



Unaudited Half-yearly Financial Report

June 30, 2021

Goldman Sachs Finance Corp International Ltd
Company Number: 122341

INDEX

	Page No.		Page No.
Part I		Part II	
Management Report	2	Unaudited Financial Statements	4
Introduction	2	Income Statement	4
Executive Overview	2	Statement of Comprehensive Income	4
Business Environment	3	Balance Sheet	5
Principal Risks and Uncertainties	3	Statement of Changes in Equity	6
Directors	3	Statement of Cash Flows	6
Responsibility Statement	3	Notes to the Financial Statements	7
		Note 1. General Information	7
		Note 2. Summary of Significant Accounting Policies	7
		Note 3. Critical Accounting Estimates and Judgements	7
		Note 4. Net Revenues	7
		Note 5. Operating Expenses	8
		Note 6. Compensation and Benefits	8
		Note 7. Income Tax Expense	8
		Note 8. Customer and Other Receivables	8
		Note 9. Derivative Assets and Liabilities	8
		Note 10. Intercompany Loans	8
		Note 11. Customer and Other Payables	9
		Note 12. Unsecured Borrowings	9
		Note 13. Share Capital	9
		Note 14. Statement of Cash Flows Reconciliation	10
		Note 15. Financial Commitments and Contingencies	10
		Note 16. Related Party Disclosures	10
		Note 17. Financial Instruments	10
		Note 18. Fair Value Measurement	11

Management Report

Introduction

Goldman Sachs Finance Corp International Ltd (the company) issues warrants, certificates and notes (debt securities) in a number of European and Asian markets. The company is exposed to interest rate, equity price, currency rate and credit-related risks on its debt securities issued and manages these risks by entering into over-the-counter (OTC) derivative transactions with affiliates. The company issues debt securities primarily to raise funding, which is lent to affiliates.

The company's ultimate parent undertaking and controlling entity is The Goldman Sachs Group, Inc. (Group Inc.). Group Inc. is a bank holding company and a financial holding company regulated by the Board of Governors of the Federal Reserve System. Group Inc., together with its consolidated subsidiaries (GS Group affiliates), form "GS Group". GS Group is a leading global financial institution that delivers a broad range of financial services across investment banking, securities, investment management and consumer banking to a large and diversified client base that includes corporations, financial institutions, governments and individuals. The debt securities issued by the company are fully and unconditionally guaranteed by Group Inc.

References to "the financial statements" are to the unaudited financial statements as presented in Part II of this financial report. All references to June 2021 and June 2020 refer to the periods ended, or the dates, as the context requires, June 30, 2021 and June 30, 2020, respectively. All references to December 2020 refer to the date December 31, 2020. All references to "the 2020 Annual Report" are to the company's Annual Report for the year ended December 31, 2020.

All amounts in this financial report are prepared in accordance with International Financial Reporting Standards (IFRS). The company also prepares results under United States Generally Accepted Accounting Principles (U.S. GAAP), which are included in the consolidated financial statements of GS Group.

Executive Overview

Income Statement

The income statement is set out on page 4 of this financial report. The company made a gain of \$48 million for the first half of 2021, compared to a loss of \$12 million for the first half of 2020. The company's gain of \$48 million for the first half of 2021 was primarily driven by net gains from the company's issuance, hedging and lending activity.

Other Comprehensive Income

The statement of comprehensive income is set out on page 4 of this financial report. The company's other comprehensive income, which relates to the company's debt valuation adjustment (DVA), was a gain of \$7 million for the first half of 2021, compared to a gain of \$138 million for the first half of 2020.

Balance Sheet

The balance sheet is set out on page 5 of this financial report. As of June 2021, total assets were \$16.01 billion, an increase of \$487 million from December 2020, mainly reflecting an increase in intercompany loans. As of June 2021, total liabilities were \$15.90 billion, an increase of \$432 million from December 2020, mainly reflecting an increase in debt securities issued.

Management Report

Business Environment

During the first half of 2021, the global economy continued its recovery from the coronavirus pandemic, as the lifting of health and safety restrictions in parts of the world amid vaccine distribution facilitated an increase in global economic activity. The broader economic improvement was also aided by accommodative monetary policy provided by global central banks in response to the pandemic (through low policy rates and large-scale asset purchases) and, in the U.S., in particular, further fiscal stimulus. The growth in economic activity and above-trend demand for goods and services, alongside labour shortages and supply chain complications, contributed to rising inflationary pressures. However, investors remained optimistic about the prospect for continued economic recovery, as global equity prices generally increased during the first half of 2021, while volatility continued to moderate from elevated levels. In addition, long-term government bond yields generally declined.

Despite broad improvements in the overall economy since the initial impact of the pandemic, there continues to be uncertainty related to the prospects for the economic recovery to continue, reflecting concerns about virus resurgence from the Delta variant and other virus mutations, vaccine distribution and hesitancy, inflation and geopolitical risks.

Principal Risks and Uncertainties

The company faces a variety of risks and uncertainties that are substantial and inherent in its business. The principal risks and uncertainties that the company faces are: market risk, liquidity risk, credit risk, operational risk, legal and regulatory risk and market development. These risks and uncertainties are consistent with those described in the 2020 Annual Report.

Directors

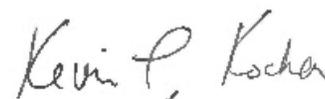
A. D'Souza was appointed to the board of directors on July 7, 2021.

There were no other changes in the directorship of the company between the date of issue of this financial report and the 2020 Annual Report.

Responsibility Statement

The financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and Article 5 of the Directive 2004/109/EC as amended by Directive 2013/50/EU. The directors confirm to the best of their knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company.
- The management report includes an indication of important events that have occurred during the first six months of the financial year, and their impact on the financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year. The principal risks and uncertainties are consistent with those described in the 2020 Annual Report.



K. G. Kochar
Director

September 29, 2021

Unaudited Financial Statements

GOLDMAN SACHS FINANCE CORP INTERNATIONAL LTD

Income Statement (Unaudited)

<i>\$ in millions</i>	Note	Six Months Ended June	
		2021	2020
Interest income from financial instruments measured at amortised cost		\$115	\$ 140
Interest expense from financial instruments measured at amortised cost		(15)	(8)
Net interest income		100	132
Gains or losses from financial instruments at fair value through profit or loss		16	(125)
Other expense		(68)	(19)
Non-interest expense		(52)	(144)
Net revenues	4	48	(12)
Operating expenses	5	–	–
Profit/(loss) before taxation		48	(12)
Income tax expense	7	–	–
Profit/(loss) for the financial period		\$ 48	\$ (12)

Net revenues and profit/(loss) of the company are derived from continuing operations in the current and prior periods.

Statement of Comprehensive Income (Unaudited)

<i>\$ in millions</i>	Note	Six Months Ended June	
		2021	2020
Profit/(loss) for the financial period		\$48	\$ (12)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Debt valuation adjustment	12	7	138
Tax attributable to the components of other comprehensive income		–	–
Other comprehensive income for the financial period		7	138
Total comprehensive income for the financial period		\$55	\$126

The accompanying notes are an integral part of these financial statements.

Balance Sheet

(Unaudited)

<i>\$ in millions</i>	Note	As of	
		June 2021	December 2020
Assets			
Cash and cash equivalents	14	\$ 22	\$ 11
Customer and other receivables	8	18	132
Derivative assets	9	972	1,084
Intercompany loans	10	14,993	14,291
Total assets		\$16,005	\$15,518
Liabilities			
Customer and other payables	11	\$ 155	\$ 7
Derivative liabilities	9	906	807
Unsecured borrowings	12	14,841	14,656
Total liabilities		15,902	15,470
Shareholder's equity			
Share capital	13	5	5
Share premium account		175	175
Retained earnings		141	105
Accumulated other comprehensive income		(218)	(237)
Total shareholder's equity		103	48
Total liabilities and shareholder's equity		\$16,005	\$15,518

The accompanying notes are an integral part of these financial statements.
Company number: 122341

Statement of Changes in Equity (Unaudited)

<i>\$ in millions</i>	Note	Six Months Ended June	
		2021	2020
Share capital			
Beginning balance		\$ 5	\$ 5
Ending balance		5	5
Share premium account			
Beginning balance		175	50
Ending balance		175	50
Retained earnings			
Beginning balance		105	72
Profit/(loss) for the financial period		48	(12)
Transfer of realised debt valuation adjustment into retained earnings	12	(12)	(2)
Ending balance		141	58
Accumulated other comprehensive income			
Beginning balance		(237)	(104)
Other comprehensive income		7	138
Transfer of realised debt valuation adjustment into retained earnings	12	12	2
Ending balance		(218)	36
Total shareholder's equity		\$ 103	\$ 149

No dividends were paid for both the six months ended June 2021 and June 2020.

Statement of Cash Flows (Unaudited)

<i>\$ in millions</i>	Note	Six Months Ended June	
		2021	2020
Cash flows from operating activities			
Cash generated from operations	14	\$11	\$10
Net cash from operating activities		11	10
Net increase in cash and cash equivalents			
Cash and cash equivalents, beginning balance		11	15
Foreign exchange gains on cash and cash equivalents		–	1
Cash and cash equivalents, ending balance	14	\$22	\$26

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements (Unaudited)

Note 1.

General Information

The company is a registered public limited company incorporated on October 19, 2016 and domiciled in Jersey. The address of its registered office is 22 Grenville Street, St. Helier, Jersey JE4 8PX.

The company's immediate parent undertaking is GS Global Markets, Inc., a company incorporated and domiciled in Delaware, United States of America.

The ultimate controlling undertaking and the parent company of the smallest and largest group for which consolidated financial statements are prepared is The Goldman Sachs Group, Inc., a company incorporated in the United States of America. Copies of its consolidated financial statements, as well as certain regulatory filings, for example Quarterly Reports on Form 10-Q and the Annual Report on Form 10-K, that provide further information about GS Group and its business activities, can be obtained from Investor Relations, 200 West Street, New York, NY 10282, United States of America, GS Group's principal place of business, or at www.goldmansachs.com/investor-relations.

Note 2.

Summary of Significant Accounting Policies

Basis of Preparation

The company prepares financial statements under international accounting standards. These financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and Article 5 of the Directive 2004/109/EC as amended by Directive 2013/50/EU. These financial statements should be read in conjunction with the 2020 Annual Report, which has been prepared in conformity with the requirements of the Companies (Jersey) Law 1991 and International Financial Reporting Standards as adopted in the E.U. For the six months ended June 2020, the company prepared financial statements under United Kingdom Generally Accepted Accounting Practices, in accordance with FRS 104 'Interim Financial Reporting', prior to the adoption of IFRS. The company has updated its comparatives in the income statement, statement of cash flows and fair value measurement disclosures to conform to the current period presentation.

Accounting Policies

The accounting policies are consistent with those described in the 2020 Annual Report.

Note 3.

Critical Accounting Estimates and Judgements

The critical accounting estimates and judgements are consistent with those described in the 2020 Annual Report.

Note 4.

Net Revenues

Net revenues include net interest income and non-interest expense. Net interest income primarily relates to interest income from loans to affiliates. Non-interest expense includes:

- Gains and losses on financial instruments mandatorily measured at fair value through profit or loss, which primarily relate to non-interest gains and losses on derivative assets and liabilities.
- Gains and losses on financial instruments designated at fair value through profit or loss, which primarily relate to non-interest gains and losses on unsecured borrowings.
- Allocations of net revenues from/(to) affiliates, which relate to allocations of net revenues from/(to) affiliates for their participation in the company's business activities.

The table below presents net revenues.

<i>\$ in millions</i>	Six Months Ended June	
	2021	2020
Interest income		
Interest income from financial instruments measured at amortised cost	\$ 115	\$ 140
Total interest income	115	140
Interest expense		
Interest expense from financial instruments measured at amortised cost, net of hedges	(15)	(8)
Total interest expense	(15)	(8)
Net interest income	100	132
Non-interest expense		
Financial instruments mandatorily measured at fair value through profit or loss	290	(609)
Financial instruments designated at fair value through profit or loss	(274)	484
Allocations of net revenues from/(to) affiliates	(66)	(7)
Net changes in impairments on financial assets	(2)	(12)
Non-interest expense	(52)	(144)
Net revenues	\$ 48	\$ (12)

Notes to the Financial Statements (Unaudited)

Note 5.

Operating Expenses

The company incurred operating expenses of \$119,000 for the six months ended June 2021 and \$94,000 for the six months ended June 2020, which primarily related to professional fees.

Note 6.

Compensation and Benefits

The company has no employees. All persons involved in the company's operations are employed by GS Group affiliates and no costs are borne by the company.

Note 7.

Income Tax Expense

The company is domiciled in Jersey and is not liable to tax in Jersey. The company's parent entity, GS Global Markets, Inc., is subject to corporate tax in the U.S. on its 100% share of the company's profits or losses.

Note 8.

Customer and Other Receivables

The table below presents customer and other receivables.

<i>\$ in millions</i>	As of	
	June	December
	2021	2020
Receivables from customers and counterparties	\$ –	\$ 49
Miscellaneous receivables and other	18	83
Total	\$18	\$132

In the table above:

- Receivables from customers and counterparties consists of receivables resulting from collateral posted in connection with derivative transactions.
- Miscellaneous receivables and other primarily includes receivables for allocation of net revenues among GS Group affiliates for their participation in the company's business activities.

Note 9.

Derivative Assets and Liabilities

The table below presents derivative assets.

<i>\$ in millions</i>	As of	
	June	December
	2021	2020
Interest rates	\$673	\$ 704
Credit	39	45
Currencies	143	186
Equities	117	149
Total	\$972	\$1,084

The table below presents derivative liabilities.

<i>\$ in millions</i>	As of	
	June	December
	2021	2020
Interest rates	\$570	\$534
Credit	39	51
Currencies	183	100
Equities	114	122
Total	\$906	\$807

Note 10.

Intercompany Loans

The table below presents intercompany loans.

<i>\$ in millions</i>	As of	
	June	December
	2021	2020
Unsecured loans	\$14,993	\$14,291
Total	\$14,993	\$14,291

In the table above:

- Current intercompany loans were \$826 million as of June 2021 and \$820 million as of December 2020, and non-current intercompany loans were \$14.16 billion as of June 2021 and \$13.47 billion as of December 2020.
- Unsecured loans included an allowance for impairment of \$8 million as of June 2021 and \$6 million as of December 2020. The company's allowance for impairment increased primarily due to changes in modelling assumptions, such as probability of default. These financial assets remained in stage 1 throughout the whole period.

Notes to the Financial Statements (Unaudited)

Note 11.

Customer and Other Payables

The table below presents customer and other payables.

<i>\$ in millions</i>	As of	
	June 2021	December 2020
Payables to customers and counterparties	\$ 55	\$-
Miscellaneous payables and other	100	7
Total	\$155	\$7

In the table above:

- Payables to customers and counterparties consists of collateral received in connection with derivative transactions.
- Miscellaneous payables and other primarily includes payables for allocation of net revenues among GS Group affiliates for their participation in the company's business activities.

Note 12.

Unsecured Borrowings

The table below presents unsecured borrowings.

<i>\$ in millions</i>	As of	
	June 2021	December 2020
Debt securities issued	\$14,838	\$14,429
Other borrowings	3	227
Total	\$14,841	\$14,656

In the table above:

- Current unsecured borrowings were \$3.53 billion as of June 2021 and \$4.07 billion as of December 2020, and non-current unsecured borrowings were \$11.31 billion as of June 2021 and \$10.59 billion as of December 2020.
- Payments on debt securities issued and other borrowings instruments are typically referenced to underlying financial assets, which are predominantly interest rates, equities, currencies and credit-related.

Debt Valuation Adjustment

The company calculates the fair value of debt securities issued that are designated at fair value through profit or loss by discounting future cash flows at a rate which incorporates GS Group's credit spreads. The table below presents information about the cumulative net DVA gains/(losses) on such financial liabilities, which is included in accumulated other comprehensive income.

<i>\$ in millions</i>	Six Months Ended June	
	2021	2020
Beginning balance	\$(237)	\$(104)
Debt valuation adjustment for the period	7	138
Transfer to retained earnings	12	2
Ending balance	\$(218)	\$ 36

In the table above, net losses of \$12 million for the six months ended June 2021 and net losses of \$2 million for the six months ended June 2020 realised upon early redemption of certain debt securities issued that were designated at fair value through profit or loss, have been transferred from accumulated other comprehensive income to retained earnings.

Note 13.

Share Capital

The table below presents share capital.

Allotted, called up and fully paid	Ordinary shares	
	of \$1 each	\$ in millions
As of December 31, 2020	5,000,007	\$5
As of June 30, 2021	5,000,007	\$5

Notes to the Financial Statements (Unaudited)

Note 14.

Statement of Cash Flows Reconciliation

For the purpose of the statement of cash flows, cash and cash equivalents consists of cash at bank of \$22 million as of June 2021 and \$26 million as of June 2020.

Reconciliation of Cash Flows from Operating Activities

The table below presents a reconciliation of cash flows used in operating activities.

<i>\$ in millions</i>	Six Months Ended June	
	2021	2020
Profit/(loss) before taxation	\$ 48	\$ (12)
Adjustments for		
Foreign exchange gains	–	(1)
Cash generated from/(used in) before changes in operating assets and liabilities	48	(13)
Changes in operating assets		
Decrease in customer and other receivables	114	82
Decrease/(increase) in derivative assets	112	(363)
Increase in intercompany loans	(702)	(3,787)
Changes in operating assets	(476)	(4,068)
Changes in operating liabilities		
Increase in customer and other payables	148	107
Increase in derivative liabilities	99	192
Increase in unsecured borrowings	192	3,792
Changes in operating liabilities	439	4,091
Cash generated from operations	\$ 11	\$ 10

In the table above, cash generated from operations included interest paid of \$10 million for the six months ended June 2021 and \$12 million for the six months ended June 2020, and interest received of \$109 million for the six months ended June 2021 and \$141 million for the six months ended June 2020.

Note 15.

Financial Commitments and Contingencies

The company had no financial commitments or contingencies outstanding as of both June 2021 and December 2020.

Note 16.

Related Party Disclosures

Parties are considered to be related if one party has the ability to directly or indirectly control the other party or exercise significant influence over the party in making financial or operational decisions. The company's related parties include:

- The company's parent entities;
- Other GS Group affiliates;
- Key management personnel of the company; and
- Key management personnel of the company's parent entities.

The company enters into transactions with related parties in the normal course of business as part of its general operations. These transactions primarily relate to risk management, funding activity and transfer pricing.

The nature of these transactions for the six months ended June 2021 are consistent with those disclosed in "Note 19. Related Parties" in Part II of the company's 2020 Annual Report.

Note 17.

Financial Instruments

Financial Assets and Liabilities by Category

The tables below present the carrying value of financial assets and liabilities by category.

<i>\$ in millions</i>	Financial Assets		Total
	Mandatorily at fair value	Amortised cost	
As of June 2021			
Cash and cash equivalents	\$ –	\$ 22	\$ 22
Customer and other receivables	–	18	18
Derivative assets	972	–	972
Intercompany loans	–	14,993	14,993
Total	\$ 972	\$15,033	\$16,005
As of December 2020			
Cash and cash equivalents	\$ –	\$ 11	\$ 11
Customer and other receivables	–	132	132
Derivative assets	1,084	–	1,084
Intercompany loans	–	14,291	14,291
Total	\$1,084	\$14,434	\$15,518

Notes to the Financial Statements (Unaudited)

\$ in millions	Financial Liabilities			Total
	Held for Trading	Designated at fair value	Amortised cost	
As of June 2021				
Customer and other payables	\$ –	\$ –	\$ 155	\$ 155
Derivative liabilities	906	–	–	906
Unsecured borrowings	–	12,015	2,826	14,841
Total	\$906	\$12,015	\$2,981	\$15,902
As of December 2020				
Customer and other payables	\$ –	\$ –	\$ 7	\$ 7
Derivative liabilities	807	–	–	807
Unsecured borrowings	–	11,688	2,968	14,656
Total	\$807	\$11,688	\$2,975	\$15,470

In the tables above:

- Derivative assets included derivative instruments designated as hedges of \$73 million as of June 2021 and \$107 million as of December 2020.
- Derivative liabilities included derivative instruments designated as hedges of \$5 million as of June 2021 and \$1 million as of December 2020.

Note 18.

Fair Value Measurement

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. The company measures certain financial assets and liabilities as a portfolio (i.e. based on its net exposure to market and/or credit risks).

IFRS has a three-level hierarchy for disclosure of fair value measurements. This hierarchy prioritises inputs to the valuation techniques used to measure fair value, giving the highest priority to level 1 inputs and the lowest priority to level 3 inputs. A financial instrument's level in this hierarchy is based on the lowest level of input that is significant to its fair value measurement.

The fair value hierarchy is as follows:

Level 1. Inputs are unadjusted quoted prices in active markets to which the company had access at the measurement date for identical, unrestricted assets or liabilities.

Level 2. Inputs to valuation techniques are observable, either directly or indirectly.

Level 3. One or more inputs to valuation techniques are significant and unobservable.

The fair values for substantially all of the company's financial assets and liabilities that are fair valued on a recurring basis are based on observable prices and inputs and are classified in level 2 of the fair value hierarchy. Certain level 2 and level 3 financial assets and liabilities may require valuation adjustments that a market participant would require to arrive at fair value for factors, such as GS Group's credit quality, liquidity and bid/offer spreads. Valuation adjustments are generally based on market evidence.

Valuation Techniques and Significant Inputs

The valuation techniques and significant inputs used in determining the fair value of the company's financial assets and liabilities disclosed below are consistent with those described in "Note 21. Fair Value Measurement" in Part II of the 2020 Annual Report.

Fair Value of Financial Assets and Liabilities by Level

The table below presents, by level within the fair value hierarchy, financial assets and liabilities measured at fair value on a recurring basis.

\$ in millions	Level 1	Level 2	Level 3	Total
As of June 2021				
Financial Assets				
Derivative assets	\$ –	\$ 888	\$ 84	\$ 972
Total	\$ –	\$ 888	\$ 84	\$ 972
Financial Liabilities				
Derivative liabilities	\$ –	\$ 734	\$ 172	\$ 906
Unsecured borrowings	–	8,140	3,875	12,015
Total	\$ –	\$8,874	\$ 4,047	\$12,921
Net derivatives	\$ –	\$ 154	\$ (88)	\$ 66
As of December 2020				
Financial Assets				
Derivative assets	\$ –	\$ 938	\$ 146	\$ 1,084
Total	\$ –	\$ 938	\$ 146	\$ 1,084
Financial Liabilities				
Derivative liabilities	\$ –	\$ 640	\$ 167	\$ 807
Unsecured borrowings	–	7,283	4,405	11,688
Total	\$ –	\$7,923	\$ 4,572	\$12,495
Net derivatives	\$ –	\$ 298	\$ (21)	\$ 277

Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

The company's level 3 debt securities issued are economically hedged with OTC derivatives. The significant unobservable inputs used in level 3 fair value measurements have not been disclosed as the net effect of these inputs to the measurements of level 3 financial assets and liabilities was not material to the company's profit or loss, or other comprehensive income for both the six months ended June 2021 and June 2020, and net assets as of both June 2021 and December 2020.

Notes to the Financial Statements (Unaudited)

Fair Value Financial Assets and Liabilities Valued Using Techniques That Incorporate Unobservable Inputs

The fair value of financial assets and liabilities may be determined in whole or part using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument or based on available observable market data and changing these assumptions will change the resultant estimate of fair value. For those financial assets and liabilities that are valued using unobservable inputs, the net potential impact of using reasonable possible alternative assumptions for the valuations, including significant unobservable inputs, was not material as of both June 2021 and December 2020, as the company's level 3 debt securities issued are economically hedged with OTC derivatives.

Level 3 Rollforward

The table below presents a summary of the changes in fair value for all level 3 financial assets and liabilities measured at fair value on a recurring basis.

\$ in millions	Six Months Ended June	
	2021	2020
Total financial assets		
Beginning balance	\$ 146	\$ 40
Gains/(losses)	(19)	(82)
Purchases	6	15
Settlements	(25)	80
Transfers into level 3	–	14
Transfers out of level 3	(24)	(17)
Ending balance	\$ 84	\$ 50
Total financial liabilities		
Beginning balance	\$(4,572)	\$(3,591)
Gains/(losses)	97	192
Sales/issuances	(1,261)	(2,012)
Settlements	903	1,042
Transfers into level 3	(204)	(122)
Transfers out of level 3	990	231
Ending balance	\$(4,047)	\$(4,260)

In the table above:

- If a financial asset or liability was transferred to level 3 during a reporting period, its entire gain or loss for the period is classified in level 3. For level 3 financial assets, increases are shown as positive amounts, while decreases are shown as negative amounts. For level 3 financial liabilities, increases are shown as negative amounts, while decreases are shown as positive amounts.
- Transfers between levels of the fair value hierarchy are recognised at the beginning of the reporting period in which they occur. Accordingly, the tables do not include gains or losses for level 3 financial assets and liabilities that were transferred out of level 3 prior to the end of the period.

- Level 3 financial liabilities are economically hedged with level 2 and level 3 financial assets and liabilities. Accordingly, level 3 gains or losses that are reported in the table below for a particular class of financial liability can be partially offset by gains or losses attributable to level 2 or level 3 in a different class of financial asset or liability.
- The net gains and losses on level 3 financial assets for both the six months ended June 2021 and June 2020 are reported in “Net revenues” in the income statement.
- The net gains on level 3 financial liabilities of \$97 million for the six months ended June 2021 included gains of \$12 million reported in “Debt valuation adjustment” in the statement of comprehensive income and gains of \$85 million reported in “Net revenues” in the income statement.
- The net gains on level 3 financial liabilities of \$192 million for the six months ended June 2020 included gains of \$66 million reported in “Debt valuation adjustment” in the statement of comprehensive income and gains of \$126 million reported in “Net revenues” in the income statement.

The table below disaggregates, by the balance sheet line items, the information for financial liabilities included in the summary table above.

\$ in millions	Six Months Ended June	
	2021	2020
Derivative liabilities		
Beginning balance	\$ (167)	\$ (130)
Gains/(losses)	80	(103)
Sales	(34)	15
Settlements	(66)	92
Transfers into level 3	–	(21)
Transfers out of level 3	15	9
Ending balance	\$ (172)	\$ (138)
Unsecured borrowings		
Beginning balance	\$(4,405)	\$(3,461)
Gains/(losses)	17	295
Issuances	(1,227)	(2,027)
Settlements	969	950
Transfers into level 3	(204)	(101)
Transfers out of level 3	975	222
Ending balance	\$(3,875)	\$(4,122)

In the tables above, the level 3 rollforward for the six months ended June 2020 has been updated for derivative assets, derivative liabilities and unsecured borrowings to reflect certain balances being moved from level 2 to level 3 to more appropriately present these balances. This resulted in an increase in level 3 unsecured borrowings of \$715 million as of December 2019 and an increase in level 3 derivative assets of \$3 million, derivative liabilities of \$8 million and unsecured borrowings of \$620 million as of June 2020. Gains/(losses), purchases, sales, issuances, settlements, transfers into level 3 and transfers out of level 3 have been updated accordingly.

Notes to the Financial Statements (Unaudited)

Transfers Between Level 2 and Level 3 of the Fair Value Hierarchy

Six Months Ended June 2021. Transfers into level 3 for financial assets and liabilities primarily reflected transfers of certain equity products from level 2, principally due to reduced transparency of certain equity volatility and correlation inputs as a result of a lack of market evidence.

Transfers out of level 3 financial assets and liabilities primarily reflected transfers of certain credit linked notes to level 2, principally due to increased transparency of certain credit spread inputs, and transfers of certain equity products to level 2, principally due to increased transparency of certain equity volatility and correlation inputs as a result of an increase in the availability of market evidence.

Six Months Ended June 2020. Transfers into level 3 for financial assets and liabilities primarily reflected transfers of certain equity products from level 2, principally due to reduced transparency of certain equity volatility and correlation inputs as a result of a lack of market evidence.

Transfers out of level 3 financial assets and liabilities primarily reflected transfers of certain equity products to level 2, principally due to increased transparency of certain equity volatility and correlation inputs as a result of an increase in the availability of market evidence.

Fair Value of Financial Assets and Liabilities Not Measured at Fair Value

The company had financial assets that are not measured at fair value of \$15.03 billion as of June 2021 and \$14.43 billion as of December 2020, which predominately related to intercompany loans. The interest rates of these loans are variable in nature and approximate prevailing market interest rates for instruments with similar terms and characteristics. As such, their carrying values in the balance sheet are a reasonable approximation of fair value.

The table below presents the company's financial liabilities that are not measured at fair value by expected maturity.

<i>\$ in millions</i>	As of	
	June 2021	December 2020
Current	\$ 166	\$ 17
Non-current	2,815	2,958
Total	\$2,981	\$2,975

In the table above, these financial liabilities predominantly related to long-term borrowings of \$2.82 billion as of June 2021 and \$2.96 billion as of December 2020, for which the fair value was \$2.86 billion as of June 2021 and \$3.02 billion as of December 2020.