

To Whom it May Concern:

Pursuant to paragraph (a)(16) of the Order Granting Conditional Substituted Compliance in Connection with Certain Requirements Applicable to Non-U.S. Security-Based Swap Dealers and Major Security-Based Swap Participants Subject to Regulation in the United Kingdom (the "Order"), Goldman Sachs International ("GSI") hereby provides notice to the Securities and Exchange Commission ("Commission") of its intent to rely on the Order.

GSI is a "Covered Entity" as that term is defined in paragraph (g)(1) of the Order. GSI intends to rely on substituted compliance with respect to certain requirements of the Securities Exchange Act of 1934 (the "Exchange Act") for which the Commission has provided substituted compliance determinations, as indicated in the chart. For each section of the Order indicated below, GSI intends to rely on substituted compliance with regard to the full scope of transactions or activity for which substituted compliance is available under the Order. GSI will promptly provide the Commission with an amended notice if GSI modifies the requirements for which GSI intends to rely on substituted compliance.

As required by Paragraph (c)(1)(iii)(A)(4) of the Order, GSI's most recent statement of financial condition filed with its local supervisor is also attached hereto.

If there are any questions, please let us know.

Notice of Reliance on Substituted Compliance by:	Goldman Sachs International	28-Oct-21	Miten Trivedi; miten.trivedi@gs.com	United Kingdom	
<p>Pursuant to paragraph (a)(16) of the Order Granting Conditional Substituted Compliance in Connection with Certain Requirements Applicable to Non-U.S. Security-Based Swap Dealers and Major Security-Based Swap Participants Subject to Regulation in the United Kingdom (the "Order"), Goldman Sachs International ("GSI") hereby provides notice to the Securities and Exchange Commission ("Commission") of its intent to rely on the Order.</p> <p>GSI is a "Covered Entity" as that term is defined in paragraph (g)(1) of the Order. GSI intends to rely on substituted compliance with respect to certain requirements of the Securities Exchange Act of 1934 (the "Exchange Act") for which the Commission has provided substituted compliance determinations, as indicated in the chart below. For each section of the Order indicated below, GSI intends to rely on substituted compliance with regard to the full scope of transactions or activity for which substituted compliance is available under the Order. GSI will promptly provide the Commission with an amended notice if GSI modifies the requirements for which GSI intends to rely on substituted compliance.</p>					
Rule Category	Sub-Category	Rule(s)	Substituted Compliance Order Section	Reliance	If "Yes" in Column E, is the jurisdictional scope limited? [Yes/No/NA]
Risk Control Requirements	Internal Risk Management	Exchange Act section 15F(j)(2) and Exchange Act rules 15Fh-3(h)(2)(iii)(I)	(b)(1)	Yes	No
Risk Control Requirements	Portfolio Reconciliation and Dispute Reporting	Exchange Act section 15F(i) and Exchange Act rules 15Fi-3	(b)(3)	Yes	No
Risk Control Requirements	Trading Relationship Documentation	Exchange Act section 15F(i) and Exchange Act rules 15Fi-5	(b)(5)	Yes	No
Capital and margin	Capital	Exchange Act section 15F(e) and Exchange Act rules 18a-1, and 18a-1a through d; Exchange Act rule 18a-5(a)(9); Exchange Act 18a-6(b)(1)(x); Exchange Act rules 18a-8(a)(1)(i), (a)(1)(ii), (b)(1), (b)(2) and (b)(4)	(c)(1)	Yes	No
Capital and margin	Margin	Exchange Act section 15F(e) and Exchange Act rule 18a-3 and Exchange Act rule 18a-5(a)(12)	(c)(2)	Yes	No
Internal Supervision and Compliance	Internal Supervision (including conflicts of Interest)	Exchange Act section 15F(j)(4)(A) and (j)(5) and Exchange Act rule 15Fh-3(h)	(d)(1), (3), (4)	Yes	No
Internal Supervision and Compliance	Chief Compliance Officer (inc. Annual Report), Compliance Program	Exchange Act section 15F(k) and Exchange Act rule 15Fk-1	(d)(2), (3)	Yes	No
Counterparty Protection	Know your Counterparty	Exchange Act rule 15Fh-3(e)	(e)(3)	Yes	No
Recordkeeping and Reporting	Record Creation	Exchange Act rule 18a-5(a)(9) [record of net capital or tangible net worth]	(f)(1)(i)(I)	Yes	No
Recordkeeping and Reporting	Record Creation	Exchange Act rule 18a-5(a)(12) [current exposure and initial margin amount]	(f)(1)(i)(L)	Yes	No
Recordkeeping and Reporting	Record Maintenance	Exchange Act rule 18a-6(b)(1)(viii)	(f)(2)(i)(H)	Yes	No
Recordkeeping and Reporting	Record Maintenance	Exchange Act rule 18a-6(b)(2)(i)[retention for certain records at least 3 years, 2 in easily accessible place]	(f)(2)(i)(J)	Yes	No

Recordkeeping and Reporting	Financial Reports	Exchange Act rule 18a-7(a)(1), and the requirements of Exchange Act rule 18a-7(j) as applied to the requirements of Exchange Act rule 18a-7(a)(1)	(f)(3)	Yes	No
Recordkeeping and Reporting	Notifications	Exchange Act rules 18a-8(a)(1)(i), (a)(1)(ii), (b)(1), (b)(2) and (b)(4)	(f)(4)(i)(A)	Yes	No
Recordkeeping and Reporting	Securities Counts	Exchange Act rule 18a-9	(f)(5)	Yes	No

Unaudited Half-yearly Financial Report

June 30, 2021

Goldman Sachs International (unlimited company)

Company Number: 02263951

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Management Report

Introduction

Goldman Sachs International (GSI or the company) delivers a broad range of financial services to clients located worldwide. The company also operates a number of branches and representative offices across Europe, the Middle East and Africa (EMEA) to provide financial services to clients in those regions.

The company's primary regulators are the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

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 (FRB). 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 company's results prepared under United States Generally Accepted Accounting Principles (U.S. GAAP) are included in the consolidated financial statements of GS Group.

The company seeks to be the advisor of choice for its clients and a leading participant in global financial markets. As part of GS Group, the company also enters into transactions with affiliates in the normal course of business as part of its market-making activities and general operations.

The company generates revenues from the following business activities: Investment Banking; Fixed Income, Currency and Commodities (FICC); Equities; and Investment Management, which includes Asset management and Wealth management.

The company strives to maintain a work environment that fosters professionalism, excellence, diversity, cooperation among employees and high standards of business ethics. The company recognises that it needs the most talented people to deliver outstanding results for clients. A diverse workforce in terms of gender, ethnicity, sexual orientation, background, culture and education ensures the development of better ideas, products and services. For further information about Goldman Sachs' people, culture and commitment to diversity, see www.goldmansachs.com/our-firm/people-and-culture.

References to "the financial statements" are to the unaudited financial statements as presented in Part II of this financial report.

All references to June 2021, March 2021 and May 2020 refer to the periods ended, or the dates, as the context requires, June 30, 2021, March 31, 2021 and May 31, 2020. All references to December 2020 refer to the date December 31, 2020. All references to "the 2020 Annual Report" are to the company's Annual Report for the period ended December 31, 2020.

During the period ended December 2020, the company changed its accounting reference date from November 30 to December 31. As such, the company's second quarter for 2021 is for the three months ended June 30, 2021 and its half year for 2021 is for the six months ended June 30, 2021, with comparative information being presented for the three months ended May 31, 2020 and six months ended May 31, 2020, respectively.

Unless otherwise stated, all amounts in this financial report are prepared in accordance with International Financial Reporting Standards (IFRS).

Executive Overview

The directors consider profit for the financial period, total assets and Common Equity Tier 1 (CET1) capital ratio as the company's key performance indicators.

Income Statement

Three Months Ended June 2021 versus May 2020. The income statement is set out on page 16 of this financial report. The company's profit for the three months ended June 2021 was \$626 million, a decrease of 28% compared with the three months ended May 2020.

Net revenues were \$2.63 billion for the three months ended June 2021, 5% higher than the three months ended May 2020, reflecting significantly higher net revenues in Equities, Investment Banking and Investment Management. These increases were partially offset by significantly lower net revenues in FICC compared with a very strong three months ended May 2020. The company's overall increase in net revenues was partially offset by the transition of certain activities previously undertaken by the company to other GS Group affiliates, primarily as part of GS Group's Brexit strategy.

Net operating expenses were \$1.91 billion for the three months ended June 2021, 40% higher than the three months ended May 2020, primarily due to significantly higher compensation and benefits and transaction based expenses.

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Six Months Ended June 2021 versus May 2020. The company's profit for the six months ended June 2021 was \$1.25 billion, an increase of 5% compared with the six months ended May 2020.

Net revenues were \$6.02 billion for the six months ended June 2021, 37% higher than the six months ended May 2020, reflecting significantly higher net revenues in Equities, Investment Banking and Investment Management. These increases were partially offset by significantly lower net revenues in FICC compared with a very strong six months ended May 2020. The company's overall increase in net revenues was partially offset by the transition of certain activities previously undertaken by the company to other GS Group affiliates, primarily as part of GS Group's Brexit strategy.

Net operating expenses were \$4.46 billion for the six months ended June 2021, 57% higher than the six months ended May 2020, primarily due to significantly higher compensation and benefits and transaction based expenses.

See "Results of Operations" below for more information about net revenues and net operating expenses.

Capital Ratios

The company's CET1 capital ratio under the U.K. capital framework was 10.6% as of June 2021 compared to 10.7% as of December 2020.

Balance Sheet

The balance sheet is set out on page 17 of this financial report.

As of June 2021, total assets were \$1.14 trillion, a decrease of \$125.29 billion from December 2020, primarily reflecting a decrease in trading assets of \$185.51 billion (primarily due to a decrease in derivatives, principally as a result of a decrease in interest rate and currencies derivatives), a decrease in customer and other receivables of \$7.61 billion (primarily due to a decrease in cash collateral posted and lower client activity) and a decrease in other assets of \$5.20 billion (primarily due to a decrease in intercompany loans), partially offset by an increase in collateralised agreements of \$74.14 billion (primarily due to increases in firm activity).

As of June 2021, total liabilities were \$1.10 trillion, a decrease of \$126.64 billion from December 2020, primarily reflecting a decrease in trading liabilities of \$186.49 billion (primarily due to a decrease in derivatives, principally as a result of a decrease in interest rate and currencies derivatives), partially offset by an increase in collateralised financings of \$57.36 billion (primarily due to increases in firm activity).

Total level 3 financial assets were \$5.66 billion as of June 2021 and \$6.37 billion as of December 2020. See Note 21 to the financial statements for further information about level 3 financial assets, including changes in level 3 financial assets and related fair value measurement.

Under U.S. GAAP, as of June 2021, total assets were \$527.23 billion and total liabilities were \$497.93 billion. Total assets and total liabilities under U.S. GAAP differ from those reported under IFRS primarily due to the company presenting derivative balances gross under IFRS if they are not net settled in the normal course of business, even where it has a legally enforceable right to offset those balances.

Business Environment

In the second quarter of 2021, the global economy continued its recovery from the coronavirus (COVID-19) pandemic, as the lifting of health and safety restrictions in parts of the world amid vaccine distribution facilitated an increase in global economic activity. The broader economic improvement was also aided by accommodative monetary policy provided by global central banks in response to the pandemic (through low policy rates and large-scale asset purchases) and, in the U.S., the prospect of further fiscal stimulus in the form of infrastructure spending. The growth in economic activity and demand for goods and services, alongside labour shortages and supply chain complications, contributed to rising inflationary pressures. However, investors remained optimistic about the prospect for continued economic recovery, as global equity prices generally increased during the quarter, while volatility continued to moderate from elevated levels. In addition, long-term government bond yields generally declined.

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

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Results of Operations

Net Revenues

Net revenues include the net profit arising from transactions, with both third parties and GS Group affiliates, in securities, foreign exchange and other financial instruments, and fees and commissions. This is inclusive of associated interest and dividends.

The table below presents net revenues by business activity.

	Three Months Ended		Six Months Ended	
	June 2021	May 2020	June 2021	May 2020
<i>\$ in millions</i>				
Investment Banking	\$ 704	\$ 347	\$1,357	\$ 750
FICC	621	1,545	1,696	2,065
Equities	988	518	2,303	1,126
Investment Management	316	91	659	449
Total net revenues	\$2,629	\$2,501	\$6,015	\$4,390

Investment Banking

Investment Banking consists of:

Financial advisory. Includes strategic advisory engagements with respect to mergers and acquisitions, divestitures, corporate defence activities, restructurings and spin-offs.

Underwriting. Includes public offerings and private placements, including local and cross-border transactions and acquisition financing, of a wide range of securities and other financial instruments, including loans.

Corporate lending. Includes lending to corporate clients, including through relationship lending, middle-market lending and acquisition financing.

Three Months Ended June 2021 versus May 2020. Net revenues in Investment Banking were \$704 million for the three months ended June 2021, \$357 million higher than the three months ended May 2020, primarily due to significantly higher net revenues in Underwriting. The increase in Underwriting reflected significantly higher net revenues in both Equity underwriting and Debt underwriting.

As of June 2021, the EMEA investment banking transaction backlog was higher compared with March 2021, primarily due to higher estimated net revenues from potential equity underwriting transactions and potential advisory transactions, partially offset by lower estimated net revenues from potential debt underwriting transactions.

Six Months Ended June 2021 versus May 2020. Net revenues in Investment Banking were \$1.36 billion for the six months ended June 2021, 81% higher than the six months ended May 2020, primarily due to significantly higher net revenues in Underwriting. The increase in Underwriting reflected significantly higher net revenues in both Equity underwriting and Debt underwriting. Financial advisory net revenues were also higher reflecting an increase in completed mergers and acquisitions transactions.

As of June 2021, the EMEA investment banking transaction backlog was significantly higher compared with December 2020, primarily due to significantly higher estimated net revenues from potential debt and equity underwriting transactions, and higher estimated net revenue from potential advisory transactions.

The backlog represents an estimate of net revenues from future transactions where the company believes that future revenue realisation is more likely than not. The changes in backlog may be a useful indicator of client activity levels which, over the long term, impact net revenues. However, the time frame for completion and corresponding revenue recognition of transactions in the backlog varies based on the nature of the engagement, as certain transactions may remain in the backlog for longer periods of time. In addition, the backlog is subject to certain limitations, such as assumptions about the likelihood that individual client transactions will occur in the future. Transactions may be cancelled or modified, and transactions not included in the estimate may also occur, including underwriting transactions for which the time frame from discussion to completion has shortened in the current environment.

FICC

FICC generates revenues from intermediation and financing activities.

- **FICC intermediation.** Includes client execution activities related to making markets in both cash and derivative instruments, as detailed below.

Interest Rate Products. Government bonds (including inflation-linked securities) across maturities, other government-backed securities, and interest rate swaps, options and other derivatives.

Credit Products. Investment-grade and high-yield corporate securities, credit derivatives, exchange-traded funds (ETFs), bank and bridge loans, municipal securities, emerging market and distressed debt, and trade claims.

Mortgages. Commercial mortgage-related securities, loans and derivatives, residential mortgage-related securities, loans and derivatives, and other asset-backed securities, loans and derivatives.

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Currencies. Currency options, spot/forwards and other derivatives on G-10 currencies and emerging-market products.

Commodities. Commodity derivatives and, to a lesser extent, physical commodities, involving crude oil and petroleum products, natural gas, base, precious and other metals, electricity, coal, agricultural and other commodity products.

- **FICC financing.** Includes providing financing to the company's clients through securities purchased under agreements to resell (resale agreements), and through structured credit and asset-backed lending, which are typically longer term in nature.

Three Months Ended June 2021 versus May 2020. Net revenues in FICC were \$621 million for the three months ended June 2021, 60% lower than the three months ended May 2020 due to significantly lower net revenues in FICC intermediation, partially offset by higher net revenues in FICC financing. The decrease in FICC intermediation reflected significantly lower net revenues in interest rate products, currencies, credit products and commodities, partially offset by higher net revenues in mortgages. The decrease in FICC intermediation net revenues primarily reflected solid, but significantly lower client activity compared with strong activity levels in the prior period due to high volatility amid the COVID-19 pandemic.

Six Months Ended June 2021 versus May 2020. Net revenues in FICC were \$1.70 billion for the six months ended June 2021, 18% lower than the six months ended May 2020 due to lower net revenues in FICC intermediation. The decrease in FICC intermediation reflected significantly lower net revenues in interest rate products, currencies and credit products, partially offset by higher net revenues in mortgages. The decrease in FICC intermediation net revenues reflected solid, but significantly lower client activity compared with strong activity levels in the prior period due to high volatility amid the COVID-19 pandemic. This was partially offset by the impact of improved market-making conditions on the company's inventory compared with challenging conditions in the prior period.

Equities

Equities generates revenues from intermediation and financing activities.

- **Equities intermediation.** Includes client execution activities related to making markets in equity products and commissions and fees from executing and clearing institutional client transactions on major stock, options and futures exchanges worldwide, as well as over-the-counter (OTC) transactions.
- **Equities financing.** Includes prime brokerage and other equities financing activities, including securities lending, margin lending and swaps and generates revenues primarily in the form of interest rate spreads or fees.

Three Months Ended June 2021 versus May 2020. Net revenues in Equities were \$988 million for the three months ended June 2021, 91% higher compared with the three months ended May 2020, due to significantly higher net revenues in Equities financing and Equities intermediation. The increase in Equities financing reflected improved market conditions and increased activity. The increase in Equities intermediation reflected significantly higher net revenues in derivatives.

Six Months Ended June 2021 versus May 2020. Net revenues in Equities were \$2.30 billion for the six months ended June 2021, \$1.18 billion higher compared with the six months ended May 2020, due to significantly higher net revenues in Equities intermediation and Equities financing. The increase in Equities intermediation reflected significantly higher net revenues in derivatives and cash products. The increase in Equities financing reflected improved market conditions and increased activity.

Investment Management

Investment Management includes Asset management and Wealth management.

Asset management includes direct investments made by the company, which are typically longer-term in nature, and investing services provided to GS Group affiliates or funds managed by GS Group.

Wealth management includes wealth advisory services, including portfolio management and financial counselling, brokerage and other transaction services to high-net-worth individuals and families.

Three Months Ended June 2021 versus May 2020. Net revenues in Investment Management were \$316 million for the three months ended June 2021, \$225 million higher than the three months ended May 2020, primarily due to significantly higher net revenues in Asset Management and higher net revenues in Wealth management.

Six Months Ended June 2021 versus May 2020. Net revenues in Investment Management were \$659 million for the six months ended June 2021, 47% higher than the six months ended May 2020, primarily due to significantly higher net revenues in Asset management and higher net revenues in Wealth management.

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Net Operating Expenses

Net operating expenses are primarily influenced by compensation (including the impact of the Group Inc. share price on share-based compensation), headcount and levels of business activity. Compensation and benefits includes salaries, allowances, estimated year-end discretionary compensation, amortisation of share-based compensation, changes in the fair value of share-based payment awards between grant date and delivery date and other items such as benefits. Discretionary compensation is significantly impacted by, among other factors, the level of net revenues, overall financial performance, prevailing labour markets, business mix, the structure of share-based compensation programmes and the external environment. Where the company recognises revenues in its capacity as principal to a transaction and incurs expenses to satisfy some or all of its performance obligations under these transactions, it is required by IFRS 15 'Revenue from Contracts with Customers' (IFRS 15) to report these revenues gross of the associated expenses. Such expenses are included in transaction based and other expenses (known hereafter as "IFRS 15 expenses").

The table below presents net operating expenses and headcount.

\$ in millions	Three Months Ended		Six Months Ended	
	June 2021	May 2020	June 2021	May 2020
Compensation and benefits	\$ 899	\$ 597	\$2,468	\$1,327
Transaction based	525	348	1,038	639
Market development	8	8	12	29
Communications and technology	32	31	68	63
Depreciation and amortisation	56	46	100	82
Professional fees	36	38	76	85
Management charges from				
GS Group affiliates	219	196	461	436
Other expenses	214	173	405	332
Total operating expenses	1,989	1,437	4,628	2,993
Management charges to				
GS Group affiliates	(77)	(75)	(170)	(161)
Net operating expenses	\$1,912	\$1,362	\$4,458	\$2,832
Total headcount at period-end	3,832	4,229		

In the table above:

- Compensation and benefits included a charge of \$255 million for the three months ended June 2021, a credit of \$20 million for the three months ended May 2020, a charge of \$590 million for the six months ended June 2021 and a credit of \$47 million for the six months ended May 2020 representing recharges from Group Inc. equivalent to changes in the fair value of share-based payment awards during the period.
- In the period ended December 2020, brokerage, clearing, exchange and distribution fees was renamed transaction based and additionally includes expenses resulting from completed transactions, which are directly related to client revenues, and IFRS 15 expenses. Such expenses were previously reported in other expenses. The company has reclassified \$46 million for the three months ended May 2020 and \$99 million for the six months ended May 2020 to conform to the current period's presentation.

Three Months Ended June 2021 versus May 2020. Net operating expenses were \$1.91 billion for the three months ended June 2021, 40% higher than the three months ended May 2020.

Compensation and benefits were \$899 million for the three months ended June 2021, 51% higher than the three months ended May 2020. Excluding the impact of recharges from Group Inc. equivalent to changes in the fair value of share-based payment awards for both periods, compensation and benefits were \$644 million for the three months ended June 2021, 4% higher than the three months ended May 2020.

Transaction based expenses were \$525 million for the three months ended June 2021, 51% higher than the three months ended May 2020. This reflected an increase in IFRS 15 expenses and activity levels.

Six Months Ended June 2021 versus May 2020. Net operating expenses were \$4.46 billion for the six months ended June 2021, 57% higher than the six months ended May 2020.

Compensation and benefits were \$2.47 billion for the six months ended June 2021, 86% higher than the six months ended May 2020. Excluding the impact of recharges from Group Inc. equivalent to changes in the fair value of share-based payment awards for both periods, compensation and benefits were \$1.88 billion for the six months ended June 2021, 37% higher than the six months ended May 2020, reflecting an increase in operating performance.

Transaction based expenses were \$1.04 billion for the six months ended June 2021, 62% higher than the six months ended May 2020. This reflected an increase in IFRS 15 expenses and activity levels.

As of June 2021, headcount was 7% lower compared with December 2020 and 9% lower compared with May 2020, primarily driven by the transfer of certain employees to other GS Group affiliates as part of GS Group's Brexit strategy.

Income Tax Expense

The company's effective tax rate was 20.0% for the six months ended June 2021, which compares to the U.K. corporation tax rate applicable of 27%. The effective tax rate represents the company's income tax expense divided by its profit before taxation. This difference primarily relates to a deferred tax benefit of \$62 million being recognised in the income statement on remeasurement of the company's deferred tax assets on substantive enactment of the 6% rise in the U.K. corporate tax main rate from April 1, 2023.

Management Report

Balance Sheet and Funding Sources

Balance Sheet Management

One of the company's risk management disciplines is its ability to manage the size and composition of its balance sheet. The company leverages the firmwide balance sheet management process performed at the GS Group level to manage these factors. While the asset base of the company changes due to client activity, market fluctuations and business opportunities, the size and composition of the company's balance sheet also reflects factors including (i) overall risk tolerance, (ii) the amount of equity capital held and (iii) the company's funding profile, among other factors. See "Equity Capital Management and Regulatory Capital — Equity Capital Management" for information about the company's equity capital management process.

In order to ensure appropriate risk management, the company seeks to maintain a sufficiently liquid balance sheet and leverages GS Group's processes to dynamically manage its assets and liabilities, which include (i) balance sheet planning, (ii) balance sheet limits, (iii) monitoring of key metrics and (iv) scenario analyses.

Funding Sources

The company's primary sources of funding are collateralised financings, unsecured borrowings and shareholder's equity. The company raises this funding through a number of different products, including:

- Securities sold under agreements to repurchase (repurchase agreements) and securities loaned;
- Intercompany loans from GS Group affiliates;
- Debt securities issued including notes, certificates, commercial paper and warrants; and
- Other borrowings including funded derivatives and transfers of assets accounted for as financings rather than sales.

See "Balance Sheet and Funding Sources" in Part I of the 2020 Annual Report for further information about the company's balance sheet management process and funding sources.

Equity Capital Management and Regulatory Capital

Capital adequacy is of critical importance to the company. The company has in place a comprehensive capital management policy that provides a framework, defines objectives and establishes guidelines to assist the company in maintaining the appropriate level and composition of capital in both business-as-usual and stressed conditions. See "Equity Capital Management and Regulatory Capital" in Part I of the 2020 Annual Report for further information about the company's equity capital management process and regulatory capital.

Equity Capital Management

The company determines the appropriate amount and composition of its equity capital by considering multiple factors including the company's current and future regulatory capital requirements, the results of the company's capital planning and stress testing process, the results of resolution capital models and other factors, such as rating agency guidelines, the business environment and conditions in the financial markets.

Regulatory Capital

The company is subject to the U.K. capital framework, which is predominately aligned with the E.U. capital framework prescribed in the amended E.U. Capital Requirements Directive and the E.U. Capital Requirements Regulation. These capital regulations are largely based on the Basel Committee on Banking Supervision's (Basel Committee) capital framework for strengthening international capital standards. The Basel Committee is the primary global standard setter for prudential bank regulation and its member jurisdictions implement regulations based on its standards and guidelines.

Regulatory Risk-Based Capital Ratios

The table below presents information about the company's minimum risk-based capital requirements.

	As of	
	June 2021	December 2020
Minimum risk-based capital requirements		
CET1 capital ratio	8.1%	8.1%
Tier 1 capital ratio	10.0%	10.0%
Total capital ratio	12.5%	12.5%

In the table, above the minimum risk-based capital requirements incorporate the Pillar 2A capital guidance received from the PRA and could change in the future.

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The table below presents information about the company's risk-based capital ratios.

<i>\$ in millions</i>	As of	
	June 2021	December 2020
Risk-based capital and risk-weighted assets		
CET1 capital	\$ 27,724	\$ 26,962
Additional Tier 1 notes	\$ 8,300	\$ 8,300
Tier 1 capital	\$ 36,024	\$ 35,262
Tier 2 capital	\$ 5,377	\$ 5,377
Total capital	\$ 41,401	\$ 40,639
Risk-weighted assets	\$261,344	\$252,355
Risk-based capital ratios		
CET1 capital ratio	10.6%	10.7%
Tier 1 capital ratio	13.8%	14.0%
Total capital ratio	15.8%	16.1%

In the table above:

- The company's CET1 capital, Tier 1 capital and Total capital ratios as of June 2021 included the company's profit after foreseeable charges for the three months ended June 2021 (which will be finalised upon verification by the company's external auditors and approval by the PRA for inclusion in risk-based capital). These profits contributed approximately 17 basis points to the company's risk-based capital ratios, which represents the company's profit for the financial period reduced by foreseeable charges, divided by its risk-weighted assets (RWAs).
- The company's CET1 capital, Tier 1 capital and Total capital ratios as of June 2021 were lower compared with December 2020, primarily due to an increase in the company's RWAs, partially offset by an increase in CET1 capital.

Risk-Based Capital

The table below presents information about the company's risk-based capital.

<i>\$ in millions</i>	As of	
	June 2021	December 2020
Share capital	\$ 598	\$ 598
Share premium account	5,568	5,568
Retained earnings	23,661	22,437
Accumulated other comprehensive income	(195)	(325)
Deductions	(1,908)	(1,316)
CET1 capital	27,724	26,962
Additional Tier 1 notes	8,300	8,300
Tier 1 capital	\$36,024	\$35,262
Tier 2 capital	5,377	5,377
Total capital	\$41,401	\$40,639

During both the six months ended June 2021 and the period ended December 2020, the company was in compliance with the capital requirements set by the PRA.

Risk-Weighted Assets

The table below presents information about the company's RWAs.

<i>\$ in millions</i>	As of	
	June 2021	December 2020
Credit RWAs	\$137,944	\$132,441
Market RWAs	104,703	103,761
Operational RWAs	18,697	16,153
Total	\$261,344	\$252,355

In the table above:

- Credit RWAs as of June 2021 increased by \$5.50 billion compared with December 2020, primarily reflecting an increase in exposure on derivatives.
- Operational RWAs as of June 2021 increased by \$2.54 billion compared with December 2020, primarily reflecting an increase in net revenues, which is an input into operational RWAs under the Standardised approach.

See "Equity Capital Management and Regulatory Capital" in Part I of the 2020 Annual Report for a description of each RWA component.

Leverage Ratio

The company will become subject to a PRA required leverage ratio that is expected to become effective in January 2022 and is similar to the E.U. capital framework's minimum 3% leverage ratio requirement. The company had a leverage ratio of 4.2% as of June 2021 and 4.7% as of December 2020. The leverage ratio compares Tier 1 capital to a measure of leverage exposure, defined as the sum of certain assets plus certain off-balance-sheet exposures (which include a measure of derivatives, securities financing transactions, commitments and guarantees), less Tier 1 capital deductions. Tier 1 capital as of June 2021 included the company's profit after foreseeable charges for the three months ended June 2021 (which will be finalised upon verification by the company's external auditors and approval by the PRA for inclusion in risk-based capital). These profits contributed approximately 5 basis points to the company's leverage ratio, which represents the company's profit for the financial period reduced by foreseeable charges, divided by its leverage exposure. This leverage ratio is based on the company's current interpretation and understanding of this rule and may evolve as the interpretation and application of the U.K. leverage ratio framework is discussed with the company's regulators.

Management Report

Minimum Requirement for Own Funds and Eligible Liabilities

The company is also subject to a minimum requirement for own funds and eligible liabilities (MREL) issued to GS Group affiliates. This requirement is subject to a transitional period which began to phase in from January 1, 2019 and will become fully effective beginning on January 1, 2022.

As of June 2021, the company's MREL was \$58.09 billion, which is in excess of its minimum transitional requirement and consists of the company's total regulatory capital of \$41.40 billion and eligible senior intercompany borrowings, excluding accrued interest, of \$16.69 billion.

Regulatory Matters and Other Developments

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

Central banks and regulators in a number of major jurisdictions (for example, U.S., U.K., E.U., Switzerland and Japan) have convened working groups to find, and implement the transition to, suitable replacements for IBORs. In March 2021, the FCA and the Intercontinental Exchange Benchmark Authority announced that the publication of all EUR and CHF LIBOR settings along with certain JPY, GBP and USD LIBOR settings will cease after December 31, 2021 and the publication of the most commonly used USD LIBOR settings will cease after June 30, 2023. The FCA continues to consult the market on publishing synthetic rates for certain GBP and JPY LIBOR settings for a limited time. In April 2021, the State of New York approved legislation which minimises 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 LIBOR by providing a statutory framework to replace LIBOR with a benchmark rate based on the Secured Overnight Financing Rate. The U.S. federal banking agencies have also issued guidance strongly encouraging banking organisations to cease using USD LIBOR as a reference rate in new contracts as soon as practicable and in any event by December 31, 2021.

The International Swaps and Derivatives Association (ISDA) 2020 IBOR Fallbacks Protocol (IBOR Protocol), which became effective in January 2021, provides derivatives market participants with amended fallbacks for legacy and new derivatives contracts to mitigate legal or economic uncertainty. Both counterparties will 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 FCA's formal announcement in March 2021 fixed the spread adjustment for all LIBOR rates and that fallbacks will automatically occur for outstanding derivatives contracts that incorporate the relevant terms.

The majority of the company's LIBOR risk exposure is in connection with the company's derivative contracts. The company's derivative contracts are primarily with counterparties under bilateral agreements which adhere to the IBOR Protocol or with central clearing counterparties which have incorporated fallbacks consistent with the IBOR Protocol in their rule books and have announced that they plan to convert all LIBOR contracts to alternative risk-free reference rates before LIBOR cessation. The company is engaged with its clients in order to remediate contractual agreements related to cash products where necessary and feasible. Remediation of such agreements is executed via bilateral or multilateral transaction-specific amendments depending on the nature of the transactions. In addition to managing the transition of existing LIBOR based contracts, the company has executed Secured Overnight Financing Rate- and Sterling Overnight Index Average-based derivative contracts to make markets and facilitate client activities.

For further information about the company's transition programme, see "Regulatory Matters and Other Developments — Replacement of Interbank Offered Rates (IBORs), including London Interbank Offered Rate (LIBOR)" in Part I of the 2020 Annual Report.

Impact of COVID-19 Pandemic

During the second quarter of 2021, the economic recovery gained significant traction in countries in which comprehensive vaccination programmes have led to the lifting of health and safety restrictions, such as the U.S. and China. However, other countries encountered more challenging circumstances as a result of slower distribution of vaccines and the spread of new variants, most notably the Delta variant.

The company has continued to successfully execute on its Business Continuity Planning strategy since initially activating it in March 2020 in response to the emergence of the COVID-19 pandemic. The company's priority has been to safeguard its employees and to seek to ensure continuity of business operations on behalf of its clients. While a significant number of the company's employees continued to work remotely, a growing number of people returned to the company's London office in July 2021 following the easing of U.K. government restrictions. This trend is expected to accelerate as the U.K. vaccination programme continues.

Management Report

Financial markets remained constructive during the second quarter of 2021, and although trading volumes and volatility moderated, client activity was still solid. The company continued to deploy its balance sheet to intermediate risk and to support client activity. See “Equity Capital Management and Regulatory Capital”, “Liquidity Risk Management” and “Market Risk Management” for further information about the company’s capital ratios, Global Core Liquid Assets (GCLA) and Value-at-Risk (VaR).

Although progress in the fight against the COVID-19 pandemic has occurred unevenly across regions and countries since vaccines first became available, optimism regarding the continued rebound of the global economy remains high. However, if progress toward an end to the pandemic were to stall or reverse and a sustained period of weak economic conditions were to ensue the company’s businesses would be adversely impacted. This would have a negative impact on factors that are important to its operating performance, such as the level of client activity and creditworthiness of counterparties. The company will continue to closely monitor the rollout of vaccines across regions, as well as the impact of new variants of the virus, and will take further actions, as necessary, in order to best serve the interests of its employees, clients and counterparties.

For further information about the risks associated with the COVID-19 pandemic, see “Principal Risks and Uncertainties — Market Developments and General Business Environment” in Part I of the 2020 Annual Report.

Principal Risks and Uncertainties

The company faces a variety of risks that are substantial and inherent in its businesses.

The principal risks and uncertainties that the company faces are: market risk, liquidity risk, credit risk, operational risk, legal and regulatory risk, market developments and general business environment, and competition. Those risks and uncertainties are consistent with those described in the 2020 Annual Report.

Risk Management

Risks are inherent in the company’s businesses and include liquidity, market, credit, operational, model, legal, compliance, conduct, regulatory and reputational risks. The company’s risks include the risks across its risk categories, regions or global businesses, as well as those which have uncertain outcomes and have the potential to materially impact the company’s financial results, its liquidity and its reputation. For further information about the company’s risk management processes, see “Overview and Structure of Risk Management” in Part I of the 2020 Annual Report and for information about the company’s areas of risk, see “Liquidity Risk Management”, “Market Risk Management”, “Credit Risk Management”, “Operational Risk Management”, “Model Risk Management” below and “Principal Risks and Uncertainties” in Part I of the 2020 Annual Report.

Overview and Structure of Risk Management

Overview

The company believes that effective risk management is critical to its success. Accordingly, the company has established an enterprise risk management framework that employs a comprehensive, integrated approach to risk management, and is designed to enable comprehensive risk management processes through which the risks associated with the company’s business are identified, assessed, monitored and managed.

The implementation of the company’s risk governance structure and core risk management processes are overseen by Enterprise Risk, which reports to the company’s chief risk officer, and is responsible for ensuring that the company’s enterprise risk management framework provides the company’s board of directors (known hereafter as the “Board”), the company’s risk committees and senior management with a consistent and integrated approach to managing the various risks in a manner consistent with the company’s risk appetite.

Together with the company’s Board, an extensive cross-divisional committee structure with representation from senior management of the company is the key to the risk management culture throughout the company. The company’s risk management structure, consistent with GS Group, is built around three core components: governance; processes; and people. See “Overview and Structure of Risk Management” in Part I of the 2020 Annual Report for further information.

Management Report

Liquidity Risk Management

Overview

Liquidity risk is the risk that the company will be unable to fund itself or meet its liquidity needs in the event of company-specific, broader industry or market liquidity stress events. The company has in place a comprehensive and conservative set of liquidity and funding policies. The company's principal objective is to be able to fund itself and to enable its core businesses to continue to serve clients and generate revenues, even under adverse circumstances. See "Liquidity Risk Management" in Part I of the 2020 Annual Report for further information about the company's liquidity risk management process.

GCLA. GCLA is liquidity that the company maintains to meet a broad range of potential cash outflows and collateral needs in a stressed environment. In order to determine the appropriate size of the company's GCLA, the company models liquidity outflows over a range of scenarios and time horizons. See "Liquidity Risk Management" in Part I of the 2020 Annual Report for further information about the company's sources of GCLA, internal liquidity risk models and company-wide stress tests.

The table below presents information about GCLA.

\$ in millions	Average for the Three Months Ended	
	June 2021	March 2021
Overnight cash deposits	\$32,331	\$35,243
U.S. government obligations	13,453	13,070
Non-U.S. government obligations	24,704	16,981
Total	\$70,488	\$65,294

The minimum GCLA required is held by the company directly and is intended for use only by the company to meet its liquidity requirements and is assumed not to be available to Group Inc. or Goldman Sachs Funding LLC (Funding IHC). In addition to GCLA held in the company, GS Group holds a portion of global GCLA directly at Group Inc. or Funding IHC, which in some circumstances may be additionally provided to the company or other major subsidiaries.

Liquidity Regulatory Framework

The implementation of the Basel Committee's international framework for liquidity risk management, standards and monitoring calls for a liquidity coverage ratio (LCR) and a net stable funding ratio (NSFR).

The company is subject to a minimum LCR of 100% under the LCR rule approved by the U.K. regulatory authorities. The company's average monthly LCR for the trailing twelve-month period ended June 2021 exceeded the minimum requirement.

The NSFR is designed to promote medium- and long-term stable funding of the assets and off-balance-sheet activities of banking organisations over a one-year time horizon. The company is subject to the NSFR requirements implemented in the U.K., which are expected to become effective in January 2022.

The implementation of these rules and any amendments adopted by the regulatory authorities could impact the company's liquidity and funding requirements and practices in the future.

Credit Ratings

The company relies on the debt capital markets to fund a portion of its day-to-day operations and the cost and availability of debt financing is influenced by the company's credit ratings and those of Group Inc. Credit ratings are also important when the company is competing in certain markets, such as OTC derivatives, and when it seeks to engage in longer-term transactions. See "Principal Risks and Uncertainties — Liquidity" in Part I of the 2020 Annual Report for information about the risks associated with a reduction in the company's and/or Group Inc.'s credit ratings.

The table below presents the unsecured credit ratings and outlook of the company and Group Inc.

	As of June 2021		
	Fitch	Moody's	S&P
GSI			
Short-term debt	F1	P-1	A-1
Long-term debt	A+	A1	A+
Ratings outlook	Stable	Stable	Stable
Group Inc.			
Short-term debt	F1	P-1	A-2
Long-term debt	A	A2	BBB+
Subordinated debt	BBB+	Baa2	BBB-
Trust preferred	BBB-	Baa3	BB
Preferred stock	BBB-	Ba1	BB
Ratings outlook	Stable	Stable	Stable

Management Report

Certain of the company's derivatives have been transacted under bilateral agreements with counterparties who may require the company to post collateral or terminate the transactions based on changes in the credit ratings of either the company and/or Group Inc. The company assesses the impact of these bilateral agreements by determining the collateral or termination payments that would occur assuming a downgrade by all rating agencies of both Group Inc. and the company simultaneously and of each entity individually.

The table below presents the additional collateral or termination payments related to the company's net derivative liabilities under bilateral agreements that could have been called by counterparties in the event of a one- or two-notch downgrade in Group Inc.'s and/or the company's credit ratings.

<i>\$ in millions</i>	As of	
	June 2021	December 2020
Additional collateral or termination payments:		
One-notch downgrade	\$ 67	\$275
Two-notch downgrade	\$459	\$907

Market Risk Management

Overview

Market risk is the risk of loss in the value of the company's inventory and other financial assets and liabilities accounted for at fair value due to changes in market conditions. The company employs a variety of risk measures to monitor market risk. Categories of market risk include interest rate risk, equity price risk, currency rate risk and commodity price risk.

See "Market Risk Management" in Part I of the 2020 Annual Report for further information about the company's market risk management process.

VaR. VaR is the potential loss in value due to adverse market movements over a defined time horizon with a specified confidence level. See "Market Risk Management" in Part I of the 2020 Annual Report for further information about GS Group's VaR model, which is applied consistently by the company.

VaR is analysed at the company level and a variety of more detailed levels, including by risk category and business. Diversification effect in the tables below represents the difference between total VaR and the sum of the VaRs for the four risk categories. This effect arises because the four market risk categories are not perfectly correlated.

The table below presents the company's average daily VaR.

<i>\$ in millions</i>	Three Months Ended			Six Months Ended	
	June 2021	March 2021	May 2020	June 2021	May 2020
Categories					
Interest rates	\$ 26	\$ 26	\$ 54	\$ 26	\$ 39
Equity prices	30	28	57	29	38
Currency rates	17	14	13	15	10
Commodity prices	2	2	2	2	2
Diversification effect	(36)	(30)	(42)	(32)	(31)
Total	\$ 39	\$ 40	\$ 84	\$ 40	\$ 58

The company's average daily VaR was essentially unchanged for the three months ended June 2021 compared with the three months ended March 2021.

The company's average daily VaR decreased to \$39 million for the three months ended June 2021 from \$84 million for the three months ended May 2020, due to lower levels of volatility. The total decrease of \$45 million was primarily driven by decreases in the interest rates and equity prices categories.

The company's average daily VaR decreased to \$40 million for the six months ended June 2021 from \$58 million for the six months ended May 2020, due to lower levels of volatility. The total decrease of \$18 million was primarily driven by decreases in the interest rates and equity prices categories.

The table below presents the company's period-end VaR.

<i>\$ in millions</i>	As of		
	June 2021	March 2021	May 2020
Categories			
Interest rates	\$ 25	\$ 27	\$ 51
Equity prices	27	34	36
Currency rates	23	18	14
Commodity prices	2	4	2
Diversification effect	(41)	(41)	(40)
Total	\$ 36	\$ 42	\$ 63

The company's period-end VaR decreased to \$36 million as of June 2021 from \$42 million as of March 2021, due to reduced exposures and lower levels of volatility. The total decrease of \$6 million was primarily driven by a decrease in the equity prices category.

The company's period-end VaR decreased to \$36 million as of May 2020 from \$63 million as of May 2020, due to lower levels of volatility. The total decrease of \$27 million was primarily driven by decreases in the interest rates and equity prices categories.

Management Report

The table below presents the company's high and low VaR.

\$ in millions	Three Months Ended					
	June 2021		March 2021		May 2020	
	High	Low	High	Low	High	Low
Categories						
Interest rates	\$28	\$23	\$30	\$23	\$ 77	\$21
Equity prices	\$25	\$25	\$46	\$24	\$118	\$25
Currency rates	\$23	\$13	\$20	\$ 9	\$ 20	\$ 7
Commodity prices	\$ 4	\$ 1	\$ 4	\$ 1	\$ 6	\$ 1
Company-wide						
VaR	\$44	\$33	\$50	\$35	\$155	\$33

Sensitivity Measures

Certain portfolios and individual positions are not included in VaR because VaR is not the most appropriate risk measure for these positions.

10% Sensitivity Measures. The market risk for positions, accounted for at fair value, that are not included in VaR is determined by estimating the potential reduction in net revenues of a 10% decline in the value of these positions. The market risk of these positions was \$12.6 million as of June 2021, \$5.5 million as of March 2021 and \$32.2 million as of May 2020.

Credit Risk Management

Overview

Credit risk represents the potential for loss due to the default or deterioration in credit quality of a counterparty (e.g., an OTC derivatives counterparty or a borrower) or an issuer of securities or other instruments the company holds. The company's exposure to credit risk comes mostly from client transactions in OTC derivatives. Credit risk also comes from cash placed with banks, securities financing transactions (i.e., resale and repurchase agreements and securities borrowing and lending activities), customer and other receivables and other assets. In addition, the company holds other positions that give rise to credit risk (e.g., bonds). These credit risks are captured as a component of market risk measures, which are monitored and managed by Market Risk. See "Credit Risk Management" in Part I of the 2020 Annual Report for further information about the company's credit risk management process.

Credit Risk Exposure

The table below presents the company's gross credit exposure to financial assets and net credit exposure after taking account of assets captured by market risk in the company's risk management process, 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 cash collateral posted under credit support agreements, which management considers when determining credit risk. See "Credit Risk Management" in Part I of the 2020 Annual Report for detailed descriptions of credit exposures for each financial asset category.

\$ in millions	Fair value	Amortised cost	Total
As of June 2021			
Gross credit exposure	\$ 950,580	\$190,347	\$1,140,927
Net credit exposure	\$ 25,122	\$ 63,135	\$ 88,257
As of December 2020			
Gross credit exposure	\$1,083,006	\$183,571	\$1,266,577
Net credit exposure	\$ 28,367	\$ 64,235	\$ 92,602

Management Report

Financial Instruments Measured at Fair Value. The table below presents the company's gross credit exposure to financial assets measured at fair value through profit or loss and net credit exposure after taking account of assets captured by market risk

<i>\$ in millions</i>	Collateralised					Total
	agreements	Trading assets	Investments	Loans	Other assets	
As of June 2021						
Gross credit exposure	\$ 151,619	\$ 797,409	\$ 1,132	\$ 408	\$ 12	\$ 950,580
Assets captured by market risk	–	(100,209)	(1,132)	–	–	(101,341)
Counterparty netting	(49,443)	(616,245)	–	(14)	–	(665,702)
Cash collateral	–	(37,758)	–	(202)	–	(37,960)
Security collateral received	(100,647)	(19,808)	–	–	–	(120,455)
Net credit exposure	\$ 1,529	\$ 23,389	\$ –	\$ 192	\$ 12	\$ 25,122
As of December 2020						
Gross credit exposure	\$ 92,619	\$ 982,919	\$ 888	\$ 567	\$ 6,013	\$ 1,083,006
Assets captured by market risk	–	(83,083)	(888)	–	–	(83,971)
Counterparty netting	(19,790)	(807,180)	–	(215)	–	(827,185)
Cash collateral	–	(49,190)	–	–	–	(49,190)
Security collateral received	(71,995)	(22,137)	–	(161)	–	(94,293)
Net credit exposure	\$ 834	\$ 21,329	\$ –	\$ 191	\$ 6,013	\$ 28,367

The table below presents the company's gross credit exposure to financial assets measured at fair value through profit or loss by internally determined public rating agency equivalents and other credit metrics.

<i>\$ in millions</i>	As of	
	June 2021	December 2020
AAA	\$ 12,995	\$ 16,789
AA	67,686	64,833
A	651,956	789,934
BBB	77,905	79,858
BB or lower	36,157	40,199
Unrated	103,881	91,393
Total	\$950,580	\$1,083,006

In the table, above the company's unrated gross credit exposure includes assets captured by market risk. The company's net unrated credit exposure was \$918 million as of June 2021 and \$794 million as of December 2020, which are financial assets for which the company has not assigned an internally determined public rating agency equivalent.

in the company's risk management process, counterparty netting, and cash and security collateral received and cash collateral posted under credit support agreements, which management considers when determining credit risk.

Financial Instruments Measured at Amortised Cost.

The company's financial assets measured at amortised cost are set out in Note 20 to the financial statements. These amounts represent the company's gross credit exposure to financial assets measured at amortised cost.

The company's financial assets measured at amortised cost were all classified within stage 1 of the company's impairment model, namely, they were not credit-impaired on initial recognition and there has been no significant increase in credit risk since initial recognition as of June 2021 and December 2020. The expected credit losses (ECL) on these financial assets were not material as of June 2021 and December 2020. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

The table below presents the company's gross credit exposure to financial assets measured at amortised cost by internally determined public rating agency equivalents and other credit metrics.

<i>\$ in millions</i>	As of	
	June 2021	December 2020
AAA	\$ 2,185	\$ 2,578
AA	46,454	52,950
A	95,460	81,432
BBB	18,758	17,414
BB or lower	25,338	27,274
Unrated	2,152	1,923
Total	\$190,347	\$183,571

In the table above, the company's unrated gross credit exposure relates to financial assets for which the company has not assigned an internally determined public rating agency equivalent.

Management Report

Operational Risk Management

Overview

Operational risk is the risk of an adverse outcome resulting from inadequate or failed internal processes, people, systems or from external events. The company's exposure to operational risk arises from routine processing errors, as well as extraordinary incidents, such as major systems failures or legal and regulatory matters.

See "Operational Risk Management" in Part I of the 2020 Annual Report for further information about the company's operational risk management process.

Model Risk Management

Overview

Model risk is the potential for adverse consequences from decisions made based on model outputs that may be incorrect or used inappropriately. The company relies on quantitative models across its business activities primarily to value certain financial assets and liabilities, to monitor and manage its risk, and to measure and monitor the company's regulatory capital.

See "Model Risk Management" in Part I of the 2020 Annual Report for further information about the company's model risk management process.

Directors

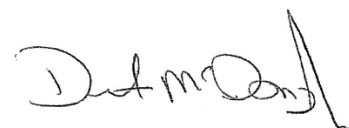
Lord Grabiner QC resigned from the board of directors on May 31, 2021.

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

Responsibility Statement

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

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



D. W. McDonogh
Director
August 9, 2021

Unaudited Financial Statements

GOLDMAN SACHS INTERNATIONAL (UNLIMITED COMPANY)

Income Statement (Unaudited)

	Note	Three Months Ended		Six Months Ended	
		June 2021	May 2020	June 2021	May 2020
<i>\$ in millions</i>					
Gains or losses from financial instruments at fair value through profit or loss		\$ 1,645	\$ 2,134	\$ 4,340	\$ 3,658
Fees and commissions		1,106	675	1,932	1,195
Non-interest income		2,751	2,809	6,272	4,853
Interest income from financial instruments measured at fair value through profit or loss		566	596	1,104	1,485
Interest income from financial instruments measured at amortised cost		282	304	552	930
Interest expense from financial instruments measured at fair value through profit or loss		(513)	(595)	(1,001)	(1,319)
Interest expense from financial instruments measured at amortised cost		(457)	(613)	(912)	(1,559)
Net interest expense		(122)	(308)	(257)	(463)
Net revenues	4	2,629	2,501	6,015	4,390
Net operating expenses		(1,912)	(1,362)	(4,458)	(2,832)
Profit before taxation		717	1,139	1,557	1,558
Income tax expense	5	(91)	(268)	(311)	(369)
Profit for the financial period		\$ 626	\$ 871	\$ 1,246	\$ 1,189

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

Statement of Comprehensive Income (Unaudited)

	Note	Three Months Ended		Six Months Ended	
		June 2021	May 2020	June 2021	May 2020
<i>\$ in millions</i>					
Profit for the financial period		\$626	\$ 871	\$1,246	\$1,189
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Actuarial profit relating to the pension scheme		105	231	149	150
Debt valuation adjustment	13	22	182	(9)	294
U.K. deferred tax attributable to the components of other comprehensive income		(33)	(114)	(40)	(123)
U.K. current tax attributable to the components of other comprehensive income		4	7	8	7
Other comprehensive income for the financial period, net of tax		98	306	108	328
Total comprehensive income for the financial period		\$724	\$1,177	\$1,354	\$1,517

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

Balance Sheet (Unaudited)

<i>\$ in millions</i>	Note	As of	
		June 2021	December 2020
Assets			
Cash and cash equivalents		\$ 42,645	\$ 43,833
Collateralised agreements	6	214,818	140,682
Customer and other receivables	7	82,768	90,380
Trading assets (includes \$34,921 and \$27,295 pledged as collateral)	8	797,409	982,919
Investments (includes \$4 and \$62 pledged as collateral)	9	1,132	888
Loans		408	567
Other assets	10	3,392	8,589
Total assets		\$1,142,572	\$1,267,858
Liabilities			
Collateralised financings	11	\$ 170,488	\$ 113,127
Customer and other payables	12	101,860	100,519
Trading liabilities	8	745,929	932,414
Unsecured borrowings	13	80,216	80,351
Other liabilities	14	6,147	4,869
Total liabilities		1,104,640	1,231,280
Shareholder's equity			
Share capital	15	598	598
Share premium account		5,568	5,568
Other equity instruments	16	8,300	8,300
Retained earnings		23,661	22,437
Accumulated other comprehensive income		(195)	(325)
Total shareholder's equity		37,932	36,578
Total liabilities and shareholder's equity		\$1,142,572	\$1,267,858

Statement of Changes in Equity (Unaudited)

<i>\$ in millions</i>	Note	Six Months Ended	
		June 2021	May 2020
Share capital			
Beginning balance		\$ 598	\$ 590
Shares issued	15	-	8
Ending balance		598	598
Share premium account			
Beginning balance		5,568	5,196
Shares issued	15	-	372
Ending balance		5,568	5,568
Other equity instruments			
Beginning balance		8,300	8,300
Ending balance		8,300	8,300
Retained earnings			
Beginning balance		22,437	20,330
Profit for the financial period		1,246	1,189
Transfer of realised debt valuation adjustment into retained earnings, net of tax	13	(22)	(17)
Share-based payments		428	357
Management recharge related to share-based payments		(428)	(357)
Ending balance		23,661	21,502
Accumulated other comprehensive income			
Beginning balance		(325)	(168)
Other comprehensive income		108	328
Transfer of realised debt valuation adjustment into retained earnings, net of tax	13	22	17
Ending balance		(195)	177
Total shareholder's equity		\$37,932	\$36,145

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

Statement of Cash Flows (Unaudited)

<i>\$ in millions</i>	Note	Six Months Ended	
		June 2021	May 2020
Cash flows from operating activities			
Cash generated from operations	17	\$ 679	\$ 1,240
Taxation received		2	3
Taxation paid		(202)	(61)
Net cash from operating activities		479	1,182
Cash flows from investing activities			
Proceeds from sales of intangible assets		-	7
Capital expenditure for property, leasehold improvements and equipment and intangible assets		(126)	(122)
Purchase of investments		(1,216)	(72)
Proceeds from sales of investments		1,030	162
Net cash used in investing activities		(312)	(25)
Cash flows from financing activities			
Increase in MREL-eligible intercompany loans		-	3,400
Interest paid on subordinated loans and MREL-eligible intercompany loans		-	(704)
Receipts from issuing share capital	15	-	380
Payments for lease liabilities		(2)	(46)
Net cash from/(used in) financing activities		(2)	3,030
Net increase in cash and cash equivalents, net of overdrafts		165	4,187
Cash and cash equivalents, net of overdrafts, beginning balance		43,718	22,359
Foreign exchange gains/(losses) on cash and cash equivalents, net of overdrafts		(1,317)	657
Cash and cash equivalents, net of overdrafts, ending balance	17	\$42,566	\$27,203

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

Notes to the Financial Statements (Unaudited)

Note 1.

General Information

The company is a private unlimited company and is incorporated and domiciled in England and Wales. The address of its registered office is Plumtree Court, 25 Shoe Lane, London, EC4A 4AU, United Kingdom.

The company's immediate parent undertaking is Goldman Sachs Group UK Limited (GSG UK), a company incorporated and domiciled in England and Wales. GSG UK together with its consolidated subsidiaries forms "GSG UK Group".

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

Note 2.

Summary of Significant Accounting Policies

Basis of Preparation

The company prepares financial statements under international accounting standards. These financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and Article 5 of the Directive 2004/109/EC as amended by Directive 2013/50/EU. These financial statements should be read in conjunction with the 2020 Annual Report, which has been prepared in conformity with the requirements of the Companies Act 2006 and IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the E.U.

For the six months ended May 2020, the company prepared financial statements under United Kingdom Generally Accepted Accounting Practices, in accordance with FRS 104 'Interim Financial Reporting', prior to the adoption of IFRS. The company has updated its comparatives in the income statement, statement of cash flows and fair value measurement disclosures to conform to the current period's presentation.

Accounting Policies

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

Note 3.

Critical Accounting Estimates and Judgements

The company's critical accounting estimates and judgements are consistent with those described in the 2020 Annual Report with the exception of the below.

Estimated Year-End Discretionary Compensation

A substantial portion of the company's compensation and benefits represents discretionary compensation, which is finalised at GS Group's year-end. The company believes the most appropriate way to allocate estimated annual discretionary compensation among interim periods is in proportion to the net revenues earned in such periods.

Notes to the Financial Statements (Unaudited)

Note 4.

Net Revenues

Net revenues include net interest expense and non-interest income. Net interest expense includes interest and dividends on financial instruments measured at fair value and amortised cost. Non-interest income 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 trading assets, investments, loans, trading liabilities and certain collateralised agreements.
- Gains and losses on financial instruments designated at fair value through profit or loss, which primarily relate to non-interest gains and losses on certain unsecured borrowings and collateralised financings.
- Fees and commissions, which primarily relates to net revenues from certain financial advisory and underwriting engagements, executing and clearing client transactions and certain investment management services.

The table below presents net revenues.

	Three Months		Six Months	
	Ended		Ended	
	June	May	June	May
<i>\$ in millions</i>	2021	2020	2021	2020
Non-interest income				
Financial instruments mandatorily measured at fair value through profit or loss	\$2,319	\$ 1,180	\$ 4,611	\$ 678
Financial instruments designated at fair value through profit or loss	(674)	954	(271)	2,980
Fees and commissions	1,106	675	1,932	1,195
Non-interest income	2,751	2,809	6,272	4,853
Interest income				
Interest income from financial instruments measured at fair value through profit or loss	566	596	1,104	1,485
Interest income from financial instruments measured at amortised cost	282	304	552	930
Total interest income	848	900	1,656	2,415
Interest expense				
Interest expense from financial instruments measured at fair value through profit or loss	(513)	(595)	(1,001)	(1,319)
Interest expense from financial instruments measured at amortised cost	(457)	(613)	(912)	(1,559)
Total interest expense	(970)	(1,208)	(1,913)	(2,878)
Net interest expense	(122)	(308)	(257)	(463)
Net revenues	\$2,629	\$ 2,501	\$ 6,015	\$ 4,390

In the table above:

- Financial instruments designated at fair value through profit or loss are frequently economically hedged with financial instruments measured mandatorily at fair value through profit or loss. Accordingly, gains or losses that are reported in financial instruments designated at fair value through profit or loss can be partially offset by gains or losses reported in financial instruments measured mandatorily at fair value through profit or loss.
- The company has reclassified net revenues, predominately from underwriting engagements, from financial instruments measured at fair value through profit or loss to fees and commissions of \$286 million for the three months ended May 2020 and \$446 million for the six months ended May 2020 in order to conform to the current period's presentation.
- Interest income and expense from financial instruments measured at amortised cost has increased by \$10 million for the three months ended May 2020 and \$82 million for the six months ended May 2020 to conform to the current period's presentation. This is to reclassify negative interest income to interest expense and negative interest expense to interest income for certain instruments.
- The company has reclassified interest expense of \$139 million for the three months ended May 2020 and \$291 million for the six months ended May 2020 from interest expense from financial instruments measured at fair value through profit or loss to interest expense from financial instruments measured at amortised cost to conform to the current period's presentation.

Notes to the Financial Statements (Unaudited)

Note 5.

Income Tax Expense

The table below presents an analysis of the company's income tax expense.

<i>\$ in millions</i>	Three Months		Six Months	
	Ended		Ended	
	June	May	June	May
	2021	2020	2021	2020
Current tax				
U.K. taxation	\$ 179	\$264	\$ 417	\$264
Adjustment in respect of prior periods	(7)	(3)	(7)	(3)
Overseas taxation	95	53	110	61
Total current tax	267	314	520	322
Deferred tax				
Origination and reversal of temporary differences	(108)	(27)	(145)	66
Effect of increased U.K. corporation tax rate	(62)	(19)	(62)	(19)
Adjustment in respect of prior periods	(6)	–	(2)	–
Total deferred tax	(176)	(46)	(209)	47
Total income tax expense	\$ 91	\$268	\$ 311	\$369

The Finance Act 2021, which increases the U.K. corporate tax main rate from 19.0% to 25.0% from April 1, 2023, was substantively enacted in May 2021. During the second quarter of 2021, the company's deferred tax assets were remeasured and a deferred tax benefit of \$62 million was recognised in the income statement. Following the increase in the U.K. corporate tax main rate, the U.K. government has indicated that it will undertake a review of the 8.0% bank surcharge applicable to the company in order to ensure that the combined tax burden on banks does not rise substantially. The results of the review, including any changes to the bank surcharge, will be announced in the second half of 2021 and legislated as Finance Bill 2021-22.

Note 6.

Collateralised Agreements

The table below presents collateralised agreements.

<i>\$ in millions</i>	As of	
	June	December
	2021	2020
Resale agreements	\$133,369	\$ 75,140
Securities borrowed	81,449	65,542
Total	\$214,818	\$140,682

Note 7.

Customer and Other Receivables

The table below presents customer and other receivables.

<i>\$ in millions</i>	As of	
	June	December
	2021	2020
Receivables from broker/dealers and clearing organisations	\$11,954	\$11,350
Receivables from customers and counterparties	70,814	79,030
Total	\$82,768	\$90,380

In the table above, total customer and other receivables primarily consists of receivables resulting from collateral posted in connection with certain derivative transactions, customer margin loans and balances related to listed derivative activity.

Notes to the Financial Statements (Unaudited)

Note 8.

Trading Assets and Liabilities

Trading assets and liabilities include trading cash instruments and derivatives held in connection with the company's market-making or risk management activities. Trading assets includes assets pledged as collateral.

The table below presents trading assets.

<i>\$ in millions</i>	As of	
	June 2021	December 2020
Trading cash instruments		
Money market instruments	\$ 254	\$ 338
Government and agency obligations	32,543	24,759
Mortgage and other asset-backed loans and securities	297	586
Corporate debt instruments	23,220	21,790
Equity securities	53,090	47,135
Commodities	456	9
Total trading cash instruments	109,860	94,617
Derivatives		
Interest rates	480,031	671,483
Credit	27,892	24,778
Currencies	87,830	110,493
Commodities	17,809	10,824
Equities	73,987	70,724
Total derivatives	687,549	888,302
Total trading assets	\$797,409	\$982,919

The table below presents trading liabilities.

<i>\$ in millions</i>	As of	
	June 2021	December 2020
Trading cash instruments		
Government and agency obligations	\$ 26,112	\$ 16,772
Corporate debt instruments	4,470	3,700
Equity securities	38,795	31,473
Commodities	18	40
Total trading cash instruments	69,395	51,985
Derivatives		
Interest rates	468,712	660,262
Credit	25,239	22,141
Currencies	87,107	114,495
Commodities	17,419	10,663
Equities	78,057	72,868
Total derivatives	676,534	880,429
Total trading liabilities	\$745,929	\$932,414

In the tables above:

- Corporate debt instruments includes corporate loans, debt securities and convertible debentures.
- Equity securities includes public and exchange-traded funds.

Note 9.

Investments

Investments includes debt instruments and equity securities that are accounted for at fair value and are generally held by the company in connection with its long-term investing activities. Investments includes assets pledged as collateral.

The table below presents information about investments.

<i>\$ in millions</i>	As of	
	June 2021	December 2020
Corporate debt instruments	\$ 852	\$639
Equity securities	280	249
Total	\$1,132	\$888

In the table above:

- Corporate debt instruments primarily includes mezzanine, senior and distressed debt.
- Equity securities consists of the company's public and private equity-related investments.

Note 10.

Other Assets

The table below presents other assets by type.

<i>\$ in millions</i>	As of	
	June 2021	December 2020
Intercompany loans	\$ 967	\$6,744
Miscellaneous receivables and other	780	564
Total financial assets	1,747	7,308
Property, leasehold improvements and equipment	5	2
Intangible assets	512	490
Right-of-use assets	13	15
Pension surplus	353	202
Deferred tax assets	614	444
Prepayments and accrued income	36	28
Tax-related assets	107	94
Miscellaneous receivables and other	5	6
Total non-financial assets	1,645	1,281
Total	\$3,392	\$8,589

In the table above, miscellaneous receivables and other included in financial assets primarily includes receivables for allocation of net revenues among GS Group affiliates for their participation in GS Group's business activities.

Notes to the Financial Statements (Unaudited)

Note 11.

Collateralised Financings

The table below presents collateralised financings.

<i>\$ in millions</i>	As of	
	June 2021	December 2020
Repurchase agreements	\$116,516	\$ 77,726
Securities loaned	34,981	21,034
Intercompany loans	4,799	1,432
Debt securities issued	8,706	6,664
Other borrowings	5,486	6,271
Total	\$170,488	\$113,127

In the table above:

- Current collateralised financings were \$157.71 billion as of June 2021 and \$109.28 billion as of December 2020 and non-current collateralised financings were \$12.78 billion as of June 2021 and \$3.85 billion as of December 2020.
- Intercompany loans, debt securities issued and other borrowings are secured by securities which have been pledged as collateral. This pledged collateral is either recognised in trading assets or collateralised agreements.

Note 12.

Customer and Other Payables

The table below presents customer and other payables.

<i>\$ in millions</i>	As of	
	June 2021	December 2020
Payables to broker/dealers and clearing organisations	\$ 4,317	\$ 2,648
Payables to customers and counterparties	97,543	97,871
Total	\$101,860	\$100,519

In the table above, total customer and other payables primarily consist of collateral received in connection with certain derivative transactions, customer credit balances related to the company's prime brokerage activities and balances related to listed derivative activity.

Note 13.

Unsecured Borrowings

The table below presents unsecured borrowings.

<i>\$ in millions</i>	As of	
	June 2021	December 2020
Bank loans	\$ 6	\$ 6
Overdrafts	79	115
Intercompany loans – non-MREL-eligible	14,728	21,032
Intercompany loans – MREL-eligible	16,890	16,723
Debt securities issued	39,244	32,385
Subordinated loans	5,459	5,394
Other borrowings	3,810	4,696
Total	\$80,216	\$80,351

In the table above:

- Current unsecured borrowings were \$32.58 billion as of June 2021 and \$24.57 billion as of December 2020 and non-current unsecured borrowings were \$47.64 billion as of June 2021 and \$55.78 billion as of December 2020.
- Payments on debt securities issued and other borrowings instruments are typically referenced to underlying financial assets, which are predominately interest rates, equities and currencies-related.
- Subordinated loans of \$5.46 billion as of June 2021 and \$5.39 billion as of December 2020 consist of long-term loans of \$5.38 billion from its parent undertaking and other GS Group affiliates, which are unsecured and carry interest at a margin over the U.S. Federal Reserve's Federal Funds rate, and associated accrued interest. The margin is reset on a periodic basis to reflect changes in GS Group's weighted average cost of debt. These loans constitute regulatory capital as approved by the PRA and are repayable subject to PRA approval. These loans are repayable between December 26, 2029 and September 9, 2030.

Notes to the Financial Statements (Unaudited)

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 debt valuation adjustment gains/(losses) (pre-tax) on such financial liabilities, which is included in accumulated other comprehensive income.

	Three Months		Six Months	
	Ended		Ended	
	June	May	June	May
<i>\$ in millions</i>	2021	2020	2021	2020
Beginning balance	\$(307)	\$ (35)	\$(290)	\$(147)
Debt valuation adjustment for the period	22	182	(9)	294
Transfer to retained earnings	16	24	30	24
Ending balance	\$(269)	\$171	\$(269)	\$ 171

In the table above, net losses of \$16 million (\$12 million, net of tax) for the three months ended June 2021, net losses of \$24 million (\$17 million, net of tax) for the three months ended May 2020, net losses of \$30 million (\$22 million, net of tax) for the six months ended June 2021 and net losses of \$24 million (\$17 million, net of tax) for the six months ended May 2020 realised upon early redemption of certain financial liabilities, have been transferred from accumulated other comprehensive income to retained earnings.

Note 14.

Other Liabilities

The table below presents other liabilities by type.

	As of	
	June	December
<i>\$ in millions</i>	2021	2020
Compensation and benefits	\$4,052	\$2,762
Income tax-related liabilities	378	330
Lease liabilities	15	17
Accrued expenses and other	1,205	1,370
Total financial liabilities	5,650	4,479
Income tax-related liabilities	172	11
Other taxes and social security costs	324	378
Provisions	1	1
Total non-financial liabilities	497	390
Total	\$6,147	\$4,869

Provisions

The table below presents provisions, which are in respect of judicial, regulatory and arbitration proceedings in which the company is involved.

<i>\$ in millions</i>	
As of November 30, 2019	\$ 1
Charge during the period	127
Non-cash capital contribution	(126)
Utilised during the period	(1)
As of December 2020	\$ 1
As of June 2021	\$ 1

In the table above, provisions charged during the period ended December 2020 included fines of \$126 million levied by the FCA and PRA in relation to GS Group's settlement of governmental and regulatory investigations relating to 1Malaysia Development Berhad (1MDB), which, in accordance with the indemnification agreement between Group Inc. and the company in relation to 1MDB losses, were paid by Group Inc. These fines were recognised as an expense in the company's income statement, with a corresponding non-cash capital contribution in retained earnings, resulting in no net impact to the company's total shareholder's equity as of December 2020.

Note 15.

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 November 2019	589,608,046	\$590
Allotted during the period	8,574,007	8
As of December 2020	598,182,053	\$598
As of June 2021	598,182,053	\$598

On March 24, 2020, 8,574,007 ordinary shares of \$1 each were allotted at \$44.32 to GSG UK. The total consideration received was \$380,000,000 in cash, incorporating a share premium of \$371,425,993.

Notes to the Financial Statements (Unaudited)

Note 16.

Other Equity Instruments

The table below presents information about unsecured AT1 notes.

Month of issuance	Number of AT1 notes	\$ millions	Interest rate
June 2017	5,800	\$5,800	9.00% p.a.
November 2018	2,500	2,500	8.67% p.a.
As of June 2021	8,300	\$8,300	

The company's AT1 notes of \$1 million each have been issued to GSG UK. They have no fixed maturity date and are not callable.

The AT1 notes will be irrevocably written-down in the event that the CET1 capital ratio of the company or the GSG UK Group falls below 7%.

Note 17.

Statement of Cash Flows Reconciliations

The table below presents cash and cash equivalents, net of overdrafts for the purpose of the statements of cash flows.

\$ in millions	As of	
	June 2021	May 2020
Cash and cash equivalents	\$42,645	\$27,223
Overdrafts (see Note 13)	(79)	(20)
Total	\$42,566	\$27,203

In the table above, cash and cash equivalents included cash that is not available for use by the company of \$2.76 billion as of June 2021 and \$2.52 billion as of May 2020.

Reconciliation of Cash Flows From Operating Activities

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

\$ in millions	Six Months Ended	
	June 2021	May 2020
Profit before taxation	\$ 1,557	\$ 1,558
Adjustments for		
Depreciation and amortisation	100	82
Loss on disposal of leasehold improvements	4	–
Credit for defined benefit plan	–	(3)
Foreign exchange losses/(gains)	1,320	(644)
Share-based compensation expense	668	69
Interest on subordinated loans and MREL-eligible intercompany loans	232	339
Losses/(gains) on investments	(58)	223
Interest expense on leases	–	1
Cash generated before changes in operating assets and liabilities	3,823	1,625
Changes in operating assets		
Increase in collateralised agreements	(74,136)	(10,411)
Decrease/(increase) in customer and other receivables	7,612	(18,804)
Decrease/(increase) in trading assets	185,510	(257,717)
Decrease in loans	159	1,139
Decrease/(increase) in other assets	5,539	(1,122)
Changes in operating assets	124,684	(286,915)
Changes in operating liabilities		
Increase in collateralised financings	57,361	4,678
Increase in customer and other payables	1,341	7,716
Increase/(decrease) in trading liabilities	(186,485)	267,040
Increase/(decrease) in unsecured borrowings	(341)	6,548
Increase in other liabilities	296	548
Changes in operating liabilities	(127,828)	286,530
Cash generated from operations	\$ 679	\$ 1,240

In the table above, cash generated from operations included interest paid of \$1.76 billion for the six months ended June 2021 and \$2.60 billion for the six months ended May 2020, and interest received of \$1.49 billion for the six months ended June 2021 and \$2.43 billion for the six months ended May 2020. The interest paid and interest received for the six months ended May 2020 has increased by \$82 million to conform to the current period's presentation. See Note 4 for further information.

Notes to the Financial Statements (Unaudited)

Note 18.

Contingent Liabilities

Legal Proceedings

The company is involved in a number of judicial, regulatory and arbitration proceedings (including those described below) concerning matters arising in connection with the conduct of the company's business, however, except as noted in the first matter below, it is not practicable to reliably estimate the financial impact, if any, of these proceedings on the company.

Banco Espirito Santo S.A. and Oak Finance. Beginning in February 2015, the company commenced actions against Novo Banco S.A. (Novo Banco) in the English Commercial Court and the Bank of Portugal (BoP) in Portuguese Administrative Court in response to BoP's decision in December 2014 not to transfer to Novo Banco an \$835 million facility agreement (the Facility), structured by the company, between Oak Finance Luxembourg S.A. (Oak Finance), a special purpose vehicle formed in connection with the Facility, and Banco Espirito Santo S.A. (BES) prior to the failure of BES. In July 2018, the English Supreme Court found that the English courts did not have jurisdiction over the company's action. In July 2018, the Liquidation Committee for BES issued a decision seeking to claw back \$54 million paid to the company and \$50 million paid to Oak Finance in connection with the Facility, alleging that the company acted in bad faith in extending the Facility, including because the company allegedly knew that BES was at risk of imminent failure. The company has also issued a claim against the Portuguese State seeking compensation for losses related to the failure of BES, including a contingent claim for the \$104 million sought by the Liquidation Committee.

Interest Rate Swap Antitrust Litigation. The company is among the defendants named in a putative antitrust class action relating to the trading of interest rate swaps, filed in November 2015 and consolidated in the U.S. District Court for the Southern District of New York. The company is also among the defendants named in two antitrust actions relating to the trading of interest rate swaps, commenced in April 2016 and June 2018, respectively, in the U.S. District Court for the Southern District of New York by three operators of swap execution facilities and certain of their affiliates. These actions have been consolidated for pretrial proceedings. The complaints generally assert claims under federal antitrust law and state common law in connection with an alleged conspiracy among the defendants to preclude exchange trading of interest rate swaps. The complaints in the individual actions also assert claims under state antitrust law. The complaints seek declaratory and injunctive relief, as well as treble damages in an unspecified amount. Defendants moved to dismiss the class and the first individual action and the district court dismissed the state common law claims asserted by the plaintiffs in the first individual action and otherwise limited the state common law claim in the putative class action and the antitrust claims in both actions to the period from 2013 to 2016. On November 20, 2018, the court granted in part and denied in part the defendants' motion to dismiss the second individual action, dismissing the state common law claims for unjust enrichment and tortious interference, but denying dismissal of the federal and state antitrust claims. On March 13, 2019, the court denied the plaintiffs' motion in the putative class action to amend their complaint to add allegations related to 2008-2012 conduct, but granted the motion to add limited allegations from 2013-2016, which the plaintiffs added in a fourth consolidated amended complaint filed on March 22, 2019. The plaintiffs in the putative class action moved for class certification on March 7, 2019.

Commodities-Related Litigation. The company is among the defendants named in putative class actions relating to trading in platinum and palladium, filed beginning on November 25, 2014 and most recently amended on May 15, 2017, in the U.S. District Court for the Southern District of New York. The amended complaint generally alleges that the defendants violated federal antitrust laws and the Commodity Exchange Act in connection with an alleged conspiracy to manipulate a benchmark for physical platinum and palladium prices and seek declaratory and injunctive relief, as well as treble damages in an unspecified amount. On March 29, 2020, the court granted the defendants' motions to dismiss and for reconsideration, resulting in the dismissal of all claims. On April 27, 2020, plaintiffs appealed to the Second Circuit Court of Appeals.

Notes to the Financial Statements (Unaudited)

The company is among the defendants in a number of putative class and individual actions filed beginning on August 1, 2013 and consolidated in the U.S. District Court for the Southern District of New York. The complaints generally allege violations of federal antitrust laws and state laws in connection with the storage of aluminium and aluminium trading. The complaints seek declaratory, injunctive and other equitable relief, as well as unspecified monetary damages, including treble damages. In December 2016, the district court granted defendants' motions to dismiss and on August 27, 2019, the Second Circuit vacated the district court's dismissals and remanded the case to district court for further proceedings. On July 23, 2020, the district court denied the class plaintiffs' motion for class certification, and on December 16, 2020 the Second Circuit denied leave to appeal the denial. On February 17, 2021, the district court granted defendants' motion for summary judgment with respect to the claims of most of the individual plaintiffs. On April 14, 2021, the plaintiffs appealed to the Second Circuit Court of Appeals.

The company is among the defendants in an action filed on February 27, 2020 in the High Court of Justice, Business and Property Courts of England and Wales. The particulars of claim seeks unspecified compensatory and exemplary damages based on alleged violations of U.K. and E.U. competition laws in connection with the storage and trading of aluminium. On May 21, 2021, the parties entered into a settlement agreement. GS Group has paid the full amount of its contribution to the settlement. All proceedings against GS Group were dismissed on June 4, 2021.

Credit Default Swap Antitrust Litigation. The company is among the defendants named in a putative antitrust class action relating to the settlement of credit default swaps, filed on June 30, 2021 in the U.S. District Court for the District of New Mexico. The complaint generally asserts claims under federal antitrust law and the Commodity Exchange Act in connection with an alleged conspiracy among the defendants to manipulate the benchmark price used to value credit default swaps for settlement. The complaint also asserts a claim for unjust enrichment under state common law. The complaint seeks declaratory and injunctive relief, as well as unspecified amounts of treble and other damages.

Regulatory Investigations and Reviews and Related Litigation. Group Inc. and certain of its affiliates, including the company, are subject to a number of other investigations and reviews by, and in some cases have received subpoenas and requests for documents and information from, various governmental and regulatory bodies and self-regulatory organisations and litigation relating to various matters relating to GS Group's businesses and operations, including:

- The public securities offering process and underwriting practices;
- Investment management and financial advisory services;
- Conflicts of interest;
- Transactions involving government-related financings and other matters;
- The offering, auction, sales, trading and clearance of corporate and government securities, currencies, commodities and other financial products and related sales and other communications and activities, as well as GS Group's supervision and controls relating to such activities, including compliance with applicable short sale rules, algorithmic, high-frequency and quantitative trading, futures trading, options trading, when-issued trading, transaction reporting, technology systems and controls, securities lending practices, prime brokerage activities, trading and clearance of credit derivative instruments and interest rate swaps, commodities activities and metals storage, private placement practices, allocations of and trading in securities, and trading activities and communications in connection with the establishment of benchmark rates, such as currency rates;
- Compliance with the U.K. Bribery Act and the FCPA;
- Hiring and compensation practices;
- System of risk management and controls; and
- Insider trading, the potential misuse and dissemination of material non-public information regarding corporate and governmental developments and the effectiveness of insider trading controls and information barriers.

In addition, investigations, reviews and litigation involving the company's affiliates and such affiliates' businesses and operations, including various matters referred to above but also other matters, may have an impact on the company's businesses and operations.

Notes to the Financial Statements (Unaudited)

Note 19.

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;
- Key management personnel of the company's parent entities; and
- Other related parties, which includes the company's defined benefit scheme and associates of GS Group.

The company enters into transactions with related parties in the normal course of business as part of its market-making activities and general operations. These transactions primarily relate to risk management and market-making activity, funding activity, cash management services, commitments and guarantees, transfer pricing and management charges, taxation, share-based payments and transactions with key management personnel, including compensation paid and payable.

The nature of these transactions for the six months ended June 2021 are consistent with those disclosed in Note 29. Related Parties in Part II of the company's 2020 Annual Report.

Note 20.

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		
	Mandatorily at fair value	Amortised cost	Total
As of June 2021			
Cash and cash equivalents	\$ –	\$ 42,645	\$ 42,645
Collateralised agreements	151,619	63,199	214,818
Customer and other receivables	–	82,768	82,768
Trading assets	797,409	–	797,409
Investments	1,132	–	1,132
Loans	408	–	408
Other assets	12	1,735	1,747
Total	\$ 950,580	\$190,347	\$1,140,927
As of December 2020			
Cash and cash equivalents	\$ –	\$ 43,833	\$ 43,833
Collateralised agreements	92,619	48,063	140,682
Customer and other receivables	–	90,380	90,380
Trading assets	982,919	–	982,919
Investments	888	–	888
Loans	567	–	567
Other assets	6,013	1,295	7,308
Total	\$1,083,006	\$183,571	\$1,266,577

<i>\$ in millions</i>	Financial Liabilities			
	Held for trading	Designated at fair value	Amortised cost	Total
As of June 2021				
Collateralised financings	\$ –	\$147,934	\$ 22,554	\$ 170,488
Customer and other payables	–	–	101,860	101,860
Trading liabilities	745,929	–	–	745,929
Unsecured borrowings	–	35,804	44,412	80,216
Other liabilities	–	–	5,650	5,650
Total	\$745,929	\$183,738	\$174,476	\$1,104,143
As of December 2020				
Collateralised financings	\$ –	\$ 97,103	\$ 16,024	\$ 113,127
Customer and other payables	–	–	100,519	100,519
Trading liabilities	932,414	–	–	932,414
Unsecured borrowings	–	29,426	50,925	80,351
Other liabilities	–	–	4,479	4,479
Total	\$932,414	\$126,529	\$171,947	\$1,230,890

Notes to the Financial Statements (Unaudited)

Note 21.

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 levels 1 and 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 counterparty and the company's and GS Group's credit quality, funding risk, transfer restrictions, liquidity and bid/offer spreads. Valuation adjustments are generally based on market evidence.

Valuation Techniques and Significant Inputs

The valuation techniques and significant inputs used in determining the fair value of the company's financial assets and liabilities disclosed below are consistent with those described in Note 31. Fair Value Measurement in Part II of the 2020 Annual Report.

Fair Value of Financial Assets and Liabilities by Level

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

<i>\$ in millions</i>	Level 1	Level 2	Level 3	Total
As of June 2021				
Financial assets				
Collateralised agreements	\$ –	\$ 151,619	\$ –	\$ 151,619
Trading cash instruments	77,095	32,423	342	109,860
Derivative instruments	21	682,477	5,051	687,549
Trading assets	77,116	714,900	5,393	797,409
Investments	35	890	207	1,132
Loans	–	349	59	408
Other assets	–	12	–	12
Total	\$77,151	\$ 867,770	\$ 5,659	\$ 950,580
Financial liabilities				
Collateralised financings	\$ –	\$ 147,562	\$ 372	\$ 147,934
Trading cash instruments	61,804	7,555	36	69,395
Derivative instruments	44	672,844	3,646	676,534
Trading liabilities	61,848	680,399	3,682	745,929
Unsecured borrowings	–	19,085	16,719	35,804
Total	\$61,848	\$ 847,046	\$20,773	\$ 929,667
Net derivatives	\$ (23)	\$ 9,633	\$ 1,405	\$ 11,015
As of December 2020				
Financial assets				
Collateralised agreements	\$ –	\$ 92,619	\$ –	\$ 92,619
Trading cash instruments	63,079	31,035	503	94,617
Derivative instruments	291	882,392	5,619	888,302
Trading assets	63,370	913,427	6,122	982,919
Investments	18	738	132	888
Loans	–	456	111	567
Other assets	–	6,013	–	6,013
Total	\$63,388	\$1,013,253	\$ 6,365	\$1,083,006
Financial liabilities				
Collateralised financings	\$ –	\$ 96,863	\$ 240	\$ 97,103
Trading cash instruments	46,752	5,204	29	51,985
Derivative instruments	255	876,645	3,529	880,429
Trading liabilities	47,007	881,849	3,558	932,414
Unsecured borrowings	–	19,774	9,652	29,426
Total	\$47,007	\$ 998,486	\$13,450	\$1,058,943
Net derivatives	\$ 36	\$ 5,747	\$ 2,090	\$ 7,873

In the table above, trading assets included derivative instruments designated as hedges of \$15 million as of June 2021 and \$17 million as of December 2020.

Notes to the Financial Statements (Unaudited)

Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

Trading Cash Instruments, Investments and Loans.

The table below presents level 3 trading cash instrument assets, investments and loans and ranges and weighted averages of significant unobservable inputs used to value level 3 trading cash instruments, investments and loans.

\$ in millions	Level 3 Trading Cash Instruments Assets, Investments and Loans and Range of Significant Unobservable Inputs (Weighted Average) as of	
	June 2021	December 2020
Trading Cash Instruments		
Mortgages and other asset-backed loans and securities		
Level 3 assets	\$ 83	\$132
Yield	1.4% to 11.7% (6.4%)	0.6% to 14.0% (6.1%)
Recovery rate	20.9% to 72.5% (35.0%)	21.6% to 69.3% (35.8%)
Duration (years)	0.5 to 10.9 (4.2)	1.0 to 11.5 (2.7)
Corporate debt instruments and government and agency obligations		
Level 3 assets	\$226	\$349
Yield	1.9% to 19.1% (5.8%)	0.6% to 23.6% (5.9%)
Recovery rate	0.0% to 69.9% (50.7%)	0.0% to 69.7% (50.4%)
Duration (years)	2.2 to 13.8 (5.2)	2.0 to 25.5 (8.3)
Equity securities	\$ 33	\$ 22
Total	\$342	\$503
Investments		
Corporate debt instruments		
Level 3 assets	\$157	\$ 96
Yield	8.2% to 8.2% (8.2%)	6.8% to 6.8% (6.8%)
Recovery rate	9.1% to 76.0% (67.3%)	N/A
Duration (years)	1.3 to 1.3 (1.3)	2.9 to 2.9 (2.9)
Equity securities		
Level 3 assets	\$ 50	\$ 36
Multiples	8.5x to 8.5x (8.5x)	4.2x to 11.0x (4.6x)
Total	\$207	\$132
Loans		
Corporate		
Level 3 assets	\$ 59	\$111
Yield	3.4% to 3.4% (3.4%)	3.3% to 6.6% (5.6%)
Recovery rate	15.0% to 48.6% (17.9%)	15.0% to 15.0% (15.0%)

In the table above:

- Ranges represent the significant unobservable inputs that were used in the valuation of each type of cash instrument and weighted averages are calculated by weighting each input by the relative fair value of the instrument.
- The ranges and weighted averages of these inputs are not representative of the appropriate inputs to use when calculating the fair value of any one trading instrument. For example, the highest yield for mortgages and other asset-backed loans and securities is appropriate for valuing a specific mortgage but may not be appropriate for valuing any other mortgages. Accordingly, the ranges of inputs do not represent uncertainty in, or possible ranges of, fair value measurements of level 3 trading cash instruments.

- Increases in yield or duration used in the valuation of level 3 instruments would have resulted in a lower fair value measurement, while increases in recovery rate or multiples would have resulted in a higher fair value measurement as of June 2021 and December 2020. Due to the distinctive nature of each level 3 instrument, the interrelationship of inputs is not necessarily uniform within each product type.
- Mortgages and other asset-backed loans and securities, corporate debt instruments and government and agency obligations and loans are valued using discounted cash flows, and equity securities are valued using market comparables and discounted cash flows.
- The fair value of any one instrument may be determined using multiple valuation techniques. For example, market comparables and discounted cash flows may be used together to determine fair value. Therefore, the level 3 balance encompasses both of these techniques.
- Recovery rate was not significant to the valuation of level 3 corporate debt instruments recognised in investments as of December 2020.

Derivatives. The table below presents net level 3 derivatives and ranges, averages and medians of significant unobservable inputs used to value level 3 derivatives.

\$ in millions	Level 3 Derivatives and Range of Significant Unobservable Inputs (Weighted Average) as of	
	June 2021	December 2020
Interest rates, net	\$ 362	\$ 414
Correlation	22% to 26% (24%/24%)	(8)% to 24% (13%/20%)
Volatility (bps)	40 to 100 (55/54)	40 to 63 (53/52)
Credit, net	\$ 2,132	\$2,305
Credit spreads (bps)	2 to 481 (100/79)	2 to 699 (100/63)
Upfront credit points	17 to 22 (20/20)	19 to 28 (23/23)
Recovery rates	20% to 90% (54%/40%)	25% to 90% (47%/40%)
Currencies, net	\$ 46	\$ 37
Correlation	20% to 23% (21%/21%)	20% to 23% (21%/21%)
Equities, net	\$(1,134)	\$(670)
Correlation	(41%) to 100% (44%/41%)	(35)% to 96% (46%/48%)
Volatility	4% to 97% (19%/17%)	3% to 102% (16%/16%)
Commodities, net	\$ (1)	\$ 4
Total	\$ 1,405	\$2,090

In the table above:

- Net derivative assets are shown as positive amounts and net derivative liabilities are shown as negative amounts.

Notes to the Financial Statements (Unaudited)

- Ranges represent the significant unobservable inputs that were used in the valuation of each type of derivative. Averages represent the arithmetic average of the inputs and are not weighted by the relative fair value or notional of the respective financial instruments. An average greater than the median indicates that the majority of inputs are below the average.
- The ranges, averages and medians of these inputs are not representative of the appropriate inputs to use when calculating the fair value of any one derivative. For example, the highest correlation for interest rate derivatives is appropriate for valuing a specific interest rate derivative but may not be appropriate for valuing any other interest rate derivative. Accordingly, the ranges of inputs do not represent uncertainty in, or possible ranges of, fair value measurements of level 3 derivatives.
- Interest rates, currencies and equities derivatives are valued using option pricing models, and credit derivatives are valued using option pricing, correlation and discounted cash flow models.
- The fair value of any one instrument may be determined using multiple valuation techniques. For example, option pricing models and discounted cash flows models are typically used together to determine fair value. Therefore, the level 3 balance encompasses both of these techniques.
- Correlation within currencies and equities includes cross-product type correlation.

Range of Significant Unobservable Inputs and Sensitivity of Fair Value Measurement to Changes in Significant Unobservable Inputs

The range of significant unobservable inputs used to value the company's level 3 derivative instruments and the directional sensitivity of the company's level 3 instruments to changes in significant unobservable inputs are consistent with the information described in Note 31. Fair Value Measurement in Part II of the 2020 Annual Report.

Other Financial Assets and Liabilities. Significant unobservable inputs of other financial assets and liabilities include:

- **Resale and Repurchase Agreements and Securities Borrowed and Loaned.** As of June 2021 and December 2020, there were no level 3 resale agreements, repurchase agreements, securities borrowed or securities loaned.
- **Other Secured Financings.** As of June 2021 and December 2020, the significant unobservable inputs used to value level 3 other secured financings are incorporated into the derivatives and trading cash instruments, investments and loans disclosures related to unobservable inputs. See "Trading Cash Instruments, Investments and Loans" and "Derivatives" above.
- **Unsecured Borrowings.** As of June 2021 and December 2020, the significant unobservable inputs used to value level 3 unsecured borrowings are incorporated into the derivatives and trading cash instruments, investments and loans disclosures related to unobservable inputs. See "Trading Cash Instruments, Investments and Loans" and "Derivatives" above.

Transfers Between Level 1 and Level 2 of the Fair Value Hierarchy

During the six months ended June 2021 and the six months ended May 2020, there were no significant transfers between level 1 and level 2 financial assets and liabilities measured at fair value on a recurring basis.

Notes to the Financial Statements (Unaudited)

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

The fair value of financial assets and liabilities may be determined in whole or part using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument or based on available observable market data and changing these assumptions will change the resultant estimate of fair value. The potential impact of using reasonable possible alternative assumptions for the valuations, including significant unobservable inputs, has been quantified as approximately \$380 million as of June 2021 and \$530 million as of May 2020, for favourable changes, and \$229 million as of June 2021 and \$237 million as of May 2020, for unfavourable changes. In determining reasonably possible alternative unfavourable assumptions, a detailed business and position level review has been performed to identify and quantify instances where potential uncertainty exists. This has taken into account the positions' fair value as compared to the range of available market information. As of June 2021 and December 2020, the impact for favourable changes was primarily driven by changes in the assumptions around secured funding spreads and valuation adjustments in equity and fixed income derivatives, and the impact for unfavourable changes was primarily driven by changes in the assumptions around secured funding spreads, volatility and correlation inputs.

The table below presents the amounts not recognised in the income statement relating to the difference between the fair value of financial assets and liabilities at initial recognition using the valuation techniques and the transaction price (day 1 P&L).

\$ in millions	Six Months Ended	
	June 2021	May 2020
Beginning balance	\$ 209	\$153
New transactions	114	111
Amounts recognised in the income statement during the period	(113)	(58)
Ending balance	\$210	\$206

Level 3 Rollforward

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

\$ in millions	Six Months Ended	
	June 2021	May 2020
Total financial assets		
Beginning balance	\$ 6,365	\$ 5,325
Gains/(losses)	(255)	2,024
Purchases	344	546
Sales	(172)	(115)
Settlements	(362)	(620)
Transfers into level 3	187	490
Transfers out of level 3	(448)	(258)
Ending balance	\$ 5,659	\$ 7,392
Total financial liabilities		
Beginning balance	\$(13,450)	\$(12,306)
Gains/(losses)	(754)	924
Purchases	(35)	10
Sales	(446)	(601)
Issuances	(12,677)	(7,837)
Settlements	5,773	5,310
Transfers into level 3	(579)	(527)
Transfers out of level 3	1,395	534
Ending balance	\$(20,773)	\$(14,493)

In the table above:

- If a financial asset or financial 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 assets and liabilities are frequently economically hedged with level 1 and level 2 financial assets and liabilities. Accordingly, level 3 gains or losses that are reported for a particular class of financial asset or financial liability can be partially offset by gains or losses attributable to level 1 or level 2 in the same class of financial asset or financial liability or gains or losses attributable to level 1, level 2 or level 3 in a different class of financial asset or financial liability. As a result, gains or losses included in the level 3 rollforward do not necessarily represent the overall impact on the company's results of operations, liquidity or capital resources.
- Gains/(losses) are predominately attributable to changes in unrealised gains or losses relating to level 3 financial assets and financial liabilities.

Notes to the Financial Statements (Unaudited)

- The net gains on level 3 financial assets for the six months ended June 2021 and the six months ended May 2020 are reported in “Net revenues” in the income statement.
- The net losses on level 3 financial liabilities of \$754 million for the six months ended June 2021 included losses of \$769 million reported in “Net revenues” in the income statement and gains of \$15 million reported in “Debt valuation adjustment” in the statement of comprehensive income. The net gains on level 3 financial liabilities of \$924 million for the six months ended May 2020 included gains of \$794 million reported in “Net revenues” in the income statement and gains of \$130 million reported in “Debt valuation adjustment” in the statement of comprehensive income.

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

\$ in millions	Six Months Ended	
	June 2021	May 2020
Trading assets		
Beginning balance	\$6,122	\$5,058
Gains/(losses)	(280)	2,037
Purchases	343	533
Sales	(170)	(113)
Settlements	(349)	(574)
Transfers into level 3	125	335
Transfers out of level 3	(398)	(251)
Ending balance	\$5,393	\$7,025
Investments		
Beginning balance	\$ 132	\$ 145
Gains/(losses)	26	(12)
Purchases	1	13
Sales	(1)	–
Settlements	(13)	(27)
Transfers into level 3	62	155
Transfers out of level 3	–	(7)
Ending balance	\$ 207	\$ 267
Loans		
Beginning balance	\$ 111	\$ 122
Gains/(losses)	(1)	(1)
Sales	(1)	(2)
Settlements	–	(19)
Transfers out of level 3	(50)	–
Ending balance	\$ 59	\$ 100

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

\$ in millions	Six Months Ended	
	June 2021	May 2020
Collateralised financings		
Beginning balance	\$ (240)	\$ (1,111)
Gains/(losses)	(30)	75
Issuances	(101)	(23)
Settlements	–	882
Transfers into level 3	(1)	–
Ending balance	\$ (372)	\$ (177)
Trading liabilities		
Beginning balance	\$ (3,558)	\$ (3,014)
Gains/(losses)	(560)	224
Purchases	6	10
Sales	(446)	(601)
Settlements	721	(92)
Transfers into level 3	(263)	(385)
Transfers out of level 3	418	314
Ending balance	\$ (3,682)	\$ (3,544)
Unsecured borrowings		
Beginning balance	\$ (9,652)	\$ (8,181)
Gains/(losses)	(164)	625
Purchases	(41)	–
Issuances	(12,576)	(7,814)
Settlements	5,052	4,520
Transfers into level 3	(315)	(142)
Transfers out of level 3	977	220
Ending balance	\$(16,719)	\$(10,772)

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

Transfers between level 2 and level 3 generally occur due to changes in the transparency of level 3 inputs. A lack of market evidence leads to reduced transparency, whereas an increase in the availability of market evidence leads to an increase in transparency.

Financial Assets.

Six Months Ended June 2021

Trading Assets. Transfers into level 3 trading assets primarily reflected transfers of certain equity derivatives from level 2, principally due to reduced transparency of certain volatility and correlation inputs, and transfers of certain credit derivatives from level 2, principally due to decreased transparency of certain credit spread inputs.

Transfers out of level 3 trading assets primarily reflected transfers of certain credit derivatives to level 2, principally due to increased transparency of certain credit spread inputs, transfers of certain equity derivatives to level 2, principally due to increased transparency of certain volatility and correlation inputs, and transfers of certain trading cash instruments into level 2, principally due to increased transparency of certain yield inputs.

Notes to the Financial Statements (Unaudited)

Investments. Transfers into level 3 investments primarily reflected transfers of certain cash instruments from level 2, principally due to reduced transparency of certain yield inputs.

Transfers out of level 3 investments primarily reflected transfers of certain cash instruments into level 2, principally due to increased transparency of certain yield inputs.

Loans. Transfers into and out of level 3 loans were not material.

Six Months Ended May 2020

Trading Assets. Transfers into level 3 trading assets primarily reflected transfers of certain equity derivatives from level 2, principally due to reduced transparency of certain volatility and correlation inputs, and transfers of certain trading cash instruments from level 2, principally due to decreased transparency of certain yield inputs.

Transfers out of level 3 trading assets primarily reflected transfers of certain credit derivatives to level 2, principally due to increased transparency of certain credit spread inputs, transfers of certain equity derivatives to level 2, principally due to increased transparency of certain volatility and correlation inputs, and transfers of certain trading cash instruments into level 2, principally due to increased transparency of certain yield inputs.

Investments. Transfers into level 3 investments primarily reflected transfers of certain cash instruments from level 2, principally due to reduced transparency of certain yield inputs.

Transfers out of level 3 investments were not material.

Loans. Transfers into and out of level 3 loans were not material.

Financial Liabilities.

Six Months Ended June 2021

Transfers into level 3 trading liabilities primarily reflected transfers of certain equity derivatives from level 2, principally due to reduced transparency of certain volatility and correlation inputs. Transfers into level 3 unsecured borrowings primarily reflected transfers of certain hybrid financial instruments from level 2, principally due to reduced transparency of certain volatility and correlation inputs.

Transfers out of level 3 trading liabilities primarily reflected transfers of certain equity derivatives to level 2, principally due to increased transparency of certain volatility and correlation inputs. Transfers out of level 3 unsecured borrowings primarily reflected transfers of certain hybrid financial instruments to level 2, principally due to increased transparency of certain volatility and correlation inputs.

Six Months Ended May 2020

Transfers into level 3 trading liabilities primarily reflected transfers of certain equity derivatives from level 2, principally due to reduced transparency of certain volatility and correlation inputs. Transfers into level 3 unsecured borrowings primarily reflected transfers of certain hybrid financial instruments from level 2, principally due to reduced transparency of certain volatility and correlation inputs.

Transfers out of level 3 trading liabilities primarily reflected transfers of certain equity derivatives to level 2, principally due to increased transparency of certain volatility and correlation inputs. Transfers out of level 3 unsecured borrowings primarily reflected transfers of certain hybrid financial instruments to level 2, principally due to increased transparency of certain volatility and correlation inputs.

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

The company had financial assets of \$190.35 billion as of June 2021 and \$183.57 billion as of December 2020 that are not measured at fair value. Given that substantially all of these balances are short-term in nature, their carrying values in the balance sheet are a reasonable approximation of fair value.

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

<i>\$ in millions</i>	As of	
	June 2021	December 2020
Current	\$143,620	\$128,900
Non-current	30,856	43,047
Total	\$174,476	\$171,947

In the table above:

- Current financial liabilities are short-term in nature and therefore their carrying values in the balance sheet are a reasonable approximation of fair value.
- Non-current financial liabilities primarily related to long-term 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.

Note 22.

Financial Risk Management and Capital Management

Certain disclosures in relation to the company's financial risk management and capital management have been presented alongside other risk management and regulatory information in Part I of this financial report.