment, although we recognize orderly asset sales may be prudent or necessary in a severe or persistent liquidity crisis.

In order to avoid reliance on asset sales, our goal is to ensure that we have sufficient total capital (unsecured long-term borrowings plus total shareholders' equity) to fund our balance sheet for at least one year. The target amount of our total capital is based on an internal liquidity model which incorporates, among other things, the following long-term financing requirements:

- the portion of trading assets that we believe could not be funded on a secured basis in periods of market stress, assuming conservative loan values;
  - goodwill and identifiable intangible assets, property, leasehold improvements and equipment, and other illiquid assets;
  - derivative and other margin and collateral requirements;
  - anticipated draws on our unfunded loan commitments; and
  - capital or other forms of financing in our regulated subsidiaries that are in excess of their long-term financing requirements. See “—**Conservative Liability Structure**” for a further discussion of how we fund our subsidiaries.
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# Asset Liability Management

(Continued)

Certain financial instruments may be more difficult to fund on a secured basis during times of market stress. Accordingly, we generally hold higher levels of total capital for these assets than more liquid types of financial instruments. The following table sets forth our aggregate holdings in these categories of financial instruments:

	As of	
	June 2009	November 2008
	(in millions)	
Mortgage and other asset-backed loans and securities .....	\$13,730	\$22,393
Bank loans and bridge loans <sup>(1)</sup> .....	18,349	21,839
Emerging market debt securities .....	1,639	2,827
High-yield and other debt obligations .....	10,708	9,998
Private equity and real estate fund investments <sup>(2)</sup> .....	14,380	18,171
Emerging market equity securities .....	4,554	2,665
ICBC ordinary shares <sup>(3)</sup> .....	6,269	5,496
SMFG convertible preferred stock .....	1,330	1,135
Other restricted public equity securities .....	237	568
Other investments in funds <sup>(4)</sup> .....	2,809	2,714

<sup>(1)</sup> Includes funded commitments and inventory held in connection with our origination and secondary trading activities.

<sup>(2)</sup> Includes interests in our merchant banking funds. Such amounts exclude assets related to consolidated investment funds of \$899 million and \$1.16 billion as of June 2009 and November 2008, respectively, for which Goldman Sachs does not bear economic exposure.

<sup>(3)</sup> Includes interests of \$3.96 billion and \$3.48 billion as of June 2009 and November 2008, respectively, held by investment funds managed by Goldman Sachs.

<sup>(4)</sup> Includes interests in other investment funds that we manage.

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# Asset Liability Management

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We focus on funding these assets with long contractual maturities to reduce refinancing risk in periods of market stress.

See Note 3 to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information regarding the financial instruments we hold.

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