



Annual Report
December 31, 2021

Goldman Sachs Finance Corp International Ltd
Company Number: 122341

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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. In relation to the company, "GS Group affiliate" means Group Inc. or any of its subsidiaries. Group Inc., together with its consolidated subsidiaries, 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. The company's results prepared under United States Generally Accepted Accounting Principles (U.S. GAAP) are included in the consolidated financial statements of GS Group.

References to "the financial statements" are to the directors' report and audited financial statements as presented in Part II of this annual report. All references to 2021 and 2020 refer to the years ended, or the dates, as the context requires, December 31, 2021 and December 31, 2020, respectively.

Executive Overview

Income Statement

The income statement is set out on page 13 of this annual report. The company made a gain of \$78 million for 2021 and a gain of \$38 million for 2020 which was primarily driven by net gains from the company's issuance, hedging and lending activity. This represented an increase of \$40 million from 2020, primarily due to lower net losses on the company's issuance and hedging activities, partially offset by lower net gains on the company's lending activity.

Other Comprehensive Income

The statement of comprehensive income is set out on page 13 of this annual report. The company's other comprehensive income, which relates to the company's debt valuation adjustment (DVA), was a gain of \$58 million for 2021, compared to a loss of \$138 million for 2020.

Balance Sheet

The balance sheet is set out on page 14 of this annual report. As of December 2021, total assets were \$16.61 billion, an increase of \$1.09 billion from December 2020, mainly reflecting an increase in intercompany loans. As of December 2021, total liabilities were \$16.42 billion, an increase of \$951 million from December 2020, mainly reflecting an increase in debt securities issued.

Future Outlook

The directors consider that the year-end financial position of the company was satisfactory and no significant change in the company's principal business activities is currently expected. The Russian invasion of Ukraine in February 2022 has led to significant disruption in financial markets and increased uncertainty in the business environment in which the company operates. In response, the company continues to proactively manage its risk exposures, including to Russia and Ukraine. The future impact of the war on the company's operational and financial performance remains difficult to predict at this time.

As at the time of publication, there continues to be uncertainty regarding the impact of COVID-19 on the company's operational and financial performance. The extent of the impact will depend on future developments including the duration of the pandemic and potential future variants.

Management Report

Business Environment

In 2021, the global economy continued to recover from the impact of the COVID-19 pandemic, as the distribution of vaccines helped facilitate 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. In the second half of the year, the growth in economic activity and demand for goods and services, alongside supply chain complications, contributed to inflationary pressures. Late in the year, the surge in Omicron cases sparked renewed concerns globally, contributing to increased market volatility and increased pressures on labour supply.

Despite broad improvements in the overall economy since the initial impact of the COVID-19 pandemic, uncertainty remains on the pace of the recovery going forward, reflecting concerns about virus resurgence and related concerns regarding vaccine distribution, efficacy and hesitancy, as well as concerns relating to inflation, supply chain complications and geopolitical risks.

Principal Risks and Uncertainties

The company faces a variety of risks 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. For further information about the risk factors that impact GS Group, see GS Group's Annual Report on Form 10-K for the year ended December 31, 2021 in Part 1, Item 1A.

Economic and Market Conditions

The company is primarily involved in the issuance of debt securities in a number of markets and the proceeds from these debt securities are lent to affiliates. The company also enters into derivative transactions with affiliates for hedging purposes. The activity of the company and its annual issuance volume is affected both by positive and negative developments in the markets where it carries out its business activity. A difficult general economic situation may lead to a lower issuance volume. The market of these debt securities depends particularly on the development of capital markets, which are in turn affected by the general situation of the world economy, as well as the economic and political conditions in the respective countries.

Commercial Activity

The company was established only for the purpose of issuing debt securities, lending these proceeds to affiliates and entering into derivative transactions with affiliates for hedging purposes, and does not carry out any other operating business activities.

The company is an indirect, wholly-owned subsidiary of Group Inc. and depends on Group Inc. for capital. All of the company's unsecured debt issuances are guaranteed by Group Inc. If the company fails or goes bankrupt, an investment in a security may mean a complete loss of the invested amount if the loss cannot be satisfied by the guarantee from Group Inc. The debt securities are not covered by a deposit protection fund or similar safety system in relation to the claims of holders of debt securities in the case of an insolvency of the company.

Liquidity

The credit ratings of Group Inc. are important to the company's liquidity. A reduction in Group Inc.'s credit ratings could adversely affect the company's liquidity and competitive position, increase borrowing costs or limit access to the capital markets. There is no rating of the company regarding its credit risk by renowned rating agencies, such as Moody's Investors Service or Standard & Poor's Ratings Services.

The company's liquidity could be impaired by an inability to access unsecured debt markets, an inability to access funds from Group Inc., or unforeseen outflows of cash.

Credit Markets

Widening credit spreads for Group Inc., as well as significant declines in the availability of credit, could adversely affect the company's ability to borrow on an unsecured basis. The company issues debt securities, the proceeds of which are onward lent to Group Inc. and/or GS Group affiliates. Any disruptions in the credit markets may make it harder and more expensive to obtain funding for GS Group's businesses.

Reliance on GS Group

The company is a wholly-owned subsidiary of Group Inc. As a wholly-owned subsidiary, the company relies on various business relationships of Group Inc. and other GS Group affiliates generally, including the ability to receive various services, as well as, in part, the capital and liquidity of the company's ultimate parent, Group Inc. The company remains an operating subsidiary of a larger organisation and therefore its interconnectedness within the organisation will continue. Because the company's business relies upon Group Inc. and other GS Group affiliates to a significant extent, risks that could affect these entities could also have a significant impact on the company.

Management Report

Furthermore, the company relies upon certain GS Group affiliates for various support services, including, but not limited to, trade execution, relationship management, settlement and clearing, risk management and other technical, operational and administrative services.

As a consequence of the foregoing, in the event the company's relationships with other GS Group affiliates are not maintained, for any reason, including as a result of possible strategic decisions that Group Inc. may make from time-to-time or as a result of material adverse changes in Group Inc.'s performance, the company's net revenues may decline, the cost of operating and funding its business may increase and the company's business, financial condition and profitability may be materially and adversely affected.

Changes in Underliers

Many of the products that the company issues, such as structured notes or warrants pay interest or determine the principal amount to be paid at maturity or in the event of default by reference to rates or by reference to an index, currency, basket, exchange traded fund (ETF) or other financial metric (the underlier). In the event that the composition of the underlier is significantly changed, by reference to rules governing such underlier or otherwise, the underlier ceases to exist (for example, in the event that a country withdraws from the Euro or links its currency to or delinks its currency from another currency or benchmark, an index or ETF sponsor materially alters the composition of an index or ETF, or stocks in a basket are delisted or become impermissible to be included in the index or ETF), the underlier ceases to be recognised as an acceptable market benchmark or there are legal or regulatory constraints on linking a financial instrument to the underlier, the company may experience adverse effects consistent with those described below for Interbank Offered Rates (IBORs).

IBOR Exposure Overview

Replacement of Interbank Offered Rates, including London Interbank Offered Rate (LIBOR)

On January 1, 2022, the publication of all EUR, CHF, JPY and GBP LIBOR (non-USD LIBOR) settings along with certain USD LIBOR settings ceased. The publication of the most commonly used USD LIBOR settings will cease after June 2023. The publication of all other LIBOR settings ceased to be provided or ceased to be representative as of December 31, 2021. The U.S. federal banking agencies had also issued guidance strongly encouraging banking organisations to cease using the USD LIBOR as a reference rate in new contracts by December 31, 2021 at the latest. As the transition from LIBOR is ongoing, there continues to be substantial uncertainty as to the ultimate effect of the transition on the financial markets for LIBOR-linked financial instruments. Similar developments have occurred with respect to other IBORs.

The language in the company's contracts and financial instruments that define IBORs, in particular LIBOR, have developed over time and have various events that trigger when a successor rate to the designated rate would be selected. Once a trigger is satisfied, contracts and financial instruments often give the calculation agent (which may be the company) discretion over the successor rate or benchmark to be selected. As a result, for the most commonly used USD LIBOR settings, there continues to be considerable uncertainty as to how the financial services industry will address the discontinuance of designated rates in contracts and financial instruments or such designated rates ceasing to be acceptable reference rates. This uncertainty could ultimately result in disputes and litigation surrounding the proper interpretation of the company's IBOR-based contracts and financial instruments. For LIBOR settings that ceased to be provided or ceased to be representative as of December 2021, discretionary actions taken in connection with the implementation of fallback provisions could also result in disputes and litigation.

The International Swaps and Derivatives Association (ISDA) 2020 IBOR Fallbacks Protocol (IBOR Protocol) has provided derivatives market participants with amended fallbacks for legacy and new derivative contracts to mitigate legal or economic uncertainty. Both counterparties have to adhere to the IBOR Protocol or engage in bilateral amendments for the terms to be effective for derivative contracts. ISDA confirmed that the Financial Conduct Authority's (FCA's) formal announcement in March 2021 fixed the spread adjustment for all LIBOR rates and that fallbacks will automatically occur for outstanding derivative contracts that incorporate the relevant terms. In April 2021, the State of New York approved legislation intended to minimise legal and economic uncertainty for contracts that are governed by New York law and have no fallback provisions or have fallback provisions that are based on USD LIBOR by providing a statutory framework to replace USD LIBOR with a benchmark rate based on the Secured Overnight Financing Rate (SOFR).

Further, the discontinuation of an IBOR, changes in an IBOR or changes in market acceptance of any IBOR as a reference rate may also adversely affect the amounts paid on debt securities the company has issued, amounts received and paid on derivative instruments the company has entered into, the value of such debt securities or derivative instruments, the trading market for debt securities, the company's ability to effectively use derivative instruments to manage risk and its exposure to fluctuations in interest rates.

Management Report

IBOR Exposure (Audited). GS Group, including the company, has facilitated an orderly transition from non-USD LIBORs to alternative risk-free reference rates and continues to make progress on its transition programme as it relates to USD LIBOR.

The table below presents the company's exposure to interest rate benchmarks subject to reform.

\$ in millions	As of December 2021	
	Debt securities Issued	Derivative notional amount
USD LIBOR	\$3,958	\$35,994
Other	339	–
Total	\$4,297	\$35,994

In the table above:

- Non-USD IBOR derivative notionals excludes amounts for which fallbacks apply from January 1, 2022 as the company has no ongoing IBOR exposure related to these transactions.
- USD-LIBOR based debt securities issued of \$3.96 billion included approximately \$3.77 billion of debt securities issued which will mature after June 2023 based on their contractual terms.
- USD-LIBOR based derivative contracts of \$35.99 billion included approximately \$28.96 billion of derivative contracts which will mature after June 2023 based on their contractual terms. All such derivative contracts are with a GS Group affiliate under bilateral agreements subject to the IBOR Protocol.
- In relation to outstanding debt securities linked to IBORs, the company expects to follow the fallback methodology described in the offering documentation and, as the documentation permits, follow global industry standard replacements. Notification of the applicable fallbacks has been made available to holders of these securities.

GS Group's LIBOR transition programme continues to make progress with a focus on:

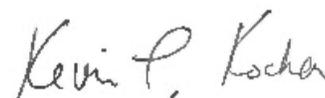
- Evaluating and monitoring the impacts of USD LIBOR settings across its businesses, including transactions and products;
- Ensuring that legacy financial instruments and contracts that continue to be impacted by the transition already contain appropriate fallback language or are being amended, either through bilateral negotiation or using industry-wide tools, such as protocols;
- Enhancements to infrastructure (for example, models and systems) to prepare for a smooth transition from USD LIBOR to alternative risk-free reference rates;
- Ensuring operational readiness to offer and support various alternative risk-free reference rate products;
- Active participation in central bank and sector working groups, including responding to industry consultations; and
- Client education and communication.

E.U. Regulation

The company lists debt instruments on certain E.U. trading venues and as a result the E.U. Transparency Directive and Delegated Regulation 2019/815 on European Single Electronic Format (ESEF Regulation) apply to the company.

Date of Authorisation of Issue

The management report was authorised for issue by the Board of Directors on April 25, 2022.



By order of the board
K. G. Kocher
 Director
 April 27, 2022

Directors' Report

The directors present their report and the audited financial statements for the year ended December 2021.

Dividends

The directors do not recommend the payment of an ordinary dividend for the year ended December 2021.

Disclosure of Information to Auditors

In the case of each of the persons who are directors of the company at the date when this report was approved:

- So far as each of the directors is aware, there is no relevant audit information of which the company's auditors are unaware; and
- Each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office as auditors of the company.

Statement of Directors' Responsibilities

The directors are responsible for preparing the management report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year. The directors have prepared the financial statements in accordance with applicable accounting standards in conformity with the requirements of the Companies (Jersey) Law 1991 and International Financial Reporting Standards (IFRS) as adopted in the E.U. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable accounting standards in conformity with the requirements of the Company (Jersey) Law 1991 and IFRS as adopted in the E.U. have been followed, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991.

The directors are responsible for:

- The maintenance and integrity of the company's financial statements on the Goldman Sachs website.
- Presenting the financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format (ESEF Regulation).

The directors confirm to the best of their knowledge:

- The financial statements, prepared in accordance with applicable accounting standards in conformity with the requirements of the Companies (Jersey) Law 1991 and IFRS as adopted in the E.U., give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- The management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that the company faces.

Directors

A. D'Souza was appointed to the Board of Directors on July 7, 2021.

P. Benichou was appointed to the Board of Directors on April 25, 2022.

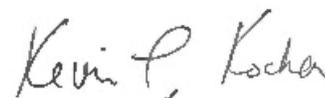
M. Rollins resigned from the Board of Directors on April 25, 2022.

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

No director had, at the year end, any interest requiring note herein.

Date of Authorisation of Issue

The financial statements were authorised for issue by the Board of Directors on April 25, 2022.



By order of the board
K. G. Kocher
Director
April 27, 2022

Independent auditors' report to the member of Goldman Sachs Finance Corp International Ltd

Report on the audit of the financial statements

Opinion

In our opinion, Goldman Sachs Finance Corp International Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted in the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 31 December 2021; the income statement and the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the Financial Reporting Council ("FRC")'s Ethical Standard, as applicable to listed public interest entities in accordance with the requirements of the Crown Dependencies' Audit Rules and Guidance for market-traded companies, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope.

- We perform a full scope audit of the financial statements of the company as a whole as a single component. The scope of the audit and the nature, timing and extent of audit procedures were determined by our risk assessment, the financial significance of financial statement line items and qualitative factors (including history of misstatement through fraud or error). In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Key audit matter.

- Valuation of debt securities issued designated at fair value through profit and loss and the associated derivatives recorded at fair value.

Materiality.

- Overall materiality: \$166.0 million (2020: \$155.2 million) based on 1% of total assets.
- Performance materiality: \$124.5 million (2020: \$116.4 million).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

The impact of COVID-19 on the financial statements, which was a key audit matter last year, is no longer included because of the limited impact on the company's operations and the market in which it trades. Otherwise, the key audit matter below is consistent with last year.

Independent auditors' report to the member of Goldman Sachs Finance Corp International Ltd

Key audit matter

Valuation of debt securities issued designated at fair value through profit and loss and the associated derivatives recorded at fair value.

In accordance with the accounting policies set out in Note 3 'Summary of Significant Accounting Policies' of the financial statements, the directors designate a portfolio of the company's issued debt securities at fair value through profit and loss (FVTPL). These securities are recorded in the balance sheet at fair value with DVA being recognised in other comprehensive income and the remaining changes in the fair value recorded in net revenues.

As set out in Note 20 'Fair Value Measurement', the company economically hedges the debt securities issued with derivatives. Derivative assets are mandatorily at fair value; derivative liabilities are classified as held for trading. Both are recorded in the balance sheet at fair value with changes in the fair value recorded in net revenues.

As the debt securities issued are economically hedged with derivatives, the net impact of changes in fair values of the debt securities and derivatives in total is not material to the company's profit or loss, or other comprehensive income. This key audit matter relates to the balance sheet valuation of debt securities issued designated at FVTPL, and the associated derivative hedges recorded at fair value.

The valuation of debt securities issued designated at fair value and derivative assets and liabilities held at fair value are produced by financial models using a variety of inputs. Estimation uncertainty can be high for those instruments where significant valuation inputs are unobservable.

As at 31 December 2021, total derivative assets, derivative liabilities and debt securities issued designated at fair value were \$1,040 million, \$994 million and \$12,511 million, respectively.

How our audit addressed the key audit matter

We understood and evaluated the design and tested the operational effectiveness of key controls over the valuation of financial instruments.

These controls included:

- Validation of new and existing models by a specialist team within the risk function, as well as access and change management controls in respect of models in use.
- The price verification process performed by the Controller's function using prices and model valuation inputs sourced from third parties; and
- Controls over the calculation and approval of key valuation adjustments

We noted no significant exceptions in the design or operating effectiveness of these controls and we determined we could rely on these controls for the purposes of our audit.

In addition, we performed substantive testing as described below:

- Together with our internal valuation specialists we revalued a sample of financial instruments using independent models and, to the extent available, independently sourced inputs.
- We tested a sample of external inputs used within management's price verification process as at 31 December 2021 and evaluated the appropriateness of the sources.
- For a sample of debt securities issued, together with our internal valuation specialists, we confirmed that these were economically hedged by derivative assets or liabilities and that the residual risk within the company was limited. We evaluated the methodology and underlying assumptions used to determine valuation adjustments.
- We tested a sample of valuation adjustments as at the year end. We examined cash reconciliations, large gains and losses on disposals and other events which could provide evidence about the appropriateness of management's valuation.

Based on the work performed, we found management's estimates of the fair value of debt securities issued and derivative instruments to be supported by the evidence obtained.

In addition

- We performed testing to validate that management had allocated financial instruments to the appropriate level within the fair value hierarchy in line with the established policy, and that the policy classifications were appropriate.
- We read and assessed the disclosures in Note 20 'Fair Value Measurement' regarding significant unobservable inputs and the fair value hierarchy and found them to be appropriate.

Independent auditors' report to the member of Goldman Sachs Finance Corp International Ltd

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The company issues warrants, certificates and notes to investors in a number of European and Asian markets. We consider that the company is a single audit component. There are a number of centralised functions operated by the ultimate parent company, The Goldman Sachs Group, Inc., in the U.S. or in group shared service centres in other locations that are relevant to the audit of the company. We determined the scope of the work required in each of these locations and issued instructions to PwC network firms. We interacted regularly with the firms responsible for the work throughout the course of the audit. This included reviewing key working papers and discussing and challenging the results of work in higher risk areas of the audit. We concluded that the procedures performed on our behalf were sufficient for the purposes of issuing our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	\$166.0 million (2020: \$155.2 million)
How we determined it	1% of total assets (2020: 1% of total assets)
Rationale for benchmark applied	The company's main activity is to issue warrants, certificates and notes to investors in a number of European and Asian markets and lend the proceeds to affiliates. The company is not run for profit. As such total assets are considered an appropriate benchmark.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to \$124.5 million (2020: \$116 million) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above \$8.3 million (2020: \$7.8 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing management's going concern assessment;
- Performing a risk assessment to identify factors that could impact the going concern basis of accounting;
- Evaluating the company's current financial position and financial forecasts;
- Understanding and evaluating the company's current liquidity position, as well as the support available from the ultimate parent undertaking, The Goldman Sachs Group, Inc.;
- Considering the results of procedures performed by the group auditor to support the going concern assessment for The Goldman Sachs Group, Inc.; and
- Evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditors' report to the member of Goldman Sachs Finance Corp International Ltd

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

With respect to the Management Report and Directors' Report, we also considered whether the disclosures required by the Companies (Jersey) Law 1991 have been included.

Based on our work undertaken in the course of the audit, the Companies (Jersey) Law 1991 requires us also to report certain opinions and matters as described below.

Management Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Management Report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Management Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for presenting the financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format (ESEF Regulation).

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Independent auditors' report to the member of Goldman Sachs Finance Corp International Ltd

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the rules of the Jersey Financial Services Commission and the listing rules of the relevant exchanges, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies (Jersey) Law 1991. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inappropriate journal entries and management bias through the manipulation of the valuation of financial instruments held at fair value. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance in relation to known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluating and testing of the operating effectiveness of management's controls designed to prevent and detect fraud in financial reporting;
- Assessing matters reported on the company's whistleblowing helpline and the results of management's investigation of such matters;
- Identifying and testing journal entries, in particular any journal entries posted by senior management;
- Challenging assumptions and judgments made by management in their significant accounting estimates, in particular in relation to the valuation of financial assets and liabilities held at fair value; and
- Incorporating unpredictability into the nature, timing and/or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

It is also our responsibility to assess whether the financial statements have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the member of Goldman Sachs Finance Corp International Ltd

Other required reporting

Companies (Jersey) Law 1991 exception reporting

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Report on other legal and regulatory requirements

We have checked the compliance of the financial statements of the company as at 31 December 2021, with the relevant statutory requirements set out in the ESEF Regulation that are applicable to the financial statements. That is, for the company:

- The financial statements are prepared in a valid xHTML format

In our opinion, the financial statements of the company as at 31 December 2021, identified as gsfci-12-31-21-financial-statements.xhtml, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

Appointment

We were appointed by the directors on 11 November 2016 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ended 31 December 2017 to 31 December 2021.



Mike Wallace
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Recognized Auditor
London
27 April 2022

Income Statement

<i>\$ in millions</i>	Note	Year Ended December	
		2021	2020
Interest income from financial instruments measured at amortised cost		\$ 224	\$ 268
Interest expense from financial instruments measured at amortised cost		(20)	(22)
Net interest income		204	246
Gains or losses from financial instruments at fair value through profit or loss		(45)	(250)
Other income/(expense)		(81)	42
Non-interest expense		(126)	(208)
Net revenues	5	78	38
Operating expenses	6	–	–
Profit before taxation		78	38
Income tax expense	8	–	–
Profit for the financial year		\$ 78	\$ 38

Net revenues and profit of the company are derived from continuing operations in the current and prior years.

Statement of Comprehensive Income

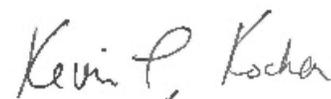
<i>\$ in millions</i>	Note	Year Ended December	
		2021	2020
Profit for the financial year		\$ 78	\$ 38
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Debt valuation adjustment	13	58	(138)
Tax attributable to the components of other comprehensive income		–	–
Other comprehensive income/(loss) for the financial year		58	(138)
Total comprehensive income/(loss) for the financial year		\$136	\$(100)

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

Balance Sheet

<i>\$ in millions</i>	Note	As of December	
		2021	2020
Assets			
Cash and cash equivalents	15	\$ 14	\$ 11
Customer and other receivables	9	67	132
Derivative assets	10	1,040	1,084
Intercompany loans	11	15,484	14,291
Total assets		\$16,605	\$15,518
Liabilities			
Customer and other payables	12	\$ 126	\$ 7
Derivative liabilities	10	994	807
Unsecured borrowings	13	15,301	14,656
Total liabilities		16,421	15,470
Shareholder's equity			
Share capital	14	5	5
Share premium account		175	175
Retained earnings		164	105
Accumulated other comprehensive income		(160)	(237)
Total shareholder's equity		184	48
Total liabilities and shareholder's equity		\$16,605	\$15,518

The financial statements were approved by the Board of Directors on April 25, 2022 and signed on its behalf by:



K. G. Kocher
Director

Statement of Changes in Equity

<i>\$ in millions</i>	Note	Year Ended December	
		2021	2020
Share capital			
Beginning balance		\$ 5	\$ 5
Shares issued	14	–	–
Ending balance		5	5
Share premium account			
Beginning balance		175	50
Shares issued	14	–	125
Ending balance		175	175
Retained earnings			
Beginning balance		105	72
Profit for the financial year		78	38
Transfer of realised debt valuation adjustment into retained earnings	13	(19)	(5)
Ending balance		164	105
Accumulated other comprehensive income			
Beginning balance		(237)	(104)
Other comprehensive income/(loss)		58	(138)
Transfer of realised debt valuation adjustment into retained earnings	13	19	5
Ending balance		(160)	(237)
Total shareholder's equity		\$ 184	\$ 48

No dividends were paid for 2021 and 2020.

Statement of Cash Flows

<i>\$ in millions</i>	Note	Year Ended December	
		2021	2020
Cash flows from operating activities			
Cash generated from/(used in) operations	15	\$ 4	\$(131)
Net cash generated from/(used in) operating activities		4	(131)
Cash flows from financing activities			
Receipts from issuing ordinary share capital		–	125
Net cash from financing activities		–	125
Net increase/(decrease) in cash and cash equivalents		4	(6)
Cash and cash equivalents, beginning balance		11	15
Foreign exchange gains/(losses) on cash and cash equivalents		(1)	2
Cash and cash equivalents, ending balance	15	\$14	\$ 11

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

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.

Basis of Preparation

Statement of Compliance

These financial statements have been prepared in accordance with applicable accounting standards in conformity with the requirements of the Companies (Jersey) Law 1991 and International Financial Reporting Standards (IFRS) as adopted in the E.U.

These financial statements have been prepared on the going concern basis, under the historical cost basis (modified as explained in "Financial Assets and Liabilities" below).

Note 3.

Summary of Significant Accounting Policies

New Standards, Amendments and Interpretations

Amendments to IFRS 9 'Financial Instruments' (IFRS 9), IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39), IFRS 7 'Financial Instruments: Disclosures' (IFRS 7), IFRS 4 'Insurance Contracts' (IFRS 4) and IFRS 16 'Leases' (IFRS 16). On January 1, 2021, "Interest Rate Benchmark Reform – Phase 2" became effective and was applied by the company. The amendments introduced the following changes:

- Practical expedients for changes in contractual cash flows (IFRS 9, IFRS 4 and IFRS 16).
- Relief from discontinuing hedge account requirements (IFRS 9 and IAS 39).
- Disclosure requirements (IFRS 7).

In the current year, the company did not utilise the practical expedient for modifications to amortised cost instruments which allows the benchmark interest rate change to be reflected prospectively or the relief from discontinuing hedge accounting requirements. The practical expedients in IFRS 4 and IFRS 16 were not relevant for the company. See "IBOR Exposure Overview — Replacement of Interbank Offered Rates, including London Interbank Offered Rate (LIBOR)" for new disclosures required by IFRS 7.

Accounting Policies

Revenue Recognition. Net revenues include non-interest income/(expense) and net interest income. Non-interest income/(expense) includes the net profit/(loss) arising from the issuance of debt securities, OTC derivative hedges with affiliates, allocations of net revenues from/(to) affiliates for their participation in the company's activities and allowance for impairment. Net interest income primarily relates to interest income from loans to affiliates. Net revenues have been disclosed instead of turnover as this reflects more meaningfully the nature and results of the company's activities.

Notes to the Financial Statements

Debt securities issued by the company are either designated at fair value through profit or loss, or are measured at amortised cost where the host instrument is classified as a hedged item (see “Financial Assets and Liabilities — Fair Value Hedges” below). Debt securities designated at fair value through profit or loss are recognised at fair value with realised and unrealised gains and losses, as well as associated interest and expenses included in net revenues, with the exception of changes in fair value attributable to own credit risk, which are recognised in other comprehensive income, unless this would create or enlarge an accounting mismatch in profit or loss. Financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. Debt securities measured at amortised cost are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method. Finance costs, including discounts allowed on issue, are recorded in net revenues.

The company enters into OTC derivative instruments for hedging purposes which are measured mandatorily at fair value through profit or loss. The net of the gains and losses of these instruments are included in net revenues for the year. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs.

Allowance for impairment on loans to affiliates are included in net revenues (see “Financial Assets and Liabilities — Impairment” below).

Interest income and interest expense from intercompany loans and debt securities measured at amortised cost are included in net revenues using the effective interest method.

Segment Reporting. The directors manage the company’s business activities as a single operating segment and accordingly no segmental reporting has been provided.

Dividends. Final equity dividends are recognised as a liability and deducted from equity in the year in which the dividends are approved by the company’s shareholder. Interim equity dividends are recognised and deducted from equity when paid.

Cash and cash equivalents. This includes cash at bank and highly liquid overnight deposits held in the ordinary course of business.

Foreign Currencies. The company’s financial statements are presented in U.S. dollars, which is also the company’s functional currency.

Transactions denominated in foreign currencies are translated into U.S. dollars at rates of exchange ruling on the date the transaction occurred. Monetary assets and liabilities, and non-monetary assets and liabilities measured at fair value, denominated in foreign currencies are translated into U.S. dollars at rates of exchange ruling at the balance sheet date. Foreign exchange gains and losses are recognised in net revenues.

Financial Assets and Liabilities.

Recognition and Derecognition

Financial assets and liabilities are recognised when the company becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or if the company transfers the financial asset and the transfer qualifies for derecognition. A transferred financial asset qualifies for derecognition if the company transfers substantially all the risks and rewards of ownership of the financial asset or if the company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but does not retain control. Financial liabilities are derecognised only when they are extinguished, i.e., when the obligation specified in the contract is discharged or cancelled or expires.

Classification and Measurement: Financial Assets

The company classifies financial assets as subsequently measured at amortised cost or fair value through profit or loss on the basis of both the company’s business model for managing financial assets and the contractual cash flow characteristics of the financial assets. The business model reflects how the company manages particular groups of assets in order to generate future cash flows. Where the company’s business model is to hold the assets to collect contractual cash flows, the company subsequently assesses whether the financial assets’ cash flows represent solely payments of principal and interest. Financial assets with embedded derivatives (hybrid instruments) are also subject to the same assessment.

- **Financial assets measured at amortised cost.**

Financial assets that are held for the collection of contractual cash flows and have cash flows that represent solely payments of principal and interest are measured at amortised cost. The company considers whether the cash flows represent basic lending arrangements, and where contractual terms introduce exposure to risk or volatility inconsistent with a basic lending arrangement, the financial asset is mandatorily measured at fair value through profit or loss (see below).

Notes to the Financial Statements

Financial assets measured at amortised cost are initially measured at fair value plus transaction costs and subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period to the net carrying value of the financial asset. When calculating the effective interest rate, the company estimates cash flows considering all contractual terms of the financial asset but does not consider future credit losses. Finance revenue is recorded in net revenues. Financial assets measured at amortised cost include:

- Cash and cash equivalents
- Customer and other receivables; and
- Intercompany loans
- **Financial assets mandatorily measured at fair value through profit or loss.** Financial assets that are not held for the collection of contractual cash flows and/or do not have cash flows that represent solely payments of principal and interest are mandatorily measured at fair value through profit or loss. Financial assets mandatorily measured at fair value are initially measured at fair value with transaction costs expensed in the income statement. Such financial assets are subsequently measured at fair value with gains or losses recognised in net revenues. Financial assets mandatorily measured at fair value include derivative assets.

Classification and Measurement: Financial Liabilities

The company classifies its financial liabilities into the below categories based on the purpose for which they were acquired or originated.

- **Financial liabilities held for trading.** Financial liabilities held for trading are initially measured at fair value and subsequently at fair value through profit or loss, with gains or losses recognised in net revenues. Financial liabilities held for trading include derivative liabilities.
- **Financial liabilities designated at fair value through profit or loss.** The company designates certain financial liabilities at fair value through profit or loss. Financial liabilities designated at fair value through profit or loss are initially measured at fair value and subsequently at fair value through profit or loss, with DVA being recognised in other comprehensive income, if it does not create or enlarge an accounting mismatch, and the remaining changes in the fair value being recognised in net revenues. Amounts recognised in other comprehensive income attributable to own credit spreads are not subsequently transferred to the income statement, even upon derecognition of the financial liability. Gains or losses exclude contractual interest, which is included in interest income and interest expense, for all instruments other than hybrid financial instruments. The primary reasons for designating such financial liabilities at fair value through profit or loss are:
 - To eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; and
 - The group of financial liabilities, or financial assets and liabilities, is managed and its performance evaluated on a fair value basis.

Financial liabilities designated at fair value through profit or loss include debt securities issued, which are hybrid financial instruments.

Hybrid financial instruments are instruments that contain bifurcated embedded derivatives. If the company elects to bifurcate the embedded derivative from the associated debt, the derivative is accounted for at fair value and the host contract is accounted for at amortised cost, adjusted for the effective portion of any fair value hedges. If the company does not elect to bifurcate, the entire hybrid financial instrument is designated at fair value through profit or loss.
- **Financial liabilities measured at amortised cost.** Financial liabilities measured at amortised cost are initially measured at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method. See “Financial assets measured at amortised cost” above for further information on the effective interest method. Finance costs, including discounts allowed on issue, are recorded in net interest income and interest expense.

Financial liabilities measured at amortised cost include customer and other payables and certain unsecured borrowings that have not been designated at fair value through profit or loss.

Impairment

The company assesses the expected credit losses (ECL) associated with financial assets measured at amortised cost on a forward-looking basis in accordance with the provisions of IFRS 9. Expected credit losses are recorded in net revenues.

The company's impairment model is based on changes in credit quality since initial recognition of the financial assets measured at amortised cost and incorporates the following three stages:

- **Stage 1.** Financial assets measured at amortised cost that are not credit-impaired on initial recognition and where there has been no significant increase in credit risk since initial recognition. The ECL is measured at an amount equal to the expected credit losses that result from default events possible within the next twelve months.
- **Stage 2.** Financial assets measured at amortised cost where there has been a significant increase in credit risk since initial recognition, however not yet deemed to be credit-impaired. The ECL is measured based on expected credit losses on a lifetime basis.
- **Stage 3.** Financial assets measured at amortised cost that are in default, or are defined as credit-impaired. The ECL is measured based on expected credit losses on a lifetime basis.

Determination of the relevant staging for each financial asset is dependent on the definition of 'significant increase in credit risk' (stage 1 to stage 2) and the definition of 'credit-impaired' (stage 3). The company considers a financial asset to have experienced a significant increase in credit risk when certain quantitative or qualitative conditions are met. The company considers a financial asset to be credit-impaired when it meets Credit Risk's definition of default, which is either when the company considers that the obligor is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions, such as realising security (if held), or the obligor has defaulted on a payment and/or is past due more than 90 days.

The ECL is determined by projecting the probability of default, loss given default and exposure at default for each individual exposure. To calculate ECL, these three components are multiplied together and discounted back to the reporting date. The discount rate used in the ECL calculation is the original effective interest rate. The probability of default represents the likelihood of a borrower defaulting on its financial obligation. The loss given default is the company's expectation of the extent of loss on the default exposure, and takes into consideration amongst other things, collateral on the financial asset. The exposure at default is the amount the company expects to be owed at the time the financial obligation defaults. The company uses internal credit risk ratings that reflect the assessment of the probability of default of individual counterparties. The company uses multiple macroeconomic scenarios within the ECL calculation, the weightings for which are subject to ongoing internal review and approval.

The ECL model takes into account the weighted average of a range of forecasts of future economic conditions. The forecasts include baseline, favourable and adverse economic scenarios over a three-year period. To the extent the company has financial assets in Stage 2 or Stage 3 which have an expected life beyond three years, the model reverts to historical loss information based on a non-linear modelled approach. The company applies judgement in weighing individual scenarios each quarter based on a variety of factors, including internally derived economic outlook, market consensus, recent macroeconomic conditions and industry trends.

Forward-looking information, such as key economic variables impacting credit risk and expected credit losses, is incorporated into both the assessment of staging and the calculation of ECL.

The company writes off financial assets, in whole or in part, when it has concluded that there is no reasonable expectation of recovery.

Classification of Financial Liabilities and Equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements. A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all liabilities. Instruments are evaluated to determine if they contain both liability and equity components. The initial carrying value of a compound financial instrument is allocated first to the liability component, measured at fair value, and the equity is assigned the residual amount.

Offsetting Financial Assets and Liabilities

Financial assets and liabilities are offset and the net amount presented in the balance sheet where there is:

- Currently a legally enforceable right to set-off the recognised amounts; and
- Intent to settle on a net basis or to realise the asset and settle the liability simultaneously.

Where these conditions are not met, financial assets and liabilities are presented on a gross basis in the balance sheet.

Fair Value Measurement

See Note 20 for details about the fair value measurement of the company's financial assets and liabilities.

Fair Value Hedges

The company applies hedge accounting under IAS 39 for certain interest rate swaps used to manage the interest rate exposure of certain fixed-rate unsecured long-term borrowings. To qualify for hedge accounting, the derivative hedge must be highly effective at reducing the risk from the exposure being hedged. Additionally, the company must formally document the hedging relationship at inception and test the hedging relationship to ensure the derivative hedge continues to be highly effective over the life of the hedging relationship.

The company applies a statistical method that utilises regression analysis when assessing the effectiveness of its fair value hedging relationships in achieving offsetting changes in the fair values of the hedging instrument and the risk being hedged (i.e., interest rate risk). An interest rate swap is considered highly effective in offsetting changes in fair value attributable to changes in the hedged risk when the regression analysis results in a coefficient of determination of 80% or greater and a slope between 80% and 125%. Possible sources of ineffectiveness on these hedges include:

- Differences in timing of cash flows between the hedged item and hedging instrument.
- Differences in discounting between the hedged item and the hedging instrument, as cash collateralised derivatives are discounted using Overnight Indexed Swap discount curves, which are not consistently applied to the hedged item.
- Counterparty credit risk impacting fair value movements on uncollateralised interest rate swaps but not the underlying hedged item.

For qualifying fair value hedges, gains or losses on derivatives and the change in fair value of the hedged item attributable to the hedged risk are included in net revenues. When a derivative is no longer designated as a hedge, any remaining difference between the carrying value and par value of the hedged item is amortised over the remaining life of the hedged item using the effective interest method.

Note 4.

Critical Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in these financial statements. The nature of estimation means that actual outcomes could differ from those estimates. The following estimates have had the most significant effect on amounts recognised in the financial statements:

Fair Value Measurement

Certain financial liabilities of the company which are economically hedged include significant unobservable inputs (i.e., level 3). See Note 20 for information about the carrying value and valuation techniques of these instruments.

Note 5.

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>	Year Ended December	
	2021	2020
Interest income		
Interest income from financial instruments measured at amortised cost	\$ 224	\$ 268
Total interest income	224	268
Interest expense		
Interest expense from financial instruments measured at amortised cost, net of hedges	(20)	(22)
Total interest expense	(20)	(22)
Net interest income	204	246
Non-interest expense		
Financial instruments mandatorily measured at fair value through profit or loss	294	(256)
Financial instruments designated at fair value through profit or loss	(339)	6
Allocations of net revenues from/(to) affiliates	(82)	46
Net changes in impairments on financial assets	1	(4)
Non-interest expense	(126)	(208)
Net revenues	\$ 78	\$ 38

Note 6.

Operating Expenses

The company incurred operating expenses of \$214,000 for 2021 and \$177,000 for 2020, which primarily related to professional fees.

Note 7.

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 8.

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 9.

Customer and Other Receivables

The table below presents customer and other receivables.

<i>\$ in millions</i>	As of December	
	2021	2020
Receivables from customers and counterparties	\$49	\$ 49
Miscellaneous receivables and other	18	83
Total	\$67	\$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 10.

Derivative Assets and Liabilities

The table below presents derivative assets.

<i>\$ in millions</i>	As of December	
	2021	2020
Interest rates	\$ 697	\$ 704
Credit	35	45
Currencies	152	186
Equities	156	149
Total	\$1,040	\$1,084

The table below presents derivative liabilities.

<i>\$ in millions</i>	As of December	
	2021	2020
Interest rates	\$604	\$534
Credit	37	51
Currencies	262	100
Equities	91	122
Total	\$994	\$807

Note 11.

Intercompany Loans

The table below presents intercompany loans.

<i>\$ in millions</i>	As of December	
	2021	2020
Unsecured loans	\$15,484	\$14,291
Total	\$15,484	\$14,291

In the table above, unsecured loans included an allowance for impairment of \$5 million as of December 2021 and \$6 million as of December 2020. The company's allowance for impairment is impacted by a variety of factors including changes in modelling assumptions based on updated macroeconomic assumptions. The decrease in company's allowance for impairment is primarily due to an improvement in the macroeconomic environment as of December 2021. These financial assets remained in stage 1 throughout the whole year.

Note 12.

Customer and Other Payables

The table below presents customer and other payables.

<i>\$ in millions</i>	As of December	
	2021	2020
Miscellaneous payables and other	\$126	\$7
Total	\$126	\$7

In the table above:

- 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 13.

Unsecured Borrowings

The table below presents unsecured borrowings.

<i>\$ in millions</i>	As of December	
	2021	2020
Debt securities issued	\$15,300	\$14,429
Intercompany loans	1	–
Other borrowings	–	227
Total	\$15,301	\$14,656

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>	Year Ended December	
	2021	2020
Beginning balance	\$(237)	\$(104)
Debt valuation adjustment for the year	58	(138)
Transfer to retained earnings	19	5
Ending balance	\$(160)	\$(237)

In the table above, net losses of \$19 million for 2021 and net losses of \$5 million for 2020 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.

Hedge Accounting

The company designates certain interest rate swaps as fair value hedges that are used to manage the interest rate exposure of certain fixed-rate unsecured long-term borrowings. These interest rate swaps hedge changes in fair value attributable to the relevant benchmark interest rate (e.g., EURIBOR), effectively converting fixed-rate obligations into floating-rate obligations.

The table below presents information about hedging instruments, which are classified as derivative assets and liabilities in the balance sheet.

<i>\$ in millions</i>	As of December	
	2021	2020
Asset carrying value	\$50	\$107
Liability carrying value	\$12	\$ 1

The notional of the company's hedging instruments was \$2.01 billion as of December 2021 and \$2.44 billion as of December 2020 with contractual maturity date of greater than 5 years. The average fixed rate of such instruments was 1.08% for 2021 and 1.49% for 2020.

The table below presents the carrying value of the hedged items that are currently designated in a hedging relationship and the related cumulative hedging adjustment (increase/(decrease)) from current and prior hedging relationships included in such carrying values.

<i>\$ in millions</i>	Cumulative	
	Carrying value	Hedging Adjustment
As of December 2021		
Unsecured long-term borrowings	\$2,172	\$ 36
As of December 2020		
Unsecured long-term borrowings	\$2,335	\$102

In the table above, cumulative hedging adjustment for items no longer designated in a hedging relationship were \$5 million as of December 2021 and \$6 million for December 2020.

The table below presents the gains/(losses) from interest rate derivatives accounted for as hedges, the related hedged borrowings and the hedge ineffectiveness on these derivatives, recognised in net revenues.

<i>\$ in millions</i>	Year Ended December	
	2021	2020
Interest rate hedges	\$(61)	\$ 28
Hedged borrowings	53	(22)
Hedge ineffectiveness	\$(8)	\$ 6

Note 14.

Share Capital

The table below presents share capital.

Allotted, called up and fully paid	Ordinary shares	
	of \$1 each	<i>\$ in millions</i>
As of January 1, 2021	5,000,007	\$5
As of December 31, 2021	5,000,007	\$5

Note 15.

Statement of Cash Flows Reconciliations

For the purpose of the statement of cash flows, cash and cash equivalents consists of cash at bank of \$14 million as of December 2021 and \$11 million as of December 2020.

Reconciliation of Cash Flows from Operating Activities

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

<i>\$ in millions</i>	Year Ended December	
	2021	2020
Profit before taxation	\$ 78	\$ 38
Adjustments for		
Foreign exchange losses/(gains)	1	(2)
Cash generated before changes in operating assets and liabilities	79	36
Changes in operating assets		
Decrease/(increase) in customer and other receivables	65	(18)
Decrease/(increase) in derivative assets	44	(416)
Increase in intercompany loans	(1,193)	(2,498)
Changes in operating assets	(1,084)	(2,932)
Changes in operating liabilities		
Increase/(decrease) in customer and other payables	119	(87)
Increase/(decrease) in derivative liabilities	187	(4)
Increase in unsecured borrowings	703	2,856
Changes in operating liabilities	1,009	2,765
Cash generated from/(used in) operations	\$ 4	\$ (131)

In the table above, cash generated from/(used in) operations included interest paid of \$12 million for the year ended December 2021 and \$28 million for the year ended December 2020, and interest received of \$227 million for the year ended December 2021 and \$290 million for the year ended December 2020.

Note 16.

Financial Commitments and Contingencies

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

Note 17.

Maturity of Assets and Liabilities

The table below presents the expected maturity of assets and liabilities.

<i>\$ in millions</i>	Non-Current	Current	Total
As of December 2021			
Assets			
Cash and cash equivalents	\$ -	\$ 14	\$ 14
Customer and other receivables	-	67	67
Derivative assets	-	1,040	1,040
Intercompany loans	14,667	817	15,484
Total assets	\$14,667	\$1,938	\$16,605
Liabilities			
Customer and other payables	\$ -	\$ 126	\$ 126
Derivative liabilities	-	994	994
Unsecured borrowings	12,438	2,863	15,301
Total liabilities	\$12,438	\$3,983	\$16,421
As of December 2020			
Assets			
Cash and cash equivalents	\$ -	\$ 11	\$ 11
Customer and other receivables	-	132	132
Derivative assets	-	1,084	1,084
Intercompany loans	13,471	820	14,291
Total assets	\$13,471	\$2,047	\$15,518
Liabilities			
Customer and other payables	\$ -	\$ 7	\$ 7
Derivative liabilities	-	807	807
Unsecured borrowings	10,588	4,068	14,656
Total liabilities	\$10,588	\$4,882	\$15,470

In the table above:

- Current assets and liabilities include amounts that the company expects to realise or settle in its normal operating cycle and primarily includes assets and liabilities held for trading and cash and cash equivalents.
- Non-current assets are amounts that the company expects to be recovered after more than twelve months and primarily includes certain intercompany loans.
- Non-current liabilities are amounts that the company expects to be settled after more than twelve months and includes the unsecured borrowings with contractual maturities greater than one year, with the exception of contracts that have trigger events that are not in the control of the company, which are classified as current.

Note 18.

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.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the company. Key management personnel of the company include the directors of the company.

Key Management Compensation

Key management personnel are employed by GS Group affiliates and no compensation is paid by the company.

Transactions with Related Parties

The company's transactions with related parties primarily include the following.

Risk Management

The company routinely enters into derivatives with related parties for risk management, which are recognised in derivative assets and derivative liabilities.

The company also exchanges cash collateral in connection with derivative transactions. Cash collateral received is recognised in customer and other payables. Cash collateral paid is recognised in customer and other receivables.

Funding Activity

The company has raised funding through debt securities issued and made unsecured loans to GS Group affiliates. See Note 11 for further details.

Interest-bearing instruments are typically priced based on the term, currency, size and whether the instrument is secured or unsecured.

Transfer Pricing

The company participates in the allocation of net revenues among GS Group affiliates for their involvement in the company's business activities.

Related Party Assets and Liabilities

The table below presents assets and liabilities with related parties.

<i>\$ in millions</i>	Parent entities	Other GS Group affiliates	Total
As of December 2021			
Assets			
Customer and other receivables	\$ –	\$ 67	\$ 67
Derivative assets	–	902	902
Intercompany loans	14,683	801	15,484
Total assets	\$14,683	\$1,770	\$16,453
Liabilities			
Customer and other payables	\$ –	\$ 126	\$ 126
Derivative liabilities	–	961	961
Unsecured borrowings	1	164	165
Total liabilities	\$ 1	\$1,251	\$ 1,252
As of December 2020			
Assets			
Customer and other receivables	\$ 1	\$ 131	\$ 132
Derivative assets	–	917	917
Intercompany loans	13,490	801	14,291
Total assets	\$13,491	\$1,849	\$15,340
Liabilities			
Customer and other payables	\$ –	\$ 7	\$ 7
Derivative liabilities	–	769	769
Unsecured borrowings	–	384	384
Total liabilities	\$ –	\$1,160	\$ 1,160

Related Party Income and Expense

The table below presents income and expenses related to transactions with related parties other than Key Management Personnel.

<i>\$ in millions</i>	Parent entities	Other GS Group affiliates	Total
Year Ended December 2021			
Net revenues			
Interest income	\$211	\$ 13	\$224
Interest expense	–	–	–
Transfer pricing revenues	–	(82)	(82)
Impairments on financial assets	1	–	1
Total net revenues	\$212	\$(69)	\$143
Year Ended December 2020			
Net revenues			
Interest income	\$249	\$ 19	\$268
Interest expense	(1)	–	(1)
Transfer pricing revenues	–	46	46
Impairments on financial assets	(4)	–	(4)
Total net revenues	\$244	\$ 65	\$309

Note 19.

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 December 2021			
Cash and cash equivalents	\$ –	\$ 14	\$ 14
Customer and other receivables	–	67	67
Derivative assets	1,040	–	1,040
Intercompany loans	–	15,484	15,484
Total	\$1,040	\$15,565	\$16,605
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

<i>\$ in millions</i>	Financial Liabilities			Total
	Held for Trading	Designated at fair value	Amortised cost	
As of December 2021				
Customer and other payables	\$ –	\$ –	\$ 126	\$ 126
Derivative liabilities	994	–	–	994
Unsecured borrowings	–	12,511	2,790	15,301
Total	\$994	\$12,511	\$2,916	\$16,421
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 \$50 million as of December 2021 and \$107 million as of December 2020.
- Derivative liabilities included derivative instruments designated as hedges of \$12 million as of December 2021 and \$1 million as of December 2020.

Offsetting of Financial Assets and Liabilities

The tables below present financial assets and liabilities that are subject to enforceable netting agreements and offsetting. Amounts are only offset in the balance sheet, when the company currently has a legally enforceable right to set-off the recognised amounts and an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously. In the tables below:

- Gross amounts exclude the effects of both counterparty netting and collateral, and therefore are not representative of the company's economic exposure.

- Amounts not offset in the balance sheet include counterparty netting (i.e., the netting of financial assets and liabilities for a given counterparty when a legal right of set-off exists under an enforceable netting agreement), and cash and security collateral received and posted under enforceable credit support agreements, that do not meet the criteria for offsetting under IFRS.

- Where the company has received or posted collateral under credit support agreements, but has not yet determined whether such agreements are enforceable, the related collateral has not been included in the amounts not offset in the balance sheet.

<i>\$ in millions</i>	As of December 2021						
	Gross amounts	Amounts offset in the balance sheet	Net amount presented in the balance sheet	Amounts not offset in the balance sheet			
				Counterparty netting	Cash collateral	Security collateral	Net Amount
Financial Assets							
Customer and other receivables	\$ 49	\$ –	\$ 49	\$ –	\$(49)	\$ –	\$ –
Derivative assets	902	–	902	(902)	–	–	–
Financial assets subject to enforceable netting agreements	951	–	951	(902)	(49)	–	–
Financial assets not subject to enforceable netting agreements	15,654	–	15,654	–	–	–	15,654
Total financial assets	\$16,605	\$ –	\$16,605	\$(902)	\$(49)	\$ –	\$15,654
Financial Liabilities							
Derivative liabilities	\$ 961	\$ –	\$ 961	\$(902)	\$(49)	\$ –	\$ 10
Unsecured borrowings	–	–	–	–	–	–	–
Financial liabilities subject to enforceable netting agreements	961	–	961	(902)	(49)	–	10
Financial liabilities not subject to enforceable netting agreements	15,460	–	15,460	–	–	–	15,460
Total financial liabilities	\$16,421	\$ –	\$16,421	\$(902)	\$(49)	\$ –	\$15,470

<i>\$ in millions</i>	As of December 2020						
	Gross amounts	Amounts offset in the balance sheet	Net amount presented in the balance sheet	Amounts not offset in the balance sheet			
				Counterparty netting	Cash Collateral	Security Collateral	Net Amount
Financial Assets							
Customer and other receivables	\$ 49	\$ –	\$ 49	\$ –	\$(49)	\$ –	\$ –
Derivative assets	917	–	917	(917)	–	–	–
Financial assets subject to enforceable netting agreements	966	–	966	(917)	(49)	–	–
Financial assets not subject to enforceable netting agreements	14,552	–	14,552	–	–	–	14,552
Total financial assets	\$15,518	\$ –	\$15,518	\$(917)	\$(49)	\$ –	\$14,552
Financial Liabilities							
Derivative liabilities	\$ 765	\$ –	\$ 765	\$(765)	\$ –	\$ –	\$ –
Unsecured borrowings	226	–	226	(152)	(49)	–	25
Financial liabilities subject to enforceable netting agreements	991	–	991	(917)	(49)	–	25
Financial liabilities not subject to enforceable netting agreements	14,479	–	14,479	–	–	–	14,479
Total financial liabilities	\$15,470	\$ –	\$15,470	\$(917)	\$(49)	\$ –	\$14,504

Collateral Received and Pledged

The company receives cash as collateral, primarily in connection with derivative transactions. The company obtains cash as collateral on an upfront or contingent basis for derivative instruments to reduce its credit exposure to individual counterparties.

The company has posted cash collateral of \$49 million as of December 2021 and \$49 million as of December 2020. Amounts received and posted are mainly in respect of derivative assets and liabilities.

Note 20.

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

Derivatives. The company's OTC derivatives are bilateral contracts between two counterparties (bilateral OTC). The company's level 2 and level 3 derivatives are valued using derivative pricing models (e.g., discounted cash flow models, correlation models, and models that incorporate option pricing methodologies, such as Monte Carlo simulations). Price transparency of derivatives can generally be characterised by product type, as described below.

- **Interest Rate.** In general, the key inputs used to value interest rate derivatives are transparent, even for most long-dated contracts. Interest rate swaps and options denominated in the currencies of leading industrialised nations are characterised by high trading volumes and tight bid/offer spreads. Interest rate derivatives that reference indices, such as an inflation index, or the shape of the yield curve (e.g., 10-year swap rate vs. 2-year swap rate) are more complex, but the key inputs are generally observable.
- **Credit.** Price transparency for credit default swaps, including both single names and baskets of credits, varies by market and underlying reference entity or obligation. Credit default swaps that reference indices, large corporates and major sovereigns generally exhibit the most price transparency. For credit default swaps with other underliers, price transparency varies based on credit rating, the cost of borrowing the underlying reference obligations, and the availability of the underlying reference obligations for delivery upon the default of the issuer. Credit default swaps that reference loans, asset-backed securities and emerging market debt instruments tend to have less price transparency than those that reference corporate bonds. In addition, more complex credit derivatives, such as those sensitive to the correlation between two or more underlying reference obligations, generally have less price transparency.

Notes to the Financial Statements

- **Currency.** Prices for currency derivatives based on the exchange rates of leading industrialised nations, including those with longer tenors, are generally transparent. The primary difference between the price transparency of developed and emerging market currency derivatives is that emerging markets tend to be only observable for contracts with shorter tenors.
- **Equity.** Price transparency for equity derivatives varies by market and underlier. Options on indices and the common stock of corporates included in major equity indices exhibit the most price transparency. Equity derivatives generally have observable market prices, except for contracts with long tenors or reference prices that differ significantly from current market prices. More complex equity derivatives, such as those sensitive to the correlation between two or more individual stocks, generally have less price transparency.

Liquidity is essential to observability of all product types. If transaction volumes decline, previously transparent prices and other inputs may become unobservable. Conversely, even highly structured products may at times have trading volumes large enough to provide observability of prices and other inputs.

Level 2

Level 2 derivatives include OTC derivatives for which all significant valuation inputs are corroborated by market evidence. In evaluating the significance of a valuation input, the company considers, among other factors, a portfolio's net risk exposure to that input.

The selection of a particular model to value a derivative depends on the contractual terms of and specific risks inherent in the instrument, as well as the availability of pricing information in the market. For derivatives that trade in liquid markets, model selection does not involve significant management judgement because outputs of models can be calibrated to market-clearing levels.

Valuation models require a variety of inputs, such as contractual terms, market prices, yield curves, discount rates (including those derived from interest rates on collateral received and posted as specified in credit support agreements for collateralised derivatives), credit curves, measures of volatility and correlations of such inputs. Significant inputs to the valuations of level 2 derivatives can be verified to market transactions, broker or dealer quotations or other alternative pricing sources with reasonable levels of price transparency. Consideration is given to the nature of the quotations (e.g., indicative or firm) and the relationship of recent market activity to the prices provided from alternative pricing sources.

Level 3

Level 3 derivatives are valued using models which utilise observable level 1 and/or level 2 inputs, as well as unobservable level 3 inputs. Unobservable inputs include certain correlations and equity volatilities.

Subsequent to the initial valuation of a level 3 derivative, the company updates the level 2 inputs to reflect observable market changes and any resulting gains and losses are classified in level 3. Level 3 inputs are changed when corroborated by evidence, such as similar market transactions, third-party pricing services and/or broker or dealer quotations or other empirical market data. In circumstances where the company cannot verify the model value by reference to market transactions, it is possible that a different valuation model could produce a materially different estimate of fair value. See below for further information about significant unobservable inputs used in the valuation of level 3 derivatives.

Where there is a difference between the initial transaction price and the fair value calculated by internal models, a gain or loss is recognised after initial recognition only to the extent that it arises from a change in a factor (including time) that market participants would consider in setting a price.

Valuation Adjustments

Valuation adjustments are integral to determining the fair value of derivative portfolios and are used to adjust the mid-market valuations produced by derivative pricing models to the exit price valuation. These adjustments incorporate bid/offer spreads and the cost of liquidity. Market-based inputs are generally used when calibrating valuation adjustments to market-clearing levels.

Unsecured Borrowings. Unsecured borrowings consist of debt securities issued and other borrowings, which are hybrid financial instruments, and are generally valued based on discounted cash flow techniques, which incorporate inputs with reasonable levels of price transparency, and are classified in level 2 when the inputs are observable. Valuation adjustments may be made for liquidity and GS Group's credit quality.

The significant inputs to the valuation of unsecured borrowings measured at fair value are the amount and timing of expected future cash flows, interest rates, and the credit spreads of GS Group. The inputs used to value the embedded derivative component of hybrid financial instruments are consistent with the inputs used to value the company's other derivative instruments.

Notes to the Financial Statements

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.

<i>\$ in millions</i>	Level 1	Level 2	Level 3	Total
As of December 2021				
Financial Assets				
Derivative assets	\$ –	\$ 928	\$ 112	\$ 1,040
Total	\$ –	\$ 928	\$ 112	\$ 1,040
Financial Liabilities				
Derivative liabilities	\$ –	\$ 753	\$ 241	\$ 994
Unsecured borrowings	–	8,242	4,269	12,511
Total	\$ –	\$8,995	\$4,510	\$13,505
Net derivatives	\$ –	\$ 175	\$ (129)	\$ 46
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 years ended December 2021 and December 2020, and net assets as of both December 2021 and December 2020.

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 December 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.

<i>\$ in millions</i>	Year Ended December	
	2021	2020
Total financial assets		
Beginning balance	\$ 146	\$ 40
Gains/(losses)	78	118
Purchases	1	58
Settlements	(101)	(82)
Transfers into level 3	2	15
Transfers out of level 3	(14)	(3)
Ending balance	\$ 112	\$ 146
Total financial liabilities		
Beginning balance	\$(4,572)	\$(3,591)
Gains/(losses)	18	(288)
Sales/Issuances	(1,905)	(2,456)
Settlements	1,453	1,908
Transfers into level 3	(198)	(279)
Transfers out of level 3	694	134
Ending balance	\$(4,510)	\$(4,572)

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 2021 and 2020 are reported in “Net revenues” in the income statement.
- The net gains on level 3 financial liabilities of \$18 million for 2021 included gains of \$18 million reported in “Debt valuation adjustment” in the statement of comprehensive income and \$nil reported in “Net revenues” in the income statement.
- The net losses on level 3 financial liabilities of \$288 million for 2020 included losses of \$59 million reported in “Debt valuation adjustment” in the statement of comprehensive income and losses of \$229 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.

<i>\$ in millions</i>	Year Ended December	
	2021	2020
Derivative liabilities		
Beginning balance	\$ (167)	\$ (130)
Gains/(losses)	(64)	(93)
Sales	(7)	(52)
Settlements	(4)	127
Transfers into level 3	1	(20)
Transfers out of level 3	–	1
Ending balance	\$ (241)	\$ (167)
Unsecured Borrowings		
Beginning balance	\$ (4,405)	\$ (3,461)
Gains/(losses)	82	(195)
Issuances	(1,898)	(2,404)
Settlements	1,457	1,781
Transfer into level 3	(199)	(259)
Transfers out of level 3	694	133
Ending balance	\$ (4,269)	\$ (4,405)

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

Year Ended December 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, and transfers of certain credit linked notes from level 2, principally due to reduced transparency of certain credit spread inputs.

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.

Year Ended December 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 \$15.56 billion as of December 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 December	
	2021	2020
Current	\$ 136	\$ 17
Non-current	2,780	2,958
Total	\$2,916	\$2,975

In the table above, these financial liabilities predominantly related to long-term borrowings of \$2.78 billion as of December 2021 and \$2.96 billion as of December 2020, for which the fair value was \$2.80 billion as of December 2021 and \$3.02 billion as of December 2020.

Note 21.

Financial Risk Management and Capital Management

The company monitors its capital on an ongoing basis. The company's objective is to be prudently capitalised in terms of the amount and composition of its equity base (see Note 14) compared to the company's risk exposures. The appropriate level and composition of equity capital is determined by considering multiple factors, including the business environment, conditions in the financial markets and assessments of future losses due to adverse changes in market environments. The company is not subject to any externally imposed capital requirements.

The company is exposed to financial risk through its financial assets and liabilities. Due to the nature of the company's business and the assets and liabilities contained within the company's balance sheet, the most important components of financial risk the directors consider relevant to the company are market risk, credit risk and liquidity risk. The company, as part of a global group, adheres to global risk management policies and procedures.

Market Risk

Market risk is the risk of loss in the value of the company's financial assets and liabilities due to changes in market conditions. Risks are monitored and controlled through strong GS Group oversight, and independent control and support functions across the company's businesses. 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 and credit spreads;
- Equity price risk: results from exposures to changes in prices and volatilities of individual equities, baskets of equities and equity indices; and
- Currency rate risk: results from exposures to changes in spot prices, forward prices and volatilities of currency rates.

The company is exposed to interest rate, equity price, currency rate and credit-related risks on its debt securities issued. The company manages these risks by entering into OTC derivative transactions for hedging purposes.

The company is exposed to interest rate risk on its unsecured loans due from GS Group affiliates. If interest rates had been 50 basis points higher or lower and all other variables were held constant, the company's interest income from GS Group affiliates would have been higher/lower by \$77 million for 2021 and \$71 million for 2020. This has been determined by assuming that the company's exposure to interest rate risk at the balance sheet date was consistent for the whole year.

The company is exposed to changes in GS Group's credit spreads on its debt securities issued that are designated at fair value through profit or loss. The estimated sensitivity to a one basis point increase in GS Group's credit spreads on such financial liabilities was a gain of \$7 million as of December 2021 and a gain of \$5 million as of December 2020.

Credit Risk

Credit risk represents the potential for loss due to the default or deterioration in the credit quality of a counterparty. Credit risk is managed by reviewing the credit quality of the counterparties and reviewing, if applicable, the underlying collateral against which the financial assets are secured.

The company's maximum exposure to credit risk without taking account of any collateral held or other credit enhancements is equivalent to the carrying value of its financial assets as of both December 2021 and December 2020.

The company's credit exposures are described further below.

Derivative Assets. Derivatives are reported at fair value on a gross by counterparty basis in the company's financial statements, unless the company has a current legal right of set-off and also intends to settle on a net basis. The company enters into derivative transactions with affiliates for hedging purposes. The company's gross exposure of \$1.04 billion as of December 2021 and \$1.08 billion as of December 2020 is mitigated by counterparty netting of \$902 million as of December 2021 and \$917 million as of December 2020, resulting in a net credit exposure of \$138 million as of December 2021 and \$167 million as of December 2020.

Intercompany loans and Customer and other receivables. Intercompany loans and customer and other receivables primarily relate to unsecured loans and hybrid financial instruments due from GS Group affiliates which are considered investment-grade for credit risk management purposes. The company's gross credit exposure of \$15.55 billion as of December 2021 and \$14.42 billion as of December 2020, and net credit exposure of \$15.50 billion as of December 2021 and \$14.37 billion as of December 2020, mainly related to unsecured loans to affiliates.

The company has recorded an allowance for impairment on its unsecured loans to affiliates of \$5 million as of December 2021 and \$6 million as of December 2020.

Cash and Cash Equivalents. Cash and cash equivalents include both interest-bearing and non-interest-bearing deposits. To mitigate the risk of credit loss, the company places substantially all of its deposits with highly-rated banks, and as a result, the allowance for impairment on these balances was \$nil as of both December 2021 and December 2020. The company's gross and net credit exposure was \$14 million as of December 2021 and \$11 million as of December 2020.

Allowance for Impairment

The allowance for impairment recorded during the year is on intercompany loans. The company's expected credit losses of \$5 million as of December 2021 decreased from \$6 million as of December 2020 primarily due to changes in modelling assumptions. These financial assets remained in stage 1 throughout the whole year.

Liquidity Risk

Liquidity risk is the risk that the company does not have sufficient cash or collateral to make payments to its counterparties as they fall due. The company manages its liquidity risk in accordance with GS Group's comprehensive and conservative set of liquidity and funding policies to address company-specific, broader industry or market liquidity stress events.

Maturity of Financial Liabilities

The table below presents an analysis of the cash flows of financial liabilities by contractual maturity, except for derivative liabilities, which are classified as trading/on demand. In the tables below:

- Cash flows by contractual maturity include interest that will accrue on financial liabilities.
- Financial liabilities, with the exception of those that are held for trading or designated at fair value through profit or loss, are disclosed at their undiscounted cash flows. The fair values of financial liabilities held for trading and financial liabilities designated at fair value through profit or loss have been disclosed as this is consistent with the values used in the liquidity risk management of these instruments.
- Liquidity risk on derivatives is mitigated through master netting agreements and cash collateral arrangements.
- Unsecured borrowings include certain debt securities issued that have trigger events that are not in the control of the company and could be repaid earlier than their contractual maturities.

<i>\$ in millions</i>	Trading/ on demand	Less than 1 month	1-3 months	3 months - 1 year	1 - 5 years	Greater than 5 years	Total
As of December 2021							
Customer and other payables	\$ 126	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 126
Derivative liabilities	994	-	-	-	-	-	994
Unsecured borrowings	257	86	189	858	4,090	10,102	15,582
Total	\$1,377	\$86	\$189	\$ 858	\$4,090	\$10,102	\$16,702
As of December 2020							
Customer and other payables	\$ 7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7
Derivative liabilities	807	-	-	-	-	-	807
Unsecured borrowings	124	82	332	1,647	4,868	7,922	14,975
Total	\$ 938	\$82	\$332	\$1,647	\$4,868	\$ 7,922	\$15,789