Annual Report
December 31, 2020

Goldman Sachs International (unlimited company)
Company Number: 02263951

INDEX

	Page No.
Part I	
Strategic Report	**2**
Introduction	2
Executive Overview	2
Business Environment	4
Results of Operations	4
Balance Sheet and Funding Sources	7
Equity Capital Management and Regulatory Capital	9
Regulatory Matters and Other Developments	12
Principal Risks and Uncertainties	15
Risk Management	31
Overview and Structure of Risk Management	32
Liquidity Risk Management	35
Market Risk Management	38
Credit Risk Management	41
Operational Risk Management	45
Model Risk Management	46
Section 172(1) Statement	47
Date of Authorisation of Issue	47

	Page No.
Part II	
Directors' Report and Audited Financial Statements	**48**
Directors' Report	48
Independent Auditors' Report	55
Income Statement	62
Statement of Comprehensive Income	62
Balance Sheet	63
Statement of Changes in Equity	64
Statement of Cash Flows	65
Notes to the Financial Statements	**66**
Note 1. General Information	66
Note 2. Basis of Preparation	66
Note 3. First Time Adoption of IFRS	66
Note 4. Summary of Significant Accounting Policies	70
Note 5. Critical Accounting Estimates and Judgements	76
Note 6. Net Revenues	77
Note 7. Net Operating Expenses	78
Note 8. Compensation and Benefits	79
Note 9. Share-Based Payments	79
Note 10. Income Tax Expense	80
Note 11. Collateralised Agreements	81
Note 12. Customer and Other Receivables	81
Note 13. Trading Assets and Liabilities	81
Note 14. Investments	82
Note 15. Other Assets	82
Note 16. Pension Arrangements	83
Note 17. Deferred Tax Assets	85
Note 18. Interests in Other Entities	86
Note 19. Collateralised Financings	86
Note 20. Customer and Other Payables	86
Note 21. Unsecured Borrowings	87
Note 22. Other Liabilities	88
Note 23. Share Capital	88
Note 24. Dividend	88
Note 25. Other Equity Instruments	89
Note 26. Statement of Cash Flows Reconciliations	89
Note 27. Financial Commitments and Contingencies	90
Note 28. Maturity of Assets and Liabilities	93
Note 29. Related Party Disclosures	93
Note 30. Financial Instruments	97
Note 31. Fair Value Measurement	100
Note 32. Financial Risk Management and Capital Management	111
Note 33. Transferred Assets	112

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. 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 directors' report and audited financial statements as presented in Part II of this annual report.

All references to December 2020 refer to the thirteen months ended, or the date, as the context requires, December 31, 2020. All references to November 2019 refer to the twelve months ended, or the date, as the context requires, November 30, 2019.

During the period ended December 2020, the company adopted International Financial Reporting Standards (IFRS) having previously prepared financial statements in accordance with United Kingdom Generally Accepted Accounting Practices (U.K. GAAP). As such, the company has applied the provisions of IFRS 1 'First-Time Adoption of International Financial Reporting Standards' (IFRS 1) in the preparation of this annual report.

During the period ended December 2020, the company changed its accounting reference date from November 30 to December 31 to conform to the period used by the company for U.S. tax reporting purposes. As such, these financial statements have been prepared for the thirteen months ended December 31, 2020, with comparative information being presented for the twelve months ended November 30, 2019. As a result, amounts presented in this annual report are not directly comparable.

Certain disclosures required by IFRS in relation to the company's financial risk management and capital management have been presented alongside other risk management and regulatory information in the strategic report. Such disclosures are identified as audited, where relevant. All other information in the strategic report is unaudited.

Executive Overview

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

Income Statement

The income statement is set out on page 62 of this annual report. The company's profit for the period ended December 2020 was \$2.76 billion, an increase of 37% compared with the period ended November 2019.

Net revenues were \$10.01 billion for the period ended December 2020, 27% higher than the period ended November 2019, reflecting significantly higher net revenues in FICC and Investment Banking and higher net revenues in Equities and Investment Management.

Net operating expenses were \$6.49 billion for the period ended December 2020, 20% higher than the period ended November 2019, primarily due to significantly higher transaction based expenses, higher compensation and benefits, and significantly higher other expenses, partially offset by significantly lower occupancy, depreciation and amortisation and market development.

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 applicable capital framework was 10.7% as of December 2020 compared to 11.6% as of November 2019.

Balance Sheet

The balance sheet is set out on page 63 of this annual report.

As of December 2020, total assets were $1.27 trillion, an increase of $226.28 billion from November 2019, primarily reflecting an increase in trading assets of $197.55 billion (primarily due to an increase in derivatives, principally as a result of an increase in interest rate derivatives), an increase in customer and other receivables of $18.57 billion (primarily due to an increase in cash collateral posted and higher client activity) and an increase in cash and cash equivalents of $21.44 billion (primarily due to an increase in cash deposits held as Global Core Liquid Assets (GCLA)), partially offset by a decrease in collateralised agreements of $15.67 billion (primarily due to decreases in firm and client activity).

As of December 2020, total liabilities were $1.23 trillion, an increase of $223.96 billion from November 2019, reflecting an increase in trading liabilities of $217.77 billion (primarily due to an increase in derivatives, principally as a result of an increase in interest rate derivatives) and an increase in customer and other payables of $15.55 billion (primarily due to an increase in cash collateral received), partially offset by a decrease in unsecured borrowings of $8.32 billion (primarily due to a decrease in intercompany loans, partially offset by an increase in debt securities issued).

As of December 2020, total shareholder's equity was $36.58 billion, an increase of $2.32 billion from November 2019, primarily reflecting the company's profit for the period ended December 2020 of $2.76 billion and shares issued of $380 million, partially offset by interest on Additional Tier 1 notes (AT1 notes) of $751 million.

Total level 3 financial assets were $6.37 billion as of December 2020 and $5.33 billion as of November 2019. See Note 31 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 December 2020, total assets were $430.28 billion and total liabilities were $401.96 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.

Future Outlook

The directors consider that the period end financial position of the company was satisfactory. Developments that may impact or continue to impact the company include:

- **Brexit.** As a result of the Brexit transition period ending on December 31, 2020, the company no longer benefits from non-discriminatory access to E.U. clients and infrastructure based on E.U. treaties and E.U. legislation, including arrangements for cross-border "passporting" and the establishment of E.U. branches. As such, the company will now be generally treated as any other entity in countries outside the E.U. whose access to the E.U. is governed by E.U. and national law. Certain client relationships and activities previously undertaken by the company have been transitioned to other E.U. subsidiaries of Group Inc., which may impact the company's net revenues and profitability. See "Regulatory Matters and Other Developments — Brexit" for further information.
- **Coronavirus (COVID-19).** As at the time of publication, there continues to be uncertainty regarding the impact of COVID-19 on the near term economic outlook, even as early efforts to distribute vaccines are underway. The company continues to successfully execute on its Business Continuity Planning (BCP) strategy and its priority remains to safeguard its employees and to seek to ensure continuity of business operations on behalf of its clients. The extent of the impact of COVID-19 on the company's operational and financial performance will depend on future developments including the duration and continued spread of the outbreak. See "Regulatory Matters and Other Developments — Impact of COVID-19 Pandemic" for further information.

Business Environment

In the beginning of 2020, the spread of COVID-19 across the globe and the accompanying temporary closures of non-essential businesses and stay-at-home requirements caused a sharp contraction in global economic activity, widespread unemployment, high levels of volatility across most financial assets and global markets, an unprecedented decline in global equity prices and a significant widening of credit spreads. Global central banks responded quickly with accommodative monetary policy by reducing policy interest rates and increasing large scale asset purchases, and the establishment of a number of facilities to support the functioning of markets and to provide liquidity to markets. In addition, governments globally intervened with fiscal policy to mitigate the impact, which provided economic relief to businesses and individuals. These monetary and fiscal interventions, combined with the reopening of businesses and relaxation of earlier lockdowns, contributed to a sharp rebound in global economic activity during the second half of 2020. As a result, investors became more optimistic towards the prospect of a quicker economic recovery and a return to pre-pandemic levels, effecting sharp increases in equity prices and tighter credit spreads. Late in the year, medical professionals developed effective COVID-19 vaccines and governments began to distribute them globally, which is expected to reduce virus spread and further aid economic recovery.

In December 2019, the U.K. and E.U. ratified the Brexit withdrawal agreement (the Withdrawal Agreement), resulting in the U.K. leaving the E.U. in January 2020. In December 2020, the U.K. and E.U. agreed the Trade and Cooperation Agreement, which includes provisions for the future trade arrangements between the two parties.

Despite broad improvements in the overall economy since the pandemic began, there continues to be uncertainty related to the prospects for economic growth, virus resurgence, vaccine distribution, further fiscal stimulus and geopolitical risks.

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.

	Period Ended	
$ in millions	**December 2020**	November 2019
Investment Banking	**$ 2,174**	$1,471
FICC	**3,943**	2,777
Equities	**2,916**	2,669
Investment Management	**978**	942
Total	**$10,011**	$7,859

During the period ended December 2020, based on discussions with various tax authorities, GS Group updated its methodology for allocating net revenues among GS Group affiliates for their participation in GS Group's FICC and Equities business activities. This change is effective from January 1, 2020 and resulted in net revenues of the company increasing by approximately $352 million ($210 million in Equities and $142 million in FICC) in comparison to the period ended November 2019.

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.

December 2020 versus November 2019. Net revenues in Investment Banking were $2.17 billion for the period ended December 2020, 48% higher than the period ended November 2019, 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 December 2020, the EMEA investment banking transaction backlog was higher compared with November 2019, primarily due to significantly higher estimated net revenues from potential debt underwriting transactions and higher estimated net revenues from potential equity underwriting transactions. Estimated net revenues from potential advisory transactions were essentially unchanged.

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, which could occur in light of the impact of the COVID-19 pandemic on mergers and acquisitions. 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 and Equities

FICC and Equities serve the company's clients who buy and sell financial products, raise funding and manage risk. The company does this by acting as a market maker and offering expertise on a global basis. FICC and Equities make markets and facilitate client transactions in fixed income, equity, currency and commodity products. In addition, the company makes markets in, and clears client transactions on, major stock, options and futures exchanges worldwide.

The company executes a high volume of transactions for its clients in large, highly liquid markets. The company also executes transactions for its clients in less liquid markets for spreads and fees that are generally somewhat larger than those charged in more liquid markets. Additionally, the company structures and executes transactions involving customised or tailor-made products that address its clients' risk exposures, investment objectives or other complex needs, as well as derivative transactions related to client advisory and underwriting activities.

The company's net revenues are influenced by a combination of interconnected drivers, including (i) client activity levels and transactional bid/offer spreads (collectively, client activity) and (ii) changes in the fair value of its inventory, and interest income and interest expense related to the holding, hedging and funding of its inventory.

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.

  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), as well as through structured credit and asset-backed lending, which are typically longer term in nature.

December 2020 versus November 2019. Net revenues in FICC were $3.94 billion for the period December 2020, 42% higher than the period ended November 2019 due to significantly higher net revenues in FICC intermediation, partially offset by lower net revenues in FICC financing. The increase in FICC intermediation reflected significantly higher net revenues in interest rate products, commodities, credit products and currencies and slightly higher net revenues in mortgages.

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.

December 2020 versus November 2019. Net revenues in Equities were $2.92 billion for the period ended December 2020, 9% higher compared with the period ended November 2019, due to significantly higher net revenues in Equities intermediation, partially offset by significantly lower net revenues in Equities financing. The increase in Equities intermediation reflected significantly higher net revenues in cash products and derivatives. The decrease in Equities financing primarily reflected a decrease in dividends in the first six months of the period and higher net funding costs.

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.

December 2020 versus November 2019. Net revenues in Investment Management were $978 million for the period ended December 2020, 4% higher than the period ended November 2019, primarily due to significantly higher net revenues in Wealth management, partially offset by significantly lower net revenues in Asset management.

Geographic Data

See Note 6 to the financial statements for a summary of net revenues by geographic region.

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 include salaries, allowances, 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.

The table below presents net operating expenses and headcount.

	Period Ended	
$ in millions	**December 2020**	November 2019
Compensation and benefits	**$2,825**	$2,394
Transaction based expenses	**1,680**	1,177
Market development	**43**	94
Communications and technology	**145**	122
Depreciation and amortisation	**194**	249
Professional fees	**181**	186
Occupancy	**4**	78
Management charges from GS Group affiliates	**921**	919
Other expenses	**838**	576
Operating expenses	**6,831**	5,795
Management charges to GS Group affiliates	**(344)**	(370)
Net operating expenses	**$6,487**	$5,425
Headcount at period-end	**4,115**	4,230

In the table above:

- Compensation and benefits included a charge of $259 million for the period ended December 2020 and a charge of $175 million for the period ended November 2019 representing recharges from Group Inc. equivalent to changes in the fair value of share-based payment awards during the period.
- Occupancy-related costs for the company's new London campus are included in management charges from GS Group affiliates.
- Occupancy-related costs for the company's legacy London campus are included in depreciation and amortisation, occupancy and management charges from GS Group affiliates.
- Brokerage, clearing, exchange and distribution fees has been renamed transaction based expenses and additionally includes expenses resulting from completed transactions, which are directly related to client revenues, and certain expenses incurred to satisfy performance obligations where the company is principal to a transaction as required by IFRS 15 'Revenue from Contracts with Customers' (IFRS 15). Such expenses were previously reported in other expenses and were $467 million for the period ended December 2020. The company has reclassified $270 million of such expenses for the period ended November 2019 to conform to the current period's presentation.

December 2020 versus November 2019. Net operating expenses were $6.49 billion for the period ended December 2020, 20% higher than the period ended November 2019.

Compensation and benefits were $2.83 billion for the period ended December 2020, 18% higher than the period ended November 2019. 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 $2.57 billion for the period ended December 2020, 16% higher than the period ended November 2019, reflecting an increase in operating performance.

Transaction based expenses were $1.68 billion for the period ended December 2020, 43% higher than the period ended November 2019. This reflected an increase in activity levels and an increase in activity where the company is principal to transactions for which it engages other GS Group affiliates to satisfy some or all of its performance obligations, resulting in a gross up in net revenues and expenses as required by IFRS 15.

Depreciation and amortisation and occupancy collectively were $198 million for the period ended December 2020, 39% lower than the period ended November 2019, primarily due to non-recurring expenses incurred in the prior period as a result of the company consolidating its London activities in its new European headquarters at Plumtree Court. This decrease was partially offset by higher amortisation expenses due to an increase in intangible assets (computer software).

Other expenses were $838 million for the period ended December 2020, 45% higher than the period ended November 2019. This reflected an increase in activity where the company is principal to transactions for which it engages other GS Group affiliates to satisfy some or all of its performance obligations, resulting in a gross up in net revenues and expenses as required by IFRS 15, and increased expenses for regulatory proceedings.

As of December 2020, headcount was 3% lower compared with November 2019.

Income Tax Expense

The company's effective tax rate was 21.8% for the period ended December 2020, 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 the tax effect of interest on the company's AT1 notes being recognised in income tax expense, whilst the associated interest is recognised directly in retained earnings. This followed the adoption of an amendment to IAS 12 'Income Taxes' which was applied retrospectively from December 1, 2018. See Note 3 to the financial statements for further information.

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.

Balance Sheet Planning. GS Group prepares a balance sheet plan that combines projected total assets and composition of assets with expected funding sources over a three-year time horizon. This plan is reviewed quarterly and may be adjusted in response to changing business needs or market conditions.

Balance Sheet Limits. The limits are set at levels which are close to actual operating levels, rather than at levels which reflect GS Group's maximum risk appetite, in order to ensure prompt escalation and discussion among GS Group's revenue-producing units, Treasury and GS Group's independent risk oversight and control functions on a routine basis. GS Group's Firmwide Asset Liability Committee and GS Group's Risk Governance Committee review and approve balance sheet limits. Additionally, GS Group's Risk Governance Committee sets aged limits for certain financial instruments as a disincentive to hold such positions over longer periods of time. Requests for changes in limits are evaluated after giving consideration to their impact on GS Group's key metrics. Compliance with limits is monitored by the revenue-producing units and Treasury, as well as the independent risk oversight and control functions.

Monitoring of Key Metrics. Key balance sheet metrics are monitored both by business and on a GS Group basis, including asset and liability size and composition, limit utilisation and risk measures. Assets are allocated to businesses and movements resulting from new business activity, as well as market fluctuations are reviewed and analysed.

Scenario Analyses. GS Group conducts scenario analyses for Group Inc. and its subsidiaries to determine how it would manage the size and composition of the balance sheet. These scenarios cover short- and long-term time horizons using various macroeconomic and GS Group-specific assumptions, based on a range of economic scenarios.

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.

The table below presents information about funding sources.

	As of			
	December		November	
$ in millions		2020		2019
Collateralised financings	**$113,127**	**49%**	$115,936	49%
Unsecured borrowings	**80,351**	**35%**	88,669	37%
Total shareholder's equity	**36,578**	**16%**	34,254	14%
Total	**$230,056**	**100%**	$238,859	100%

The company generally distributes funding products through its own sales force and third-party distributors to a large, diverse creditor base in a variety of global markets. The company believes that its relationships with external creditors are critical to its liquidity. These creditors include banks, securities lenders, corporations, pension funds, insurance companies, mutual funds and individuals. The company has imposed various internal guidelines to monitor creditor concentration across its external funding programmes.

Secured Funding. The company funds a significant amount of inventory on a secured basis, with external counterparties, as well as with GS Group affiliates. Secured funding includes collateralised financings in the balance sheet. The company may also pledge its inventory as collateral for securities borrowed under a securities lending agreement. The company also uses its own inventory to cover transactions in which the company or its clients have sold securities that have not yet been purchased. Secured funding is less sensitive to changes in Group Inc. and/or the company's credit quality than unsecured funding, due to the posting of collateral to lenders. Nonetheless, the company analyses the refinancing risk of its secured funding activities, taking into account trade tenors, maturity profiles, counterparty concentrations, collateral eligibility and counterparty rollover probabilities. The company seeks to mitigate its refinancing risk by executing term trades with staggered maturities, diversifying counterparties, raising excess secured funding and pre-funding residual risk through its GCLA.

The company seeks to raise secured funding with a term appropriate for the liquidity of the assets that are being financed, and seeks longer maturities for secured funding collateralised by asset classes that may be harder to fund on a secured basis, especially during times of market stress.

A majority of the company's secured funding for securities not eligible for inclusion in the GCLA is executed through term repurchase agreements and securities loaned contracts. The company also raises secured funding through debt securities issued, other borrowings and intercompany loans.

The weighted average maturity of the company's external secured funding included in collateralised financings in the balance sheet, excluding funding that can only be collateralised by liquid government and agency obligations, exceeded 120 days as of December 2020.

Unsecured Borrowings. The company has both intercompany and external unsecured borrowings.

Intercompany Unsecured Borrowings

The company sources funding through intercompany unsecured borrowings, primarily from its immediate parent undertaking, Goldman Sachs Group UK Limited, and Goldman Sachs Funding LLC (Funding IHC).

Funding IHC is a wholly-owned, direct subsidiary of Group Inc. that facilitates the execution of GS Group's preferred resolution strategy. The majority of GS Group's unsecured funding is raised by Group Inc., which lends the necessary funds to Funding IHC and other subsidiaries, including the company, to meet asset financing, liquidity and capital requirements. The benefits of this approach to subsidiary funding are enhanced control and greater flexibility to meet the funding requirements of the company and other subsidiaries. Intercompany unsecured borrowings include loans, subordinated loans, overdrafts, debt securities issued and other borrowings.

External Unsecured Borrowings

External unsecured borrowings include debt securities issued, other borrowings, bank loans and overdrafts.

Shareholder's Equity. Shareholder's equity is a stable and perpetual source of funding. See Notes 23 and 25 to the financial statements for further information.

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.

Equity Capital Management (Audited)

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.

The company's capital planning and stress testing process incorporates internally designed stress tests developed in accordance with the guidelines of the PRA's Internal Capital Adequacy Assessment Process (ICAAP). It is also designed to identify and measure material risks associated with business activities, including market risk, credit risk, operational risk and other risks. The company's goal is to hold sufficient capital to ensure that it remains adequately capitalised after experiencing a severe stress event. The company's assessment of capital adequacy is viewed in tandem with its assessment of liquidity adequacy and is integrated into its overall risk management structure, governance and policy framework.

In addition, as part of the company's comprehensive capital management policy, a contingency capital plan is maintained that provides a framework for analysing and responding to a perceived or actual capital deficiency, including, but not limited to, identification of drivers of a capital deficiency, as well as mitigants and potential actions. It outlines the appropriate communication procedures to follow during a crisis period, including internal dissemination of information, as well as timely communication with external stakeholders.

Regulatory Capital (Audited)

During the Brexit transition period, which ended on December 31, 2020, the company was subject to the capital framework for E.U.-regulated financial institutions prescribed in the E.U. Capital Requirements Directive (CRD) and the E.U. Capital Requirements Regulation (CRR). These capital regulations are largely based on the Basel Committee on Banking Supervision's (Basel Committee) capital framework for strengthening international capital standards (Basel III). 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. Following the end of the Brexit transition period, from December 31, 2020, the company has become subject to the U.K. capital framework, which is predominately aligned with the E.U. capital framework.

The risk-based capital requirements are expressed as capital ratios that compare measures of regulatory capital to risk-weighted assets (RWAs). The CET1 capital ratio is defined as CET1 capital divided by RWAs. The Tier 1 capital ratio is defined as Tier 1 capital divided by RWAs. The total capital ratio is defined as total capital divided by RWAs.

The CET1 capital, Tier 1 capital and Total capital ratio requirements (collectively, the Pillar 1 capital requirements) are supplemented by:

- A capital conservation buffer of 2.5% of RWAs, consisting entirely of capital that qualifies as CET1 capital.
- A countercyclical capital buffer of up to 2.5% of RWAs (and also consisting entirely of CET1 capital) in order to counteract excessive credit growth. The buffer only applies to the company's exposures to certain types of counterparties based in jurisdictions which have announced a countercyclical buffer. The buffer was negligible as of December 2020. The countercyclical capital buffer applicable to the company could change in the future and, as a result, the company's risk-based capital requirements could increase.
- The individual capital requirement under Pillar 2A (an additional amount to cover risks not adequately captured in Pillar 1). The PRA performs a periodic supervisory review of the company's ICAAP, which leads to a final determination by the PRA of the individual capital requirement under Pillar 2A. This is a point in time assessment of the minimum amount of capital the PRA considers that the company should hold.

On March 11, 2020, the Bank of England announced that it had reduced the U.K. countercyclical capital buffer from 1% to 0% of banks' exposures to U.K. borrowers and counterparties with effect from March 11, 2020. This rate is expected to apply to the company until at least the fourth quarter of 2022 and resulted in the company's CET1 capital ratio requirement decreasing by approximately 0.20%.

Regulatory Risk-Based Capital Ratios

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

	As of	
	December 2020	November 2019
CET1 capital ratio	**8.1%**	8.8%
Tier 1 capital ratio	**10.0%**	10.7%
Total capital ratio	**12.5%**	13.4%

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.
- Minimum risk-based capital requirements for the company have decreased compared with November 2019 due to a reduction in the countercyclical capital buffer and modification to the Pillar 2A capital requirements issued by the company's regulators in response to the COVID-19 pandemic.

In addition to the Pillar 2A capital requirement, the PRA also defines the forward-looking capital requirement which represents the PRA's view of the capital that the company would require to absorb losses in stressed market conditions. This is known as Pillar 2B or the "PRA buffer" and is not reflected in the requirements shown above.

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

	As of	
$ in millions	December 2020	November 2019
Risk-based capital and RWAs		
CET1 capital	**$ 26,962**	$ 24,082
Additional Tier 1 notes	**$ 8,300**	$ 8,300
Tier 1 capital	**$ 35,262**	$ 32,382
Tier 2 capital	**$ 5,377**	$ 5,377
Total capital	**$ 40,639**	$ 37,759
RWAs	**$252,355**	$206,768
Risk-based capital ratios		
CET1 capital ratio	**10.7%**	11.6%
Tier 1 capital ratio	**14.0%**	15.7%
Total capital ratio	**16.1%**	18.3%

In the table above:

- The company's CET1 capital, Tier 1 capital and Total capital ratios as of December 2020 include 23bps, primarily attributable to the company's profits from October 1, 2020 to December 31, 2020, which have been approved to be included as regulatory capital on finalisation of these financial statements.
- The company's CET1 capital, Tier 1 capital and Total capital ratios as of December 2020 decreased compared with November 2019, primarily due to an increase in the company's RWAs (see "Risk-Weighted Assets" for further information), partially offset by an increase in CET1 capital.

Certain prudential rules are subject to additional guidance and clarifications, which will be issued by the company's supervisors. All capital, RWAs and ratios are based on current interpretation, expectations and understanding of the applicable rules and may evolve as the interpretation and application is discussed with the company's regulators.

Risk-Based Capital (Audited)

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

	As of		
$ in millions	December 2020	November 2019	December 1 2018
Share capital	**$ 598**	$ 590	$ 582
Share premium account	**5,568**	5,196	4,864
Retained earnings	**22,437**	20,338	20,070
Accumulated other comprehensive income	**(325)**	(168)	101
Deductions	**(1,316)**	(1,874)	(1,718)
CET1 capital	**26,962**	24,082	23,899
Additional Tier 1 notes	**8,300**	8,300	8,300
Tier 1 capital	**$35,262**	$32,382	$32,199
Tier 2 capital	**5,377**	5,377	5,377
Total capital	**$40,639**	$37,759	$37,576

During both the periods ended December 2020 and November 2019, 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.

	As of	
$ in millions	December 2020	November 2019
Credit RWAs	**$132,441**	$106,329
Market RWAs	**103,761**	85,031
Operational RWAs	**16,153**	15,408
Total	**$252,355**	$206,768

In the table above:

- Credit RWAs as of December 2020 increased by $26.11 billion compared with November 2019, primarily reflecting an increase in exposure on derivatives, principally due to higher levels of volatility.
- Market RWAs as of December 2020 increased by $18.73 billion compared with November 2019, primarily reflecting an increase in Value-at-Risk (VaR), principally due to higher market volatility.

Credit Risk. Credit RWAs are calculated based upon measures of exposure, which are then risk weighted. The exposure amount is generally based on the following:

- For on-balance-sheet assets, the carrying value; and
- For off-balance-sheet exposures, including commitments and guarantees, a credit equivalent exposure amount is calculated based on the notional amount of each exposure multiplied by a credit conversion factor.

Counterparty credit risk is a component of total credit risk, and includes credit exposure arising from derivatives, securities financing transactions and margin loans.

Market Risk. Trading book positions are subject to market risk capital requirements which are based either on predetermined levels set by regulators or on internal models. The market risk regulatory capital rules require that a firm obtains the prior written approval of its regulators before using any internal model to calculate its risk-based capital requirement.

RWAs for market risk are computed based on measures of exposures which include the following internal models: VaR; Stressed VaR (SVaR); Incremental Risk; and the Comprehensive Risk Measure (for PRA purposes this is the All Price Risk Measure and is subject to a floor). See "Market Risk Management — Risk Measures" for information about VaR. In addition, Standardised Rules, in accordance with the CRR, are used to compute RWAs for market risk for certain securitised and non-securitised positions by applying risk-weighting factors predetermined by regulators to positions after applicable netting is performed. RWAs for market risk are the sum of each of these measures multiplied by 12.5.

Operational Risk. The company's capital requirements for operational risk are currently calculated under the Standardised approach. The Standardised approach requires companies to divide their activities into eight defined business lines or categories. Each business line is assigned a beta factor which is applied to the three-year average revenues of that business line (with certain prescribed exceptions, such as extraordinary income). Expenses are not included in the calculation. The sum of the individual business line requirements is multiplied by 12.5 to derive the operational RWAs.

Concentration Risk. Under the CRR, institutions are required to monitor and control their large exposures. The large exposure framework is designed to limit the risk of over-reliance on an individual counterparty or a group of connected counterparties. There is a general limit applied to all of the institution's exposures to a single counterparty or groups of connected counterparties, which is set at 25% of eligible capital. The framework includes reporting requirements, hard limits and additional concentration capital charges for trading book large exposures. As of December 2020 and November 2019, the company had no concentration risk capital requirements.

Leverage Ratio

The company is required to monitor and disclose its leverage ratio using the CRR's definition of exposure. During the Brexit transition period, the company was subject to the leverage ratio framework prescribed in the CRR that establishes a 3% minimum leverage ratio requirement for certain E.U. financial institutions. Following Brexit, the company will become subject to a similar PRA-required leverage ratio that is expected to become effective in January 2022. The leverage ratio compares the CRR's definition of 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.

The table below presents information about the company's leverage ratio.

	As of	
$ in millions	**December 2020**	November 2019
Tier 1 capital	**$ 35,262**	$ 32,382
Leverage exposure	**$751,188**	$740,306
Leverage ratio	**4.7%**	4.4%

In the table above, the leverage ratio as of December 2020 increased compared with November 2019, primarily due to an increase in Tier 1 capital, partially offset by an increase in 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 this rule is discussed with the company's regulators.

Minimum Requirement for Own Funds and Eligible Liabilities

The company is 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 on January 1, 2022.

As of December 2020, the company's MREL was $57.33 billion, which is in excess of its minimum transitional requirement and consists of the company's total regulatory capital of $40.64 billion and eligible senior intercompany borrowings, excluding accrued interest, of $16.69 billion.

Regulatory Matters and Other Developments

The company's businesses are subject to extensive regulation and supervision worldwide. Regulations have been adopted or are being considered by regulators and policy-makers. The expectation is that the principal areas of impact from regulatory reform for the company will be increased regulatory capital requirements and increased regulation and restriction on certain activities. However, given that many of the new and proposed rules are highly complex, the full impact of regulatory reform will not be known until the rules are implemented and market practices develop under the final E.U. and/or U.K. regulations.

As a result of Brexit, the company expects considerable change in the regulatory framework that will govern transactions and business it undertakes.

Brexit

The E.U. and the U.K. agreed to the Withdrawal Agreement, which became effective on January 31, 2020 when the U.K. ceased to be an E.U. member state. The transition period under the Withdrawal Agreement ended on December 31, 2020, after which E.U. law ceased to apply to the U.K. Notwithstanding the Trade and Cooperation Agreement between the E.U. and U.K. reached at the end of 2020, firms established in the U.K., including the company, lost their pan-E.U. "passports" on December 31, 2020. Consequently, such firms, including the company are generally treated as any other entities in countries outside the E.U. whose access to the E.U. is governed by E.U. and national law and depends on the making of E.U. equivalence decisions or on their obtaining licenses or exemptions under national regimes.

The U.K. has adopted E.U. financial services legislation that was in effect on December 31, 2020, which means that the U.K. financial services regime will remain substantially the same as it was under E.U. financial services legislation. However, in the future the U.K. may diverge from E.U. legislation and may decide not to adopt rules that correspond to E.U. legislation not already operative in the U.K.

GS Group had prepared for a scenario in which U.K. financial services firms, including the company, lost access to E.U. markets. This has resulted in GS Group's E.U. headquartered bank, Goldman Sachs Bank Europe SE (GSBE), assuming certain functions that can no longer be efficiently and effectively performed by the company.

While a significant number of the company's relationships with E.U.-based clients of its Investment Banking, FICC, Equities and Wealth Management businesses have moved to GSBE, some relationships have stayed in the company under arrangements such as cross-border licences, exemptions provided by individual member states or through the company's domestic branches in France, Spain and Sweden.

Impact of COVID-19 Pandemic

The resurgence in the spread of COVID-19 towards the end of 2020 and into 2021 has created greater uncertainty regarding the economic outlook for the near term, even as early efforts to distribute vaccines are underway. While governments and central banks continued to be aggressive in providing fiscal and monetary stimulus, the global economic recovery remains fragile.

The company has continued to successfully execute on its BCP 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. As a result of the company's BCP strategy, the majority of its employees worked remotely during most of 2020 and continue to do so in early 2021. In order to partially re-open the company's offices to employees after initial restrictions began to ease in the second quarter of 2020, the company established policies and protocols to address safety considerations, taking into account the readiness of people, communities and facilities. Over the course of the pandemic, the extent to which the company's employees have worked from its offices has varied based on how circumstances in each location have evolved. The company is in constant dialogue with key stakeholders to assess health and safety conditions across all of its office locations and has robust procedures in place to protect the well-being of employees, such as controls around building access, strict physical distancing measures, enhanced cleaning regimes and on-site COVID-19 testing.

The company's systems and infrastructure have been robust throughout the COVID-19 pandemic, enabling it to conduct its activities without disruption. In addition, as part of the company's vendor management processes, the company has ongoing dialogues with third party service providers, which are intended to ensure that they continue to meet the company's criteria for business continuity.

The company's liquidity position during the period ended December 2020 remained strong. The company's GCLA averaged $59.81 billion for the period ended December 2020, a decrease of $1.64 billion compared with the period ended November 2019. The company's capital ratios decreased as of December 2020 compared with November 2019, primarily driven by an increase in RWAs, partially offset by an increase in CET1 capital. However, they remained well in excess of minimum requirements. See "Liquidity Risk Management" and "Equity Capital Management and Regulatory Capital" for further information.

The COVID-19 pandemic gave rise to higher volatility levels in financial markets and correspondingly higher client activity levels. The company's average daily VaR for the period ended December 2020 was $54 million, an increase of $22 million compared with the period ended November 2019, reflecting higher levels of volatility. The company continued to provide market making services to its clients while managing market risk levels proactively through ongoing review of exposure limits and focusing on ways to mitigate risk. With respect to credit risk, the improvement in economic conditions in the second half of 2020 has, in general, helped to stabilise conditions in the credit markets. Throughout the crisis, the company has remained highly focused on monitoring of credit exposures and management of margin calls and disputes. The company's risk positions remain balanced, controlled and adequately provisioned for both in terms of counterparty risk and sector exposure. See "Market Risk Management" and "Credit Risk Management" for further information.

The unpredictability of the trajectory of the COVID-19 pandemic has significantly diminished visibility into the future operating environment. A sustained period of weak economic conditions as a result of the pandemic would be detrimental to the company's businesses as it would negatively affect factors that are important to its operating performance, such as the level of client activity and creditworthiness of counterparties. The company is monitoring the ongoing developments as the COVID-19 vaccines are being distributed and administered, and it will take further action that are in the best 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".

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. The administrator of LIBOR has proposed to extend the publication of the most commonly used U.S. Dollar LIBOR settings to June 30, 2023 and to cease publishing other LIBOR settings on December 31, 2021. The U.S. federal banking agencies have issued guidance strongly encouraging banking organisations to cease using the U.S. Dollar LIBOR as a reference rate in new contracts as soon as practicable and in any event by December 31, 2021.

In October 2020, the International Swaps and Derivatives Association (ISDA) launched the IBOR Fallbacks Protocol, which became effective in January 2021 and provides derivatives market participants with new fallbacks for legacy and new derivatives contracts. Both counterparties will have to adhere to the Fallbacks Protocol or engage in bilateral amendments for the terms to be effective for derivative contracts. The company has adhered to the Fallbacks Protocol for its eligible derivative contracts.

GS Group, including the company, is facilitating an orderly transition from IBORs to alternative risk-free reference rates for itself and its clients. GS Group's centralised LIBOR transition programme continues to make progress with a focus on:

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

As part of this programme, GS Group has sought to systematically identify the risks inherent in this transition, including financial risks (for example, earnings volatility under stress due to widening swap spreads and the loss of funding sources as a result of counterparties' reluctance to participate in transitioning their positions) and non-financial risks (for example, the inability to negotiate fallbacks with clients and/or counterparties, the potential for disputes relating to the interpretation and implementation of fallback provision and operational impediments to the transition).

The markets for alternative risk free reference rates continue to develop and, where liquidity allows, the company has begun participating in alternative risk-free reference rate markets. In addition, in 2020, GS Group, including the company, alongside the industry, successfully transitioned the discounting conventions of centrally cleared Euro interest rate derivatives from the Euro Overnight Index Average to the Euro Short-Term Rate and centrally cleared U.S. Dollar interest rate derivatives from Federal Funds to the Secured Overnight Financing Rate (SOFR) at Chicago Mercantile Exchange, London Clearing House and Eurex Exchange.

Swaps, Derivatives and Commodities Regulation

The company is registered with the Commodity Futures Trading Commission (CFTC) as a swap dealer. In July 2020, the CFTC adopted financial reporting requirements for covered swap entities. Compliance with the final rules is required by October 6, 2021.

The CFTC has adopted position limit rules that will limit the size of positions in physical commodity derivatives that can be held by any entity, or any group of affiliates or other parties trading under common control, subject to certain exemptions, such as for bona fide hedging positions. However, effective in 2023, the new rules will eliminate the risk management exemption, which allowed swap dealers to claim an exemption for the hedging of swap related risks. The new CFTC position limits will apply to certain positions in swaps, as well as futures and options on futures, on physical commodities, and limits will apply to both physically and cash settled positions. Currently, position limits on futures on physical commodities are administered by the relevant exchanges, with the exception of futures on certain agricultural commodities, which are administered by the CFTC. Under the CFTC's position limit rules, all futures and options on futures on an enumerated list of physical commodities, including certain agricultural, energy and metals commodities, as well as related swaps, will be subject to the CFTC's position limits. The new position limit rules impose limits in the spot month only (i.e., during the delivery period for the physical commodities, which is typically a period of several days), although the CFTC may in the future impose limits in non-spot months as well. CFTC spot and non-spot month limits will continue to apply to futures on certain legacy agricultural commodities.

Anti-Money Laundering Regulations

In January 2021, the Anti-Money Laundering Act of 2020 (AMLA), which amends the U.S. Bank Secrecy Act (BSA), was enacted. The AMLA is intended to comprehensively reform and modernise U.S. anti-money laundering laws. Among other things, the AMLA codifies a risk-based approach to anti-money laundering compliance for financial institutions; requires the development of standards by the U.S. Department of the Treasury for evaluating technology and internal processes for BSA compliance; and expands enforcement- and investigation-related authority, including a significant expansion in the available sanctions for certain BSA violations and instituting BSA whistleblower incentives and protections. Many of the statutory provisions in the AMLA will require additional rulemakings, reports and other measures, and the impact of the AMLA will depend on, among other things, rulemaking and implementation guidance. These rules may apply to the company as a wholly-owned operating subsidiary of Group Inc.

Volcker Rule

The FRB, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, CFTC and U.S. Securities and Exchange Commission (Volcker Rule regulators) finalised amendments in October 2019 to their regulations implementing the Volcker Rule, tailoring compliance requirements based on the size and scope of a banking entity's trading activities and clarifying and amending certain definitions, requirements and exemptions. Compliance with these amendments became effective in January 1, 2021. In addition, in June 2020 the Volcker Rule regulators finalised their previously proposed amendments to the Volcker Rule's regulations relating to covered funds. These amendments established new exclusions from the covered fund definition for certain types of investment vehicles, modified the eligibility criteria for certain existing exclusions, and clarified and modified other provisions governing banking entities' investments in and other transactions and relationships involving covered funds, including clarifying that investments alongside covered funds are not treated as investments in covered funds subject to the 3% limitation noted above if certain conditions are met. These amendments became effective in October 2020 and apply to the company as a wholly-owned operating subsidiary of Group Inc.

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. These risks have been summarised below:

Market

- The company's businesses have been and may in the future be adversely affected by conditions in the global financial markets and broader economic conditions.
- The company's businesses have been and may in the future be adversely affected by declining asset values, particularly where it has net "long" positions, receives fees based on the value of assets managed, or receives or posts collateral.

Liquidity

- The company's liquidity, profitability and businesses may be adversely affected by an inability to access the debt capital markets or to sell assets.
- The company's businesses have been and may in the future be adversely affected by disruptions or lack of liquidity in the credit markets, including reduced access to credit and higher costs of obtaining credit.
- Reductions in the company's credit ratings or an increase in its credit spreads may adversely affect its liquidity and cost of funding.

Credit

- The company's businesses, profitability and liquidity may be adversely affected by deterioration in the credit quality of or defaults by third parties.
- Concentration of risk increases the potential for significant losses in the company's market-making, underwriting, investing and financing activities.
- Derivative transactions and delayed documentation or settlements may expose the company to credit risk, unexpected risks and potential losses.

Operational

- A failure in the company's operational systems or infrastructure, or those of third parties, as well as human error, malfeasance or other misconduct, could impair the company's liquidity, disrupt its businesses, result in the disclosure of confidential information, damage its reputation and cause losses.
- A failure to protect the company's computer systems, networks and information, and its clients' information, against cyber attacks and similar threats could impair its ability to conduct its businesses, result in the disclosure, theft or destruction of confidential information, damage its reputation and cause losses.
- The company may incur losses as a result of ineffective risk management processes and strategies.
- The company may incur losses as a result of unforeseen or catastrophic events, including pandemics, terrorist attacks, extreme weather events or other natural disasters.
- Climate change concerns could disrupt the company's businesses, adversely affect client activity levels, adversely affect the creditworthiness of its counterparties and damage its reputation.
- The company is reliant on Group Inc. and other GS Group affiliates for client business, various services and capital.

Legal and Regulatory

- The company's businesses and those of its clients are subject to extensive and pervasive regulation around the world.
- A failure to appropriately identify and address potential conflicts of interest could adversely affect the company's businesses.
- The company may be adversely affected by increased governmental and regulatory scrutiny or negative publicity.
- Substantial civil or criminal liability or significant regulatory action against the company could have material adverse financial effects, or cause it significant reputational harm, which in turn could seriously harm its business prospects.
- In conducting its business around the world, the company is subject to political, legal, regulatory and other risks that are inherent in operating in many countries.
- The application of regulatory strategies and requirements to facilitate the orderly resolution of large financial institutions could create greater risk of loss for the company's security holders.

Market Developments and General Business Environment

- The company's businesses, financial condition, liquidity and results of operations have been and may in the future be adversely affected by the COVID-19 pandemic.
- The company's strategy with respect to Brexit may not be effective.
- Certain of the company's businesses, its funding instruments and financial products may be adversely affected by changes in or the discontinuance of IBORs, in particular LIBOR.

- Certain of the company's businesses and its funding instruments may be adversely affected by changes in other reference rates, currencies, indices, baskets or ETFs to which products it offers or funding it raises are linked.
- The company faces enhanced risks as new business initiatives and acquisitions lead it to engage in new activities, operate in new locations, transact with a broader array of clients and counterparties and expose it to new asset classes and new markets.

Competition

- The company's results have been and may in the future be adversely affected by the composition of its client base.
- The financial services industry is highly competitive.
- The company's businesses would be adversely affected if it was unable to hire and retain qualified employees.

For further information about the company's risk management processes, see "Risk Management — Overview and Structure of Risk Management" and for information about the company's areas of risk and mitigants to risk, see "Liquidity Risk Management", "Market Risk Management", "Credit Risk Management", "Operational Risk Management" and "Model Risk Management".

The following are detailed descriptions of the company's principal risks and uncertainties summarised above.

Market

The company's businesses have been and may in the future be adversely affected by conditions in the global financial markets and broader economic conditions.

The company's businesses, by their nature, do not produce predictable earnings and are materially affected by conditions in the global financial markets and economic conditions generally, both directly and through their impact on client activity levels and creditworthiness. These conditions can change suddenly and negatively.

The company's financial performance is highly dependent on the environment in which its businesses operate. A favourable business environment is generally characterised by, among other factors, high global gross domestic product growth, regulatory and market conditions that result in transparent, liquid and efficient capital markets, low inflation, business, consumer and investor confidence, stable geopolitical conditions and strong business earnings.

Unfavourable or uncertain economic and market conditions can be caused by: low levels of or declines in economic growth, business activity or investor, business or consumer confidence; pandemics; limitations on the availability or increases in the cost of credit and capital; illiquid markets; increases in inflation, interest rates, exchange rate or basic commodity price volatility or default rates; concerns about sovereign defaults; uncertainty concerning fiscal or monetary policy; the extent of and uncertainty about potential increases in tax rates and other regulatory changes; the imposition of tariffs or other limitations on international trade and travel; outbreaks of domestic or international tensions or hostilities, terrorism, nuclear proliferation, cybersecurity threats or attacks and other forms of disruption to or curtailment of global communication, energy transmission or transportation networks or other geopolitical instability or uncertainty; corporate, political or other scandals that reduce investor confidence in capital markets; extreme weather events or other natural disasters; or a combination of these or other factors.

The financial services industry and the securities and other financial markets have been materially and adversely affected in the past by significant declines in the values of nearly all asset classes, by a serious lack of liquidity and by high levels of borrower defaults. In addition, concerns about the COVID-19 pandemic, European sovereign debt risk and its impact on the European banking system, the impact of Brexit, the imposition of tariffs and actions taken by other countries in response, and potential or actual changes in interest rates and other market conditions, have resulted, at times, in significant volatility while negatively impacting the levels of client activity.

General uncertainty about economic, political and market activities, and the scope, timing and impact of regulatory reform, as well as weak consumer, investor and chief executive officer confidence resulting in large part from such uncertainty, has in the past negatively impacted client activity, which can adversely affect many of the company's businesses. Periods of low volatility and periods of high volatility combined with a lack of liquidity, have at times had an unfavourable impact on the company's market-making businesses.

Financial institution returns may be negatively impacted by increased funding costs due in part to the lack of perceived government support of such institutions in the event of future financial crises relative to financial institutions in countries in which governmental support is maintained. In addition, liquidity in the financial markets has also been negatively impacted as market participants and market practices and structures continue to adjust to evolving regulatory frameworks.

The company's businesses have been and may in the future be adversely affected by declining asset values, particularly where the company has net "long" positions, receives fees based on the value of assets managed, or receives or posts collateral.

Many of the company's businesses have net "long" positions in debt securities, loans, derivatives, mortgages, equities (including private equity) and most other asset classes. These include positions taken when the company acts as a principal to facilitate clients' activities, including exchange-based market-making activities, or commits large amounts of capital to maintain positions in interest rate and credit products, as well as through currencies, commodities, equities and mortgage-related activities. In addition, the company invests in similar asset classes. Substantially all of the company's investing and market-making positions are marked-to-market on a daily basis and declines in asset values directly and immediately impact earnings, unless the company has effectively "hedged" its exposures to those declines.

In certain circumstances (particularly in the case of credit products and private equities or other securities that are not freely tradable or lack established and liquid trading markets), it may not be possible or economic to hedge its exposures and to the extent that this is done the hedge may be ineffective or may greatly reduce the company's ability to profit from increases in the values of the assets. Sudden declines and significant volatility in the prices of assets have in the past and may in the future substantially curtail or eliminate the trading markets for certain assets, which may make it difficult to sell, hedge or value such assets. The inability to sell or effectively hedge assets reduces the company's ability to limit losses in such positions and the difficulty in valuing assets may negatively affect the company's capital, liquidity or leverage ratios, increase its funding costs and generally require maintaining additional capital.

In the company's exchange-based market-making activities, the company is obligated by stock exchange rules to maintain an orderly market, including by purchasing securities in a declining market. In markets where asset values are declining and in volatile markets, this results in losses and an increased need for liquidity.

Collateral is posted to support obligations of the company and received that supports the obligations of clients and counterparties. When the value of the assets posted as collateral or the credit ratings of the party posting collateral decline, the party posting the collateral may need to provide additional collateral or, if possible, reduce its trading position. An example of such a situation is a "margin call" in connection with a brokerage account. Therefore, declines in the value of asset classes used as collateral mean that either the cost of funding positions is increased or the size of positions is decreased.

If the company is the party providing collateral, this can increase costs and reduce profitability and if the company is the party receiving collateral, this can also reduce profitability by reducing the level of business done with clients and counterparties. In addition, volatile or less liquid markets increase the difficulty of valuing assets which can lead to costly and time-consuming disputes over asset values and the level of required collateral, as well as increased credit risk to the recipient of the collateral due to delays in receiving adequate collateral. In cases where the company forecloses on collateral, sudden declines in the value or liquidity of the collateral may, despite credit monitoring, over-collateralisation, the ability to call for additional collateral or the ability to force repayment of the underlying obligation, result in significant losses to the company, especially where there is a single type of collateral supporting the obligation. In addition, the company may be subject to claims that the foreclosure was not permitted under the legal documents, was conducted in an improper manner or caused a client or counterparty to go out of business.

Liquidity

The company's liquidity, profitability and businesses may be adversely affected by an inability to access the debt capital markets or to sell assets.

Liquidity is essential to the company's businesses. It is of critical importance to the company, as most of the failures of financial institutions have occurred in large part due to insufficient liquidity. The company's liquidity may be impaired by an inability to access secured and/or unsecured debt markets, an inability to access funds from Group Inc. or other GS Group affiliates, an inability to sell assets or redeem investments, lack of timely settlement of transactions, or other unforeseen outflows of cash or collateral. This situation may arise due to circumstances that the company may be unable to control, such as a general market or economic disruption or an operational problem that affects third parties or the company or its affiliates or even by the perception among market participants that the company, or other market participants, are experiencing greater liquidity risk.

The company employs structured products to benefit its clients and hedge its own risks. The financial instruments that the company holds and the contracts to which it is a party are often complex, and these complex structured products often do not have readily available markets to access in times of liquidity stress. The company's investing and financing activities may lead to situations where the holdings from these activities represent a significant portion of specific markets, which could restrict liquidity for the company's positions.

Further, the company's ability to sell assets may be impaired if there is not generally a liquid market for such assets, as well as in circumstances where other market participants are seeking to sell similar otherwise generally liquid assets at the same time, as is likely to occur in a liquidity or other market crisis or in response to changes to rules or regulations. In addition, financial institutions with which the company interacts may exercise set-off rights or the right to require additional collateral, including in difficult market conditions, which could further impair the company's liquidity.

Regulatory changes relating to liquidity may also negatively impact the company's results of operations and competitive position. Numerous regulations have been adopted or proposed to introduce more stringent liquidity requirements for large financial institutions. These regulations address, among other matters, liquidity stress testing, minimum liquidity requirements, wholesale funding, restrictions on short-term debt and structured notes issued by top-tier holding companies, deductions for holding total loss-absorbing capacity (TLAC) and prohibitions on parent guarantees that are subject to certain cross-defaults. New and prospective liquidity-related regulations may overlap with, and be impacted by, other regulatory changes, including rules relating to minimum long-term debt requirements and TLAC, capital, leverage and resolution and recovery frameworks applicable to large financial institutions. Given the overlap and complex interactions among these new and prospective regulations, they may have unintended cumulative effects, and their full impact will remain uncertain, while regulatory reforms are being adopted and market practices develop.

The company's businesses have been and may in the future be adversely affected by disruptions or lack of liquidity in the credit markets, including reduced access to credit and higher costs of obtaining credit.

Widening credit spreads for the company or Group Inc., as well as significant declines in the availability of credit, have in the past adversely affected the company's ability to borrow on a secured and unsecured basis and may do so in the future. The company obtains the majority of its unsecured funding indirectly from Group Inc., which funds itself on an unsecured basis by issuing long-term debt, by raising deposits at its bank subsidiaries, by issuing hybrid financial instruments and by obtaining bank loans or lines of credit. The company seeks to finance many of its assets on a secured basis. Any disruptions in the credit markets may make it harder and more expensive to obtain funding for businesses. If the company's available funding is limited or the company is forced to fund operations at a higher cost, these conditions may require curtailment of business activities and increase the cost of funding, both of which could reduce profitability, particularly in businesses that involve investing and market making.

Clients engaging in mergers, acquisitions and other types of strategic transactions often rely on access to the secured and unsecured credit markets to finance their transactions. A lack of available credit or an increased cost of credit can adversely affect the size, volume and timing of clients' merger and acquisition transactions, particularly large transactions, and adversely affect the company's financial advisory and underwriting businesses.

The company's credit businesses have been and may in the future be negatively affected by a lack of liquidity in credit markets. A lack of liquidity reduces price transparency, increases price volatility and decreases transaction volumes and size, all of which can increase transaction risk or decrease the profitability of these businesses.

Reductions in the company's credit ratings or an increase in its credit spreads may adversely affect its liquidity and cost of funding.

The company is an indirect, wholly-owned operating subsidiary of Group Inc. and depends on Group Inc. for capital and funding. The credit ratings of the company and those of Group Inc. are important to the company's liquidity. A reduction in the company's and/or Group Inc.'s credit ratings could adversely affect the company's liquidity and competitive position, increase borrowing costs, limit access to the capital markets or funding from Group Inc. or trigger obligations under certain provisions in some trading and collateralised financing contracts. Under these provisions, counterparties could be permitted to terminate contracts with the company or Group Inc. or require additional collateral. Termination of trading and collateralised financing contracts could cause losses and impair liquidity by requiring Group Inc. or the company to find other sources of financing or to make significant cash payments or securities movements.

The company's cost of obtaining long-term unsecured funding is directly related to both the credit spreads of the company and Group Inc. Increases in the credit spreads of the company and/or Group Inc. can significantly increase the cost of this funding. Changes in credit spreads are continuous, market-driven, and subject at times to unpredictable and highly volatile movements. The credit spreads of the company and/or Group Inc. are also influenced by market perceptions of the company's and/or Group Inc.'s creditworthiness and movements in the costs to purchasers of credit default swaps referenced to Group Inc.'s long-term debt. The market for credit default swaps has proven to be extremely volatile and at times has lacked a high degree of transparency or liquidity.

Credit

The company's businesses, profitability and liquidity may be adversely affected by deterioration in the credit quality of or defaults by third parties.

The company is exposed to the risk that third parties who owe money, securities or other assets will not perform their obligations. These parties may default on their obligations to the company due to bankruptcy, lack of liquidity, operational failure or other reasons. A failure of a significant market participant, or even concerns about a default by such an institution, could lead to significant liquidity problems, losses or defaults by other institutions, which in turn could adversely affect the company.

The company is also subject to the risk that its rights against third parties may not be enforceable in all circumstances. In addition, deterioration in the credit quality of third parties whose securities or obligations are held by the company, including a deterioration in the value of collateral posted by third parties to secure their obligations to the company under derivatives contracts and loan agreements, could result in losses and/or adversely affect the company's ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes.

A significant downgrade in the credit ratings of the company's counterparties could also have a negative impact on the company's results. While in many cases the company is permitted to require additional collateral from counterparties that experience financial difficulty, disputes may arise as to the amount of collateral the company is entitled to receive and the value of pledged assets. The termination of contracts and the foreclosure on collateral may subject the company to claims for the improper exercise of its rights. Default rates, downgrades and disputes with counterparties as to the valuation of collateral typically increase significantly in times of market stress, increased volatility and illiquidity.

Concentration of risk increases the potential for significant losses in the company's market-making, underwriting, investing and financing activities.

Concentration of risk increases the potential for significant losses in market-making, underwriting, investing and financing activities. The number and size of these transactions has affected and may in the future affect the company's results of operations in a given period. Moreover, because of concentrated risk, the company may suffer losses even when economic and market conditions are generally favourable for competitors. Disruptions in the credit markets can make it difficult to hedge these credit exposures effectively or economically.

In the ordinary course of business, the company may be subject to a concentration of credit risk to a particular counterparty, borrower, issuer (including sovereign issuers), or geographic area or group of related countries, such as the E.U., and a failure or downgrade of, or default by, such entities could negatively impact the company's businesses, perhaps materially, and the systems by which the company sets limits and monitors the level of its credit exposure to individual entities, industries, countries and regions may not function as anticipated. Regulatory reforms, including the European Market Infrastructure Regulation and the Dodd-Frank Wall Street Reform and Consumer Protection Act have led to increased centralisation of trading activity through particular clearing houses, central agents or exchanges, which has significantly increased the company's concentration of risk with respect to these entities. While the company's activities expose it to many different industries, counterparties and countries, the company routinely executes a high volume of transactions with counterparties engaged in financial services activities, including brokers and dealers, commercial banks, clearing houses and exchanges. This has resulted in significant credit concentration with respect to these counterparties.

Derivative transactions and delayed documentation or settlements may expose the company to credit risk, unexpected risks and potential losses.

The company is party to a large number of derivative transactions, including credit derivatives. Many of these derivative instruments are individually negotiated and non-standardised, which can make exiting, transferring or settling positions difficult. Many credit derivatives require that the company deliver to the counterparty the underlying security, loan or other obligation in order to receive payment. In a number of cases, the company does not hold the underlying security, loan or other obligation and may not be able to obtain the underlying security, loan or other obligation. This could cause the company to forfeit the payments due under these contracts or result in settlement delays with the attendant credit and operational risk as well as increased costs to the company.

As a signatory to the International Swaps and Derivatives Association Universal Resolution Stay Protocol (ISDA Universal Protocol) and the International Swaps and Derivatives Association 2018 U.S. Resolution Stay Protocol (collectively, ISDA Protocols), the company may not be able to exercise termination rights and other remedies against counterparties and, as this new regime has not yet been tested, the company may suffer risks or losses that it would not have expected to suffer if it could immediately close out transactions upon a termination event. Various non-U.S. regulators have adopted or proposed regulations contemplated by the ISDA Universal Protocol, which might result in additional limitations on the company's ability to exercise remedies against counterparties. The ISDA Protocols and these rules and regulations extend to repurchase agreements and other instruments that are not derivative contracts, and their impact will depend on the development of market practices and structures.

Derivative contracts and other transactions entered into with third parties are not always confirmed by the counterparties or settled on a timely basis. While the transaction remains unconfirmed or during any delay in settlement, the company is subject to heightened credit and operational risk and in the event of a default may find it more difficult to enforce its rights.

In addition, as new complex derivative products are created, covering a wider array of underlying credit and other instruments, disputes about the terms of the underlying contracts could arise, which could impair the company's ability to effectively manage its risk exposures from these products and subject it to increased costs. The provisions of legislation requiring central clearing of credit derivatives and other OTC derivatives, or a market shift toward standardised derivatives, could reduce the risk associated with these transactions, but under certain circumstances could also limit the company's ability to develop derivatives that best suit the needs of clients and to hedge its own risks, and could adversely affect the company's profitability and has increased credit exposure to central clearing platforms.

Operational

A failure in the company's operational systems or infrastructure, or those of third parties, as well as human error, malfeasance or other misconduct, could impair its liquidity, disrupt its businesses, result in the disclosure of confidential information, damage its reputation and cause losses.

The company's businesses are highly dependent on its ability to process and monitor, on a daily basis, a very large number of transactions, many of which are highly complex, and occur at high volumes and frequencies, across numerous and diverse markets in many currencies. These transactions, as well as the information technology services provided to clients, often must adhere to client-specific guidelines, as well as legal and regulatory standards.

Many rules and regulations worldwide govern the company's obligations to execute transactions and report such transactions and other information to regulators, exchanges and investors. Compliance with these legal and reporting requirements can be challenging, and the company has been, and may in the future be, subject to regulatory fines and penalties for failing to follow these rules or to report timely, accurate and complete information in accordance with these rules. As such requirements expand, compliance with these rules and regulations has become more challenging.

The use of computing devices and phones is critical to the work done by the company's employees and the operation of the company's systems and businesses and those of its clients and third-party service providers and vendors. Their importance has continued to increase, in particular in light of work-from-home arrangements implemented in response to the COVID-19 pandemic. Computers and computer networks are subject to various risks, including, among others, cyber attacks, inherent technological defects, system failures and human error. For example, fundamental security flaws in computer chips found in many types of these computing devices and phones have been reported in the past and may be discovered in the future. Cloud technologies are also critical to the operation of the company's systems and platforms and the company's reliance on cloud technologies is growing. Service disruptions may lead to delays in accessing, or the loss of, data that is important to the company's businesses and may hinder the company's clients' access to the company's platforms. Addressing these and similar issues could be costly and affect the performance of these businesses and systems. Operational risks may be incurred in applying fixes and there may still be residual security risks.

Additionally, although the prevalence and scope of applications of distributed ledger technology and similar technologies is growing, the technology is also nascent and may be vulnerable to cyber attacks or have other inherent weaknesses. The company may be, or may become, exposed to risks related to distributed ledger technology, including through the company's facilitation of clients' activities involving financial products linked to distributed ledger technology, such as blockchain or cryptocurrencies, the company's investments in firms that seek to develop platforms based on distributed ledger technology, and the use of distributed ledger technology by third-party vendors, clients, counterparties, clearing houses and other financial intermediaries.

In addition, the company faces the risk of operational failure or significant operational delay, termination or capacity constraints of any of the clearing agents, exchanges, clearing houses or other financial intermediaries that it uses to facilitate securities and derivatives transactions, and as interconnectivity with clients grows, the company will increasingly face the risk of operational failure or significant operational delay with respect to clients' systems.

Despite the company's resiliency plans and facilities, its ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports its businesses and the communities where the company is located. This may include a disruption involving electrical, satellite, undersea cable or other communications, internet, transportation or other facilities used by the company, its employees or third parties with which the company conducts business, including cloud service providers. These disruptions may occur as a result of events that affect only the company's buildings or systems or those of such third parties, or as a result of events with a broader impact globally, regionally or in the cities where those buildings or systems are located, including, but not limited to, natural disasters, war, civil unrest, terrorism, economic or political developments, pandemics and weather events.

In addition, although the company seeks to diversify its third-party vendors to increase its resiliency, the company is also exposed to the risk that a disruption or other information technology event at a common service provider to the company's vendors could impede their ability to provide products or services to the company, including in connection with the company's new business initiatives. The company may not be able to effectively monitor or mitigate operational risks relating to its vendors' use of common service providers.

A failure to protect the company's computer systems, networks and information, and its clients' information, against cyber attacks and similar threats could impair its ability to conduct its businesses, result in the disclosure, theft or destruction of confidential information, damage its reputation and cause losses.

The company is regularly the target of attempted cyber attacks, including denial-of-service attacks, and must continuously monitor and develop its systems to protect the integrity and functionality of its technology infrastructure and access to and the security of its data. The increasing migration of the company's communication from devices the company provides to employee-owned devices presents additional risks of cyber attacks, as do work-from-home arrangements such as those implemented in response to the COVID-19 pandemic. In addition, due to the interconnectivity with third-party vendors (and their respective service providers), central agents, exchanges, clearing houses and other financial institutions, the company could be adversely impacted if any of them is subject to a successful cyber attack or other information security event. These impacts could include the loss of access to information or services from the third party subject to the cyber attack or other information security event, which could, in turn, interrupt certain of the company's businesses.

Despite the company's efforts to ensure the integrity of its systems and information, it may not be able to anticipate, detect or implement effective preventive measures against all cyber threats, especially because the techniques used are increasingly sophisticated, change frequently and are often not recognised until launched. Cyber attacks can originate from a variety of sources, including third parties who are affiliated with or sponsored by foreign governments or are involved with organised crime or terrorist organisations. Third parties may also attempt to place individuals in the company's office or induce employees, clients or other users of the company's systems to disclose sensitive information or provide access to the company's data or that of its clients, and these types of risks may be difficult to detect or prevent.

Although the company takes protective measures proactively and endeavours to modify them as circumstances warrant, its computer systems, software and networks may be vulnerable to unauthorised access, misuse, computer viruses or other malicious code, cyber attacks on the company's vendors and other events that could have a security impact. Due to the complexity and interconnectedness of the company's systems, the process of enhancing protective measures can itself create a risk of systems disruptions and security issues. In addition, protective measures that the company employs to compartmentalise its data may reduce its visibility into, and adversely affect its ability to respond to, cyber threats and issues within its systems.

If one or more of such events occur, this potentially could jeopardise the company or its clients' or counterparties' confidential and other information processed, stored in or transmitted through the company's computer systems and networks, or otherwise cause interruptions or malfunctions in the company's operations or those of its clients, its counterparties or third parties, which could impact their ability to transact with the company or otherwise result in legal or regulatory action, significant losses or reputational damage. In addition, such an event could persist for an extended period of time before being detected, and, following detection, it could take considerable time for the company to obtain full and reliable information about the extent, amount and type of information compromised. During the course of an investigation, the company may not know the full impact of the event and how to remediate it, and actions, decisions and mistakes that are taken or made may further increase the negative effects of the event on the company's business, results of operations and reputation.

The company has expended, and expects to continue to expend, significant resources on an ongoing basis to modify its protective measures and to investigate and remediate vulnerabilities or other exposures, but these measures may be ineffective and the company may be subject to legal or regulatory action, as well as financial losses that are either not insured against or not fully covered through any insurance it maintains.

The company's confidential information may also be at risk from the compromise of clients' personal electronic devices or as a result of a data security breach at an unrelated company. Losses due to unauthorised account activity could harm the company's reputation and may have adverse effects on its business, financial condition and results of operations.

The increased use of mobile and cloud technologies can heighten these and other operational risks, as can work-from-home arrangements. Certain aspects of the security of such technologies are unpredictable or beyond the company's control, and the failure by mobile technology and cloud service providers to adequately safeguard their systems and prevent cyber attacks could disrupt the company's operations and result in misappropriation, corruption or loss of confidential and other information. In addition, there is a risk that encryption and other protective measures, despite their sophistication, may be defeated, particularly to the extent that new computing technologies vastly increase the speed and computing power available.

The company routinely transmits and receives personal, confidential and proprietary information by email and other electronic means. The company has discussed and worked with clients, vendors, service providers, counterparties and other third parties to develop secure transmission capabilities and protect against cyber attacks, but does not have, and may be unable to put in place, secure capabilities with all of its clients, vendors, service providers, counterparties and other third parties and it may not be able to ensure that these third parties have appropriate controls in place to protect the confidentiality of the information. An interception, misuse or mishandling of personal, confidential or proprietary information being sent to or received from a client, vendor, service provider, counterparty or other third party could result in legal liability, regulatory action and reputational harm.

The company may incur losses as a result of ineffective risk management processes and strategies.

The company seeks to monitor and control its risk exposure through a risk and control framework encompassing a variety of separate, but complementary financial, credit, operational, compliance and legal reporting systems, internal controls, management review processes and other mechanisms. The company's risk management process seeks to balance its ability to profit from market-making positions and underwriting activities with its exposure to potential losses. Whilst the company employs a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgements that accompany their application cannot anticipate every economic and financial outcome or the specifics and timing of such outcomes. Thus, in the course of its activities, the company has incurred and may in the future incur losses. Market conditions in recent years have involved unprecedented dislocations and highlight the limitations inherent in using historical data to manage risk.

The models that the company uses to assess and control its risk exposures reflect assumptions about the degrees of correlation or lack thereof among prices of various asset classes or other market indicators. In times of market stress or other unforeseen circumstances, previously uncorrelated indicators may become correlated, or conversely previously correlated indicators may move in different directions. These types of market movements have at times limited the effectiveness of the company's hedging strategies and have caused it to incur significant losses, and they may do so in the future. These changes in correlation have been and may in the future be exacerbated where other market participants are using risk or trading models with assumptions or algorithms that are similar to the company's. In these and other cases, it may be difficult to reduce the company's risk positions due to the activity of other market participants or widespread market dislocations, including circumstances where asset values are declining significantly or no market exists for certain assets.

In addition, the use of models in connection with risk management and numerous other critical activities presents risks that such models may be ineffective, either because of poor design, ineffective testing or improper or flawed inputs, as well as unpermitted access to such models resulting in unapproved or malicious changes to the model or its inputs.

To the extent that the company has positions through its market-making or origination activities or it makes investments directly through its investing activities, including private equity, that do not have an established liquid trading market or are otherwise subject to restrictions on sale or hedging, the company may not be able to reduce its positions and therefore reduce its risk associated with those positions. In addition, to the extent permitted by applicable law and regulation, the company invests its own capital in private equity, credit, real estate and hedge funds that it manages and limitations on its ability to withdraw some or all of its investments in these funds, whether for legal, reputational or other reasons, may make it more difficult for the company to control the risk exposures relating to these investments.

Prudent risk management, as well as regulatory restrictions, may cause the company to limit its exposure to counterparties, geographic areas or markets, which may limit its business opportunities and increase the cost of funding or hedging activities.

The company may incur losses as a result of unforeseen or catastrophic events, including pandemics, terrorist attacks, extreme weather events or other natural disasters.

The occurrence of unforeseen or catastrophic events, including pandemics, such as COVID-19, or other widespread health emergencies (or concerns over the possibility of such an emergency), terrorist attacks, extreme terrestrial or solar weather events or other natural disasters, could create economic and financial disruptions, and could lead to operational difficulties (including travel limitations and limitations on occupancy in the company's offices) that could impair the company's ability to manage its businesses and result in losses.

Climate change concerns could disrupt the company's business, adversely affect client activity levels, adversely affect the creditworthiness of its counterparties and damage the company's reputation.

Climate change may cause extreme weather events that disrupt operations at one or more of the company's primary locations, which may negatively affect its ability to service and interact with its clients. Climate change may also have a negative impact on the financial condition of its clients, which may decrease revenues from those clients and increase the credit risk associated with loans and other credit exposures to those clients. Additionally, the company's reputation and client relationships may be damaged as a result of its involvement, or its clients' involvement, in certain industries or projects associated with causing or exacerbating climate change, as well as any decisions the company makes to continue to conduct or change its activities in response to considerations relating to climate change. New regulations or guidance relating to climate change, as well as the perspectives of shareholders, employees or other stakeholders regarding climate change, may affect whether and on what terms and condition the company can engage in certain activities or offer certain products.

The company is reliant on Group Inc. and other GS Group affiliates for client business, various services and capital.

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

Furthermore, the company relies upon certain GS Group affiliates for various support services, including, but not limited to, trade execution, relationship management, settlement and clearing, risk management and other technical, operational and administrative services. Such services are provided to the company pursuant to the intercompany services agreement, which is generally terminable upon mutual agreement of Group Inc. and its subsidiaries, subject to certain exceptions, including material breach of the agreement.

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

Furthermore, the company receives a portion of its funding in the form of unsecured funding indirectly from Group Inc. and from Funding IHC, and collateralised financings from other GS Group affiliates. To the extent such funding is not available to the company, its growth could be constrained and/or its cost of funding could increase.

Legal and Regulatory

The company's businesses and those of its clients are subject to extensive and pervasive regulation around the world.

As a participant in the financial services industry and a subsidiary of a systemically important financial institution, the company is subject to extensive regulation, principally in the U.K., and the E.U. more generally, but also in the U.S. as a subsidiary of Group Inc. and in certain other jurisdictions. The company faces the risk of significant intervention by law enforcement, regulatory and tax authorities, as well as private litigation, in all jurisdictions in which it conducts its businesses. In many cases, the company's activities have been and may continue to be subject to overlapping and divergent regulation in different jurisdictions. Among other things, as a result of law enforcement authorities, regulators or private parties challenging the company's compliance with laws and regulations, the company or its employees have been and could be fined, criminally charged or sanctioned, prohibited from engaging in certain business activities, subjected to limitations or conditions on its business activities including higher capital requirements, or subjected to new or substantially higher taxes or other governmental charges in connection with the conduct of its businesses or with respect to its employees. These limitations or conditions may limit business activities and negatively impact the company's profitability.

In addition to the impact on the scope and profitability of the company's business activities, day-to-day compliance with laws and regulations has involved and will continue to involve significant amounts of time, including that of the company's senior leaders and that of a large number of dedicated compliance and other reporting and operational personnel, all of which may negatively impact the company's profitability.

The company's revenues and profitability and those of its competitors have been and will continue to be impacted by requirements relating to capital, additional loss-absorbing capacity, leverage, minimum liquidity and long-term funding levels, requirements related to resolution and recovery planning, derivatives clearing and margin rules and levels of regulatory oversight, as well as limitations on which and, if permitted, how certain business activities may be carried out by financial institutions.

If there are new laws or regulations or changes in the enforcement of existing laws or regulations applicable to the company's businesses or those of the company's clients, including capital, liquidity, leverage, long-term debt, TLAC and margin requirements, restrictions on other business practices, reporting requirements, requirements relating to the implementation of the E.U. Bank Recovery and Resolution Directive, tax burdens and compensation restrictions, that are imposed on a limited subset of financial institutions (whether based on size, method of funding, activities, geography or other criteria) which may include the company or GS Group, compliance with these new laws and regulations, or changes in the enforcement of existing laws or regulations, could adversely affect the company's ability to compete effectively with other institutions that are not affected in the same way. In addition, regulation imposed on financial institutions or market participants generally, such as taxes on stock transfers and other financial transactions, could adversely impact levels of market activity more broadly, and thus impact the company's businesses. Changes to laws and regulations, such as tax laws, could also have a disproportionate impact on the company, based on the way those laws or regulations are applied to financial services and financial firms or due to its corporate structure.

These developments could impact the company's profitability in the affected jurisdictions, or even make it uneconomic to continue to conduct all or certain businesses in those jurisdictions, or could result in the company incurring significant costs associated with changing business practices, restructuring businesses, moving all or certain businesses and employees to other locations or complying with applicable capital requirements, including liquidating assets or raising capital in a manner that adversely increases the company's funding costs or otherwise adversely affects its shareholder and creditors.

The implementation of higher capital requirements, the liquidity coverage ratio, the net stable funding ratio, requirements relating to long-term debt and TLAC and the prohibition on proprietary trading and the sponsorship of, or investment in, covered funds by the Volcker Rule may continue to adversely affect the company's profitability and competitive position, particularly if these requirements do not apply, or do not apply equally, to the company's competitors or are not implemented uniformly across jurisdictions. The company may also become subject to higher and more stringent capital and other regulatory requirements as a result of the implementation of Basel Committee standards, including those published in December 2017.

The company is also subject to laws and regulations relating to the privacy of the information of clients, employees or others, and any failure to comply with these laws and regulations could expose the company to liability and/or reputational damage. As new privacy-related laws and regulations are implemented, the time and resources needed for the company to comply with such laws and regulations, as well as the company's potential liability for non-compliance and reporting obligations in the case of data breaches, may significantly increase.

In addition, the company's businesses are increasingly subject to laws and regulations relating to surveillance, encryption and data on-shoring in the jurisdictions in which the company operates. Compliance with these laws and regulations may require the company to change its policies, procedures and technology for information security, which could, among other things, make the company more vulnerable to cyber attacks and misappropriation, corruption or loss of information or technology.

Increasingly, regulators and courts have sought to hold financial institutions liable for the misconduct of their clients where they have determined that the financial institution should have detected that the client was engaged in wrongdoing, even though the financial institution had no direct knowledge of the activities engaged in by its client. Regulators and courts have also increasingly found liability as a "control person" for activities of entities in which financial institutions or funds controlled by financial institutions have an investment, but which they do not actively manage. In addition, regulators and courts continue to seek to establish "fiduciary" obligations to counterparties to which no such duty had been assumed to exist. To the extent that such efforts are successful, the cost of, and liabilities associated with, engaging in brokerage, clearing, market-making, prime brokerage, investing and other similar activities could increase significantly. To the extent that the company has fiduciary obligations in connection with acting as a financial advisor or investment advisor or in other roles for individual, institutional, sovereign or investment fund clients, any breach, or even an alleged breach, of such obligations could have materially negative legal, regulatory and reputational consequences.

For information about regulatory developments, which are relevant to the company's businesses, see "Regulatory Matters and Other Developments".

A failure to appropriately identify and address potential conflicts of interest could adversely affect the company's businesses.

Due to the broad scope of GS Group's businesses and client base, the company regularly addresses potential conflicts of interest, including situations where services to a particular client or GS Group's own investments or other interests conflict, or are perceived to conflict, with the interests of that client or another client, as well as situations where one or more of its businesses have access to material non-public information that may not be shared with other businesses within GS Group and situations where it may be a creditor of an entity with which GS Group also has an advisory or other relationship.

Extensive procedures and controls are in place that are designed to identify and address conflicts of interest, including those designed to prevent the improper sharing of information among businesses. However, appropriately identifying and dealing with conflicts of interest is complex and difficult, and the company's reputation, which is one of its most important assets, could be damaged and the willingness of clients to enter into transactions with the company may be adversely affected if it fails, or appears to fail, to identify, disclose and deal appropriately with conflicts of interest. In addition, potential or perceived conflicts could give rise to litigation or regulatory enforcement actions. Additionally, GS Group's *One Goldman Sachs* initiative aims to increase collaboration amongst its businesses, which may increase the potential for actual or perceived conflicts of interest and improper information sharing.

The company may be adversely affected by increased governmental and regulatory scrutiny or negative publicity.

The financial services industry generally and the company's businesses in particular have been subject to negative publicity. The company's reputation and businesses may be adversely affected by negative publicity or information regarding its business and personnel, whether or not accurate or true, that may be posted on social media or other internet forums or published by news organisations. Postings on these types of forums may also adversely impact risk positions of the company's clients and other parties that owe it money, securities or other assets and increase the chance that they will not perform their obligation to the firm or reduce the revenues received from their use of the company's services. The speed and pervasiveness with which information can be disseminated through these channels, in particular social media, may magnify risks relating to negative publicity.

Substantial civil or criminal liability or significant regulatory action against the company could have material adverse financial effects or cause significant reputational harm, which in turn could seriously harm business prospects.

The company faces significant legal risks in its businesses, and the volume of claims and amount of damages and penalties claimed in litigation and regulatory proceedings against financial institutions remain high. The company is, from time to time, subject to a number of other investigations and reviews by, and in some cases has received requests for documents and information from, various governmental and regulatory bodies and self-regulatory organisations relating to various aspects of the company's businesses and operations. The company has seen legal claims by clients increase in a market downturn and employment-related claims increase following periods of headcount reduction. Additionally, governmental entities have been plaintiffs and are parties in certain of the company's legal proceedings, and it may face future civil or criminal actions or claims by the same or other governmental entities, as well as follow-on civil litigation that is often commenced after regulatory settlements.

Significant settlements by several large financial institutions with governmental entities have been publicly announced. The trend of large settlements with governmental entities may adversely affect the outcomes for other financial institutions in similar actions, especially where governmental officials have announced that the large settlements will be used as the basis or a template for other settlements. The uncertain regulatory enforcement environment makes it difficult to estimate probable losses, which can lead to substantial disparities between legal reserves and subsequent actual settlements or penalties.

The company is subject to laws and regulations worldwide, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, relating to corrupt and illegal payments to, and hiring practices with regard to, government officials and others. Violation of these or similar laws and regulations have in the past resulted in and could in the future result in significant monetary penalties. Such violations could also result in severe restrictions on the company's activities and damage to its reputation.

Resolution of a criminal matter involving the company or its employees could lead to increased exposure to civil litigation, could adversely affect the company's reputation, could result in penalties or limitations on the company's ability to conduct its activities generally or in certain circumstances and could have other negative effects.

In conducting its business around the world, the company is subject to political, legal, regulatory and other risks that are inherent in operating in many countries.

In conducting the company's businesses and supporting its global operations, the company is subject to risks of possible nationalisation, expropriation, price controls, capital controls, exchange controls, communications and other content restrictions and other restrictive governmental actions, as well as the outbreak of hostilities or acts of terrorism. For example, sanctions have been imposed by the U.S. and the E.U. on certain individuals and companies in Russia and Venezuela. In many countries, the laws and regulations applicable to the securities and financial services industries and many of the transactions in which the company is involved are uncertain and evolving, and it may be difficult to determine the exact requirements of local laws in every market. The company is also subject to the risk that its businesses may be subject to divergent laws and regulations across markets and the jurisdictions in which it operates may implement laws and regulations that directly conflict with those of another jurisdiction. Any determination by local regulators that the company has not acted in compliance with the application of local laws in a particular market or a failure to develop effective working relationships with local regulators could have a significant and negative effect not only on the company's businesses in that market, but also on its reputation generally. Further, in some jurisdictions a failure, or alleged failure, to comply with laws and regulations have subjected and may in the future subject the company and its personnel not only to civil actions but also criminal actions and other sanctions. The company is also subject to the enhanced risk that transactions it structures might not be legally enforceable in all cases.

While business and other practices throughout the world differ, the company is subject in its operations worldwide to rules and regulations relating to corrupt and illegal payments, hiring practices and money laundering, as well as laws relating to doing business with certain individuals, groups and countries, such as the U.S. Foreign Corrupt Practices Act, the USA PATRIOT Act of 2001 and the U.K. Bribery Act. While the company has invested and continues to invest significant resources in training and in compliance monitoring, the geographical diversity of its operations, employees, and clients, as well as the vendors and other third parties that the company deals with, greatly increases the risk that the company may be found in violation of such rules or regulations and any such violation could subject it to significant penalties or adversely affect its reputation. See for example, "1MDB-Related Matters" in Note 27 to the financial statements.

The application of regulatory strategies and requirements to facilitate the orderly resolution of large financial institutions could create greater risk of loss for the company's security holders.

The circumstances in which a resolution authority would exercise its "bail-in" powers to recapitalise a failing entity by writing down its unsecured debt or converting it into equity are uncertain. If these powers were to be exercised (or if there was a suggestion that they could be exercised) in respect of the company, such exercise would likely have a material adverse effect on the value of debt investments in the company, including a potential loss of some or all of such investments.

Market Developments and General Business Environment

The company's businesses, financial condition, liquidity and results of operations have been and may in the future be adversely affected by the COVID-19 pandemic.

The COVID-19 pandemic has created economic and financial disruptions that have in the past adversely affected, and may in the future adversely affect the company's business, financial condition, liquidity and results of operations. The extent to which the COVID-19 pandemic will negatively affect the company's businesses, financial condition, liquidity and results of operations will depend on future developments, including the widespread availability, use and effectiveness of vaccines, which are highly uncertain and cannot be predicted.

While financial markets have rebounded from the significant declines that occurred earlier in the pandemic and global economic conditions showed signs of improvement during the second half of 2020, many of the circumstances that arose or became more pronounced after the onset of the COVID-19 pandemic persisted at the end of the year, including (i) muted levels of business activity across many sectors of the economy, relatively weak consumer confidence and high unemployment; (ii) elevated levels of market volatility; (iii) certain overnight interest rates and yields on certain government securities near zero; (iv) substantial uncertainty about whether previously announced merger and acquisition deals will be completed or restructured; (v) heightened credit risk with regard to industries that have been most severely impacted by the pandemic, including oil and gas, gaming and lodging, and airlines; (vi) greater emphasis by investors on liquidity products, which generate lower fees, relative to risk assets; and (vii) higher cybersecurity, information security and operational risks as a result of work-from-home arrangements.

Depending on the duration and severity of the pandemic going forward, as well as the effects of the pandemic on consumer and corporate confidence, the conditions noted above could continue for an extended period and other adverse developments may occur or reoccur, including (i) a repeat, or worse, of the decline in the valuation of equity, fixed-income and commodity markets that occurred at the outset of the pandemic; (ii) further declines in certain interest rates, to zero or below; (iii) market dislocations that may make hedging strategies less effective or ineffective; (iv) disruption in the new issuance markets for debt and equity, leading to a decline in activity; (v) a deterioration in the liquidity profile of corporate borrowers, resulting in additional draws on credit lines; (vi) defaults by consumers or corporate clients on loans; and (vii) greater challenges in valuing derivative positions and associated collateral, leading to significant increases in collateral calls and valuation disputes.

The effects of the COVID-19 pandemic on economic and market conditions have in the past and may in the future also increase demands on the company's liquidity as it meets client needs. Likewise, these adverse developments have in the past and may in the future affect the company's capital and leverage ratios.

Governmental authorities worldwide have taken increased measures from March 2020 onwards to stabilise the markets and support economic growth. The continued success of these measures is unknown and they may not be sufficient to address future market dislocations or avert severe and prolonged reductions in economic activity. The company also faces an increased risk of client disputes, litigation and governmental and regulatory scrutiny as a result of the effects of the COVID-19 pandemic on economic and market conditions.

The length of the pandemic and the efficacy of the extraordinary measures that have been put in place to address it are unknown. Until the pandemic subsides, the company may experience reduced activity levels in investment banking, reduced revenues in investment management and increased client defaults. Even after the pandemic subsides, most major economies may continue to experience a recession, and the company anticipates its businesses would be materially and adversely affected by a prolonged recession in major markets.

The company's strategy with respect to Brexit may not be effective.

On January 31, 2020, the U.K. left the E.U., and on December 31, 2020, the transition period under the Withdrawal Agreement between the U.K. and the E.U. ended. As discussed in "Regulatory Matters and Other Developments — Brexit" the company has experienced considerable change in the regulatory framework that governs transactions and business undertaken by the company in the E.U. The U.K. has adopted E.U. financial services legislation that was in effect on December 31, 2020, which means that the U.K. financial services regime will remain substantially the same as under E.U. financial services legislation. However, in the future the U.K. may diverge from E.U. legislation and may decide not to adopt rules that correspond to E.U. legislation not already operative in the U.K. As a result, the company faces numerous risks that could adversely affect the conduct of its businesses, its profitability and liquidity. In addition, as a result of establishing third country branches, the company is and will be subject to additional regulation and supervision in those jurisdictions.

The company is incorporated and headquartered in the U.K., and during the transition period benefited from non-discriminatory access to E.U. clients and infrastructure based on E.U. treaties and E.U. legislation, including arrangements for cross-border "passporting" and the establishment of E.U. branches. Effective December 31, 2020, and notwithstanding the Trade and Cooperation Agreement between the U.K. and the E.U. reached at the end of 2020, firms established in the U.K., including the company, have lost their pan-E.U. "passports" and are generally treated as any other entities in countries outside the E.U. whose access to the E.U. is governed by E.U. and national law.

As necessary, certain client relationships and activities currently undertaken by the company have been transitioned to other E.U. subsidiaries of Group Inc., which may result in a decline in the company's net revenues and profitability, and could adversely affect its businesses and liquidity.

Certain of the company's businesses, its funding instruments and financial products may be adversely affected by changes in or the discontinuance of IBORs, in particular LIBOR.

The administrator of LIBOR has proposed to extend publication of the most commonly used U.S. Dollar LIBOR settings to June 30, 2023 and to cease publishing other LIBOR settings on December 31, 2021. The U.S. federal banking agencies have issued guidance strongly encouraging banking organisations to cease using the U.S. Dollar LIBOR as a reference rate in new contracts as soon as practicable and in any event by December 31, 2021. It is not possible to know whether LIBOR will continue to be viewed as an acceptable market benchmark, what rate or rates may become accepted alternatives to LIBOR, or what the effect of any such changes in views or alternatives may have on the financial markets for LIBOR-linked financial instruments. Similar developments have occurred with respect to other IBORs.

Uncertainty regarding IBORs and the taking of discretionary actions or negotiation of fallback provisions could result in pricing volatility, loss of market share in certain products, adverse tax or accounting impacts, compliance, legal and operational costs and risks associated with client disclosures, as well as systems disruption, model disruption and other business continuity issues. In addition, uncertainty relating to IBORs could result in increased capital requirements for the company given potential low transaction volumes, a lack of liquidity or limited observability for exposures linked to IBORs or any emerging successor rates and operational incidents associated with changes in and the discontinuance of IBORs.

The language in the company's contracts and financial instruments that define IBORs, in particular LIBOR, have developed over time and have various events that trigger when a successor rate to the designated rate would be selected. If a trigger is satisfied, contracts and financial instruments often give the calculation agent (which may be the company) discretion over the successor rate or benchmark to be selected. As a result, there is considerable uncertainty as to how the financial services industry will address the discontinuance of designated rates in contracts and financial instruments or such designated rates ceasing to be acceptable reference rates. This uncertainty could ultimately result in client disputes and litigation surrounding the proper interpretation of the company's IBOR-based contracts and financial instruments. Although the company has adhered to the ISDA IBOR Fallbacks Protocol, the protocol is applicable to derivatives when both parties adhere to the protocol or otherwise agree for it to apply to their derivatives.

Further, the discontinuation of an IBOR, changes in an IBOR or changes in market acceptance of any IBOR as a reference rate may also adversely affect the yield on loans or securities held by the company, amounts paid on securities the company has issued, amounts received and paid on derivative instruments the company has entered into, the value of such loans, securities or derivative instruments, the trading market for securities, the terms of new loans being made using different or modified reference rates, the company's ability to effectively use derivative instruments to manage risk, or the availability or cost of its floating-rate funding and its exposure to fluctuations in interest rates.

Certain of the company's businesses and its funding instruments may be adversely affected by changes in other reference rates, currencies, indices, baskets or ETFs to which products the company offers or funding that the company raises are linked.

Many of the products that the company owns or that it offers, such as structured notes, warrants, swaps or security-based swaps, pay interest or determine the principal amount to be paid at maturity or in the event of default by reference to rates or by reference to an index, currency, basket, ETF or other financial metric (the underlier). In the event that the composition of the underlier is significantly changed, by reference to rules governing such underlier or otherwise, the underlier ceases to exist (for example, in the event that a country withdraws from the Euro or links its currency to or delinks its currency from another currency or benchmark, an index or ETF sponsor materially alters the composition of an index or ETF, or stocks in a basket are delisted or become impermissible to be included in the index or ETF) or the underlier ceases to be recognised as an acceptable market benchmark, the company may experience adverse effects consistent with those described above for IBORs.

The company faces enhanced risks as new business initiatives and acquisitions lead it to engage in new activities, operate in new locations, transact with a broader array of clients and counterparties and expose it to new asset classes and new markets.

A number of the company's recent and planned business initiatives and expansions of existing businesses may bring it into contact, directly or indirectly, with individuals and entities that are not within the company's traditional client and counterparty base and expose it to new asset classes and new markets. For example, the company continues to transact business and invest in new regions, including a wide range of emerging and growth markets.

New business initiatives expose the company to new and enhanced risks, including risks associated with dealing with governmental entities, reputational concerns arising from dealing with different types of clients, counterparties and investors, greater regulatory scrutiny of these activities, increased credit-related, market, sovereign and operational risks, risks arising from accidents or acts of terrorism, and reputational concerns with the manner in which certain assets are being operated or held or in which the company interacts with these clients, counterparties and investors. Legal, regulatory and reputational risks may also exist in connection with activities and transactions involving new products or markets where there is regulatory uncertainty or where there are different or conflicting regulations depending on the regulator or the jurisdiction involved, particularly where transactions in such products may involve multiple jurisdictions.

In addition, there have been a number of highly publicised cases around the world, involving actual or alleged fraud or other misconduct by employees in the financial services industry in recent years, and the company has had, and may in the future have, employee misconduct. This misconduct has included and may also in the future include intentional efforts to ignore or circumvent applicable policies, rules or procedures or misappropriation of funds and the theft of proprietary information, including proprietary software. It is not always possible to deter or prevent employee misconduct and the precautions taken to prevent and detect this activity have not been and may not be effective in all cases, as reflected by the settlements relating to 1Malaysia Development Berhad (1MDB).

Competition

The company's results have been and may in the future be adversely affected by the composition of its client base.

The company's client base is not the same as that of its major competitors. The company's businesses may have a higher or lower percentage of clients in certain industries or markets than some or all of its competitors. Therefore, unfavourable industry developments or market conditions affecting certain industries or markets have resulted in the past and may result in the future in the company's businesses underperforming relative to similar businesses of a competitor if its businesses have a higher concentration of clients in such industries or markets.

Correspondingly, favourable or simply less adverse developments or market conditions involving industries or markets in a business where the company has a lower concentration of clients in such industry or market have also resulted in the past and may result in the future in the company underperforming relative to a similar business of a competitor that has a higher concentration of clients in such industry or market. For example, the company has a smaller corporate client base in its market-making businesses than many of its peers and therefore the company's competitors may benefit more from increased activity by corporate clients. Similarly, the company has not historically engaged in retail equities intermediation to the same extent as other financial institutions, which has in the past and could in the future adversely affect its market share in equities execution.

The financial services industry is highly competitive.

To the extent the company expands into new business areas and new geographic regions, it will face competitors with more experience and more established relationships with clients, regulators and industry participants in the relevant market, which could adversely affect its ability to expand.

Governments and regulators have adopted regulations, imposed taxes, adopted compensation restrictions or otherwise put forward various proposals that have impacted or may impact the company's ability to conduct certain of its businesses in a cost-effective manner or at all in certain or all jurisdictions, including proposals relating to restrictions on the type of activities in which financial institutions are permitted to engage. These or other similar rules, many of which do not apply to all the company's competitors, could impact its ability to compete effectively.

Pricing and other competitive pressures in the company's businesses have continued to increase, particularly in situations where some competitors may seek to increase market share by reducing prices. For example, in connection with investment banking and other engagements, in response to competitive pressure the company has experienced, the company has extended and priced credit at levels that may not always fully compensate it for the risks taken.

The financial services industry is highly interrelated in that a significant volume of transactions occur among a limited number of members of that industry. Many transactions are syndicated to other financial institutions and financial institutions are often counterparties in transactions. This has led to claims by other market participants and regulators that such institutions have colluded in order to manipulate markets or market prices, including allegations that antitrust laws have been violated. While the company has extensive procedures and controls that are designed to identify and prevent such activities, allegations of such activities, particularly by regulators, can have a negative reputational impact and can subject the company to large fines and settlements, and potentially significant penalties, including treble damages.

The company's businesses would be adversely affected if it is unable to hire and retain qualified employees.

The company's performance is largely dependent on the talents and efforts of highly skilled people; therefore, the company's continued ability to compete effectively in its businesses, to manage its businesses effectively and to expand into new businesses and geographic areas depends on its ability to attract new talented and diverse employees and to retain and motivate existing employees. Factors that affect the company's ability to attract and retain such employees include the level and composition of compensation and benefits, and a reputation as a successful business with a culture of fairly hiring, training and promoting qualified employees. As a significant portion of the compensation that the company pays to its employees is paid in the form of year-end discretionary compensation, a significant portion of which is in the form of deferred equity-related awards, declines in the GS Group's profitability, or in the outlook for its future profitability, as well as regulatory limitations on compensation levels and terms, can negatively impact the company's ability to hire and retain highly qualified employees.

Competition from within the financial services industry and from businesses outside the financial services industry, including the technology industry, for qualified employees has often been intense. The company has experienced increased competition in hiring and retaining employees to address the demands of new regulatory requirements and the company's technology initiatives. This is also the case in emerging and growth markets, where the company is often competing for qualified employees with entities that have a significantly greater presence or more extensive experience in the region.

Changes in law or regulation in jurisdictions in which the company's operations are located that affect taxes on the company's employees' income, or the amount or composition of compensation, may also adversely affect the company's ability to hire and retain qualified employees in those jurisdictions.

The company's compensation practices are subject to review by, and the standards of, the PRA and the FCA. As a large financial institution, the company is subject to limitations on compensation practices (which may or may not affect competitors) by the PRA and the FCA and other regulators worldwide. These limitations, including any imposed by or as a result of future legislation or regulation, may require the company to alter compensation practices in ways that could adversely affect its ability to attract and retain talented employees.

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", "Liquidity Risk Management", "Market Risk Management", "Credit Risk Management", "Operational Risk Management", "Model Risk Management" below and "Principal Risks and Uncertainties".

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.

Governance. Risk management governance starts with the company's Board, which both directly and through its committees, including the GSI Board Risk Committee and GSI Risk Committee, oversees the company's risk management policies and practices implemented through the enterprise risk management framework.

The company's revenue-producing units, as well as Treasury, Engineering, Human Capital Management, Operations, and Corporate and Workplace Solutions, are considered the first line of defence. They are accountable for the outcomes of the company's risk-generating activities, as well as for assessing and managing those risks within the company's risk appetite.

The company's independent risk oversight and control functions are considered as the second line of defence and provide independent assessment, oversight and challenge of the risks taken by the first line of defence, as well as lead and participate in risk committees. Independent risk oversight and control functions include Compliance, Conflicts Resolution, Controllers, Legal, Risk and Tax.

Internal Audit is considered as the third line of defence and reports to the GSI Board Audit Committee and administratively to GS Group's chief executive officer. Internal Audit includes professionals with a broad range of audit and industry experience, including risk management expertise. Internal Audit is responsible for independently assessing and validating the effectiveness of key controls, including those within the risk management framework, and providing timely reporting to the GSI Board Audit Committee, senior management and regulators.

The three lines of defence structure promotes the accountability of first line risk takers, provides a framework for effective challenge by the second line and empowers independent review from the third line.

Processes. The company maintains various processes that are critical components of its risk management framework, including (i) risk identification and assessment, (ii) risk appetite, limit and threshold setting, (iii) risk reporting and monitoring, and (iv) risk decision-making.

The company has a comprehensive data collection process, including policies and procedures that require all employees to report and escalate risk events. The company's approach for risk identification and assessment is comprehensive across all risk types, is dynamic and forward-looking to reflect and adapt to the company's changing risk profile and business environment, leverages subject matter expertise, and allows for prioritisation of the company's most critical risks. The company also recognises that climate change is an emerging risk that presents both challenges and opportunities for its business. Risk management functions continue to develop the company's approach to identify and manage the risks to its assets and counterparties arising from climate change.

To effectively assess and monitor the company's risks, the company maintains a daily discipline of marking substantially all of its inventory to current market levels.

An important part of the company's risk management process is stress testing. It allows the company to quantify its exposure to tail risks, highlight potential loss concentrations, undertake risk/reward analysis, and assess and mitigate its risk positions. Stress tests are performed on a regular basis and are designed to ensure a comprehensive analysis of the company's vulnerabilities, and idiosyncratic risks combining financial and non-financial risks, including, but not limited to, credit, market, liquidity and funding, operational and compliance, strategic, systemic and emerging risks into a single combined scenario. Ad hoc stress tests are also performed in anticipation of market events or conditions. Stress testing is also used to assess capital adequacy as part of capital planning and stress testing process. See "Equity Capital Management and Regulatory Capital — Equity Capital Management" for further information.

The company's risk reporting and monitoring processes are designed to take into account information about both existing and emerging risks, thereby enabling the company's risk committees and senior management to perform their responsibilities with the appropriate level of insight into risk exposures. Furthermore, the company's limit and threshold breach processes provide means for timely escalation. The company evaluates changes in its risk profile and businesses, including changes in business mix and jurisdictions in which it operates, by monitoring risk factors at a company-wide level.

People. The experience of the company's professionals, and their understanding of the nuances and limitations of each risk measure, guide the company in assessing exposures and maintaining them within prudent levels.

Structure

Oversight of risk in the company is ultimately the responsibility of the company's Board, who oversee risk both directly and through delegation to various committees. A series of committees within the company with specific risk management mandates covering important aspects of the company's businesses also have oversight or decision-making responsibilities. The key committees with oversight of the company's activities are described below.

GSI Board Audit Committee. The GSI Board Audit Committee assists the company's Board in the review of processes for ensuring the suitability and effectiveness of the systems and controls of the company. This committee also has responsibility for overseeing the external audit arrangements and review of internal audit activities. Its membership includes non-executive directors of the company. The GSI Board Audit Committee reports to the company's Board.

GSI Board Risk Committee. The GSI Board Risk Committee is responsible for providing advice to the company's Board on the company's overall current and future risk appetite and assisting the company's Board in overseeing the implementation of that risk appetite by senior management. This includes reviewing and advising on the company's risk strategy and oversight of the capital, liquidity and funding position of the company. Its membership includes non-executive directors of the company. The GSI Board Risk Committee reports to the company's Board.

European Management Committee (EMC). The EMC oversees all of the company's activities in the region. It is chaired by the chief executive officer of the company and its membership includes senior managers from the revenue-producing divisions and independent control and support functions. The EMC reports to the company's Board.

GSI Risk Committee. The GSI Risk Committee is responsible for the ongoing monitoring and control of all financial and non-financial risks associated with the company's activities. This includes reviewing key financial and risk metrics, including but not limited to profit and loss, capital (including the ICAAP), funding, liquidity, credit risk, market risk, operational risk, price verification and stress tests. The GSI Risk Committee approves market risk, credit risk, liquidity and regulatory capital limits. Its membership includes senior managers from the revenue-producing divisions and independent risk oversight and control functions. The GSI Risk Committee reports to the GSI Board Risk Committee and the company's Board.

GSI Asset Liability Committee. The GSI Asset Liability Committee reviews and approves the strategic direction for the company's financial resources including capital, liquidity, funding and balance sheet. This committee has oversight responsibility for asset liability management, including interest rate and currency risk, funds transfer pricing, capital allocation and incentives, and credit ratings. This committee makes recommendations as to any adjustments to asset liability management and financial resource allocation in light of current events, risks, exposures, and regulatory requirements and approves related policies. Its membership includes senior managers from the revenue-producing divisions and independent risk oversight and control functions. The GSI Asset Liability Committee reports to GS Group's Firmwide Asset Liability Committee and the EMC.

EMEA Conduct Risk Committee. The EMEA Conduct Risk Committee has oversight responsibility for culture and conduct risk, as well as for business standards and practices. Its membership includes senior managers from the revenue-producing divisions and independent risk oversight and control functions. The EMEA Conduct Risk Committee reports to the EMC, GS Group's Firmwide Client and Business Standards Committee and the company's Board or its committees as appropriate.

GS Group Risk Governance

The comprehensive global risk governance framework in place at the GS Group level forms an integral part of the risk management process at the company. GS Group has established a series of committees with specific risk management mandates. Committees with oversight of matters relevant to the company include representation from the company's senior management. The primary GS Group risk and oversight committees are described below.

Management Committee. The Management Committee oversees the global activities of GS Group. The committee consists of the most senior leaders of GS Group, and is chaired by GS Group's chief executive officer. The chief executive officer of the company is a member of this committee.

Firmwide Enterprise Risk Committee. The Firmwide Enterprise Risk Committee is responsible for overseeing all of GS Group's financial and non-financial risks. As a part of such oversight, the committee is responsible for the ongoing review, approval and monitoring of GS Group's enterprise risk management framework, as well as its risk limits framework. This committee is co-chaired by GS Group's chief financial officer and chief risk officer, who are appointed as chairs by GS Group's chief executive officer, and reports to GS Group's Management Committee. Its membership includes representation from the company's senior management.

Firmwide Asset Liability Committee. The Firmwide Asset Liability Committee reviews and approves the strategic direction for GS Group's financial resources, including capital, liquidity, funding and balance sheet. This committee has oversight responsibility for asset liability management, including interest rate and currency risk, funds transfer pricing, capital allocation and incentives, and credit ratings. This committee makes recommendations as to any adjustments to asset liability management and financial resource allocation in light of current events, risks, exposures, and regulatory requirements and approves related policies. This committee is co-chaired by GS Group's chief financial officer and global treasurer, who are appointed as chairs by GS Group's chief executive officer, and reports to GS Group's Management Committee. Its membership includes representation from the company's senior management.

Firmwide Client and Business Standards Committee. The Firmwide Client and Business Standards Committee is responsible for overseeing relationships with clients, client service and experience, and related business standards, as well as client-related reputational matters. This committee is chaired by GS Group's president and chief operating officer, who is appointed as chair by GS Group's chief executive officer, and reports to GS Group's Management Committee. Its membership includes representation from the company's senior management.

Conflicts Management

GS Group's senior management oversees policies related to conflicts resolution, and, in conjunction with Conflicts Resolution, Legal and Compliance, GS Group's Firmwide Client and Business Standards Committee, and other internal committees, formulates policies, standards and principles, and assists in making judgments regarding the appropriate resolution of particular conflicts. The responsibility for identifying potential conflicts, as well as complying with GS Group's policies and procedures, is shared by all GS Group employees.

As a general matter, Conflicts Resolution reviews financing and advisory engagements in Investment Banking and certain of GS Group's investing, lending and other activities. In addition, GS Group has various transaction oversight committees that also review new underwritings, loans, investments and structured products. These groups and committees work with internal and external counsel and Compliance to evaluate and address any actual or potential conflicts. Conflicts Resolution reports to the president and chief operating officer of GS Group. GS Group regularly assesses its policies and procedures that address conflicts of interest in an effort to conduct its business in accordance with the highest ethical standards and in compliance with all applicable laws, rules and regulations. The company's framework for conflicts resolution is consistent with, and part of, the GS Group framework.

Compliance Risk Management

GS Group's Compliance Risk Management Program, administered by Compliance, assesses its compliance, regulatory and reputational risk; monitors for compliance with new or amended laws, rules and regulations; designs and implements controls, policies, procedures and training; conducts independent testing; investigates, surveils and monitors for compliance risks and breaches; and leads GS Group's responses to regulatory examinations, audits and inquiries. GS Group monitors and reviews business practices to assess whether they meet or exceed minimum regulatory and legal standards in all markets and jurisdictions in which it conducts business. The company's framework for managing compliance risk is consistent with, and part of, the GS Group framework.

Liquidity Risk Management

Overview (Audited)

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.

Treasury, which reports to GS Group's chief financial officer, has primary responsibility for developing, managing and executing GS Group's liquidity and funding strategy within its risk appetite.

Liquidity Risk, which is independent of the revenue-producing units and Treasury, and reports to GS Group's chief risk officer, has primary responsibility for assessing, monitoring and managing GS Group's liquidity risk through oversight across GS Group's global businesses and the establishment of stress testing and limits frameworks. The company's framework for managing liquidity risk is consistent with, and part of, the GS Group framework.

Liquidity Risk Management Principles (Audited)

The company manages liquidity risk according to three principles: (i) hold sufficient excess liquidity in the form of GCLA to cover outflows during a stressed period; (ii) maintain appropriate Asset-Liability Management; and (iii) maintain a viable Contingency Funding Plan.

GCLA. GCLA is liquidity that the company maintains to meet a broad range of potential cash outflows and collateral needs in a stressed environment. A primary liquidity principle is to pre-fund the company's estimated potential cash and collateral needs during a liquidity crisis and hold this liquidity in the form of unencumbered, highly liquid securities and cash. The company believes that the securities held in its GCLA would be readily convertible to cash in a matter of days, through liquidation, by entering into repurchase agreements or from maturities of resale agreements, and that this cash would allow it to meet immediate obligations without needing to sell other assets or depend on additional funding from credit-sensitive markets.

The company's GCLA is distributed across asset types, issuers and clearing agents to provide sufficient operating liquidity to ensure timely settlement in all major markets, even in a difficult funding environment.

Asset-Liability Management. The company's liquidity risk management policies are designed to ensure the company has a sufficient amount of financing, even when funding markets experience persistent stress. The company manages maturities and diversity of funding across markets, products and counterparties, and seeks to maintain a diversified external funding profile with an appropriate tenor, taking into consideration the characteristics and liquidity profile of its assets.

The company's goal is to ensure it maintains sufficient liquidity to fund its assets and meet its contractual and contingent obligations in normal times, as well as during periods of market stress. Through the dynamic balance sheet management process, actual and projected asset balances are used to determine secured and unsecured funding requirements. In a liquidity crisis, the company would first use its GCLA in order to avoid reliance on asset sales (other than its GCLA). However, the company recognises that orderly asset sales may be prudent or necessary in a severe or persistent liquidity crisis.

Contingency Funding Plan. GS Group maintains a contingency funding plan, which has a GSI-specific addendum, to provide a framework for analysing and responding to a liquidity crisis situation or periods of market stress. The contingency funding plan outlines a list of potential risk factors, key reports and metrics that are reviewed on an ongoing basis to assist in assessing the severity of, and managing through, a liquidity crisis and/or market dislocation. The contingency funding plan also describes the company's potential responses if assessments indicate that the company has entered a liquidity crisis, which include pre-funding for what the company estimates will be its potential cash and collateral needs, as well as utilising secondary sources of liquidity. Mitigants and action items to address specific risks which may arise are also described and assigned to individuals responsible for execution.

Stress Tests

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. One of the company's primary internal liquidity risk models, referred to as the Modeled Liquidity Outflow, quantifies the company's liquidity risks over a 30-day stress scenario. Other factors are considered including, but not limited to, an assessment of potential intraday liquidity needs through an additional internal liquidity risk model, referred to as the Intraday Liquidity Model, the results of the company's long-term stress testing models, resolution liquidity models and other applicable regulatory requirements and a qualitative assessment of the condition of the company, as well as the financial markets. The results of the Modeled Liquidity Outflow, the Intraday Liquidity Model, the long-term stress testing models and the resolution liquidity models are reported to senior management on a regular basis. GS Group and the company also perform stress tests. See "Overview and Structure of Risk Management" for information about company-wide stress tests.

Modeled Liquidity Outflow. The Modeled Liquidity Outflow is based on conducting multiple scenarios that include combinations of market-wide and GS Group-specific stress. These scenarios are characterised by the following qualitative elements:

- Severely challenged market environments, which includes low consumer and corporate confidence, financial and political instability, and adverse changes in market values, including potential declines in equity markets and widening of credit spreads; and
- A GS Group-specific crisis potentially triggered by material losses, reputational damage, litigation and/or a ratings downgrade.

The following are key modelling elements of the company's Modeled Liquidity Outflow:

- Liquidity needs over a 30-day scenario;
- A two-notch downgrade of the long-term senior unsecured credit ratings of Group Inc. and its rated subsidiaries, including GSI;
- Changing conditions in funding markets, which limit the company's access to unsecured and secured funding; and
- A combination of contractual outflows, such as upcoming maturities of unsecured debt, and contingent outflows, including, but not limited to, the withdrawal of customer credit balances in the company's prime brokerage business or an increase in variation margin requirements due to adverse changes in the value of the company's exchange-traded and OTC-cleared derivatives.

Intraday Liquidity Model. The company's Intraday Liquidity Model measures the company's intraday liquidity needs using a scenario analysis characterised by the same qualitative elements as the Modeled Liquidity Outflow. The model assesses the risk of increased intraday liquidity requirements during a scenario where access to sources of intraday liquidity may become constrained.

Long-Term Stress Testing. The company utilises longer-term stress tests to take a forward view on its liquidity position through prolonged stress periods in which the company experiences a severe liquidity stress and recovers in an environment that continues to be challenging.

Resolution Liquidity Models. In connection with GS Group's resolution planning efforts, GS Group has established a Resolution Liquidity Adequacy and Positioning framework, which estimates liquidity needs of its major subsidiaries, including the company, in a stressed environment. GS Group has also established a Resolution Liquidity Execution Need framework, which measures the liquidity needs of its major subsidiaries, including the company, to stabilise and wind-down following a Group Inc. bankruptcy filing in accordance with GS Group's preferred resolution strategy.

In addition, GS Group has established a triggers and alerts framework, which is designed to provide the GS Group board of directors with information needed to make an informed decision on whether and when to commence bankruptcy proceedings for Group Inc.

Limits

The company uses liquidity risk limits at various levels and across liquidity risk types to manage the size of its liquidity exposures. Limits are measured relative to acceptable levels of risk given the company's liquidity risk tolerance. The purpose of these limits is to assist senior management in monitoring and controlling the company's overall liquidity profile.

The GSI Board Risk Committee and the GSI Risk Committee approve the company's limits. Limits are reviewed frequently and amended, with required approvals, on a permanent and temporary basis, as appropriate, to reflect changing market or business conditions.

Limits are monitored by the company's Treasury and Liquidity Risk functions. Liquidity Risk is responsible for identifying and escalating to senior management and/or the appropriate risk committee, on a timely basis, instances where limits have been exceeded.

GCLA and Unencumbered Metrics

GCLA. Based on the results of the company's internal liquidity risk models, described above, as well as consideration of other factors, including, but not limited to, a qualitative assessment of the condition of the company, as well as the financial markets, the company believes its liquidity position as of both December 2020 and November 2019 was appropriate. The company strictly limits its GCLA to a narrowly defined list of securities and cash because they are highly liquid, even in a difficult funding environment. The company does not include other potential sources of excess liquidity in its GCLA, such as less liquid unencumbered securities or committed credit facilities.

The table below presents information about GCLA.

	Average for the Period Ended	
$ in millions	**December 2020**	November 2019
Overnight cash deposits	**$19,269**	$13,583
U.S. government obligations	**14,951**	19,747
Non-U.S. government obligations	**25,590**	28,124
Total	**$59,810**	$61,454

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 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.

Other Unencumbered Assets. In addition to its GCLA, the company has a significant amount of other unencumbered cash and financial instruments, including other government obligations, high-grade money market securities, corporate obligations, marginable equities, loans and cash deposits not included in its GCLA. The fair value of the company's other unencumbered assets averaged $32.14 billion for the period ended December 2020 and $33.00 billion for the period ended November 2019.

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 and the European Commission. The company's average monthly LCR for the trailing twelve-month period ended December 2020 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. In June 2019, the European Commission finalised rules amending the CRR to implement the NSFR for certain E.U. financial institutions, including the company. This requirement has been incorporated into U.K. legislation. As a result of the Brexit transition period ending on December 31, 2020, the company has become subject to the NSFR requirement implemented in the U.K. which is 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 rating and that 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" 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 December 2020		
	Fitch	Moody's	S&P
GSI			
Short-term debt	F1	P-1	A-1
Long-term debt	A+	A1	A+
Ratings outlook	Negative	Stable	Stable
Group Inc.			
Short-term debt	F1	P-2	A-2
Long-term debt	A	A3	BBB+
Subordinated debt	BBB+	Baa2	BBB-
Trust preferred	BBB-	Baa3	BB
Preferred stock	BBB-	Ba1	BB
Ratings outlook	Negative	Under Review	Stable

In January 2021, Moody's upgraded Group Inc.'s long-term debt ratings (from A3 to A2) and short-term debt ratings (from P-2 to P-1), and has returned the outlook from ratings under review to stable.

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.

	As of	
$ in millions	**December 2020**	November 2019
Additional collateral or termination payments:		
One-notch downgrade	**$275**	$166
Two-notch downgrade	**$907**	$594

Cash Flows

As a global financial institution, the company's cash flows are complex and bear little relation to the company's profitability and net assets. Consequently, the company believes that traditional cash flow analysis is less meaningful in evaluating its liquidity position than the liquidity and asset-liability management policies described above. Cash flow analysis may, however, be helpful in highlighting certain macro trends and strategic initiatives in the company's businesses.

The statement of cash flows is set out on page 65 of this annual report.

Period Ended December 2020. The company's cash and cash equivalents, net of overdrafts increased by $18.55 billion to $43.72 billion at the end of December 2020, primarily due to net cash from operating activities of $16.45 billion, financing activities of $1.67 billion and investing activities of $422 million. The net cash from financing activities of $1.67 billion primarily reflected an increase in MREL-eligible intercompany loans of $3.40 billion and receipts of $380 million from issuing share capital, partially offset by the company paying interest of $2.05 billion on its AT1 notes, subordinated loans and MREL-eligible intercompany loans.

Period Ended November 2019. The company's cash and cash equivalents, net of overdrafts decreased by $1.55 billion to $22.36 billion at the end of November 2019, primarily due to net cash used in operating activities of $2.65 billion and investing activities of $421 million, partially offset by net cash from financing activities of $1.52 billion. The net cash from financing activities of $1.52 billion primarily reflected an increase in MREL-eligible intercompany loans of $3.37 billion and receipts of $340 million from issuing share capital, partially offset by the company paying interest of $1.07 billion on its AT1 notes, subordinated loans and MREL-eligible intercompany loans and paying a dividend of $1.00 billion.

Maturity of Financial Liabilities

See Note 32 to the financial statements for a maturity analysis of the company's financial liabilities.

Market Risk Management

Overview (Audited)

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, each described in the respective sections below, to monitor market risk. Categories of market risk include the following:

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

Market Risk, which is independent of the revenue-producing units and reports to GS Group's chief risk officer, has primary responsibility for assessing, monitoring and managing GS Group's market risk through oversight across GS Group's global businesses.

Managers in revenue-producing units and Market Risk discuss market information, positions and estimated loss scenarios on an ongoing basis. Managers in revenue-producing units are accountable for managing risk within prescribed limits, both at the GS Group and the company level.

Market Risk Management Process (Audited)

The company's process for managing market risk includes the critical components of the risk framework described in the "Overview and Structure of Risk Management", as well as the following:

- Monitoring compliance with established market risk limits and reporting the company's exposures;
- Diversifying exposures;
- Controlling position sizes; and
- Evaluating mitigants, such as economic hedges in related securities or derivatives.

The company's framework for managing market risk is consistent with, and part of, the GS Group framework, and results are analysed by business and in aggregate, at both the GS Group and the company levels.

Risk Measures (Audited)

The company produces risk measures and monitors them against established market risk limits. These measures reflect an extensive range of scenarios and the results are aggregated at the product, business and company-wide level.

A variety of risk measures are used to estimate the size of potential losses for both moderate and more extreme market moves over both short- and long-term time horizons. Primary risk measures are VaR, which is used for shorter-term periods, and stress tests. The company's risk report details key risks, drivers and changes for each business, and is distributed daily to senior management of both the revenue-producing units and independent risk oversight and control functions.

VaR. VaR is the potential loss in value due to adverse market movements over a defined time horizon with a specified confidence level. A one-day time horizon with a 95% confidence level is typically employed. The VaR model is a single model that captures risks including interest rates, equity prices, currency rates and commodity prices. As such, VaR facilitates comparison across portfolios of different risk characteristics. VaR also captures the diversification of aggregated risk across the company. The VaR model is applied consistently across GS Group, including the company.

VaR is analysed at the company level and a variety of more detailed levels, including by risk category and business. Inherent limitations to VaR include:

- VaR does not estimate potential losses over longer time horizons where moves may be extreme;
- VaR does not take account of the relative liquidity of different risk positions; and
- Previous moves in market risk factors may not produce accurate predictions of all future market moves.

To comprehensively capture the company's exposures and relevant risks in the VaR calculations, historical simulations with full valuation of market factors at the position level by simultaneously shocking the relevant market factors for that position are used. These market factors include spot prices, credit spreads, funding spreads, yield curves, volatility and correlation, and are updated periodically based on changes in the composition of positions, as well as variations in market conditions. A sample from five years of historical data is taken to generate the scenarios for the VaR calculation. The historical data is weighted so that the relative importance of the data reduces over time. This gives greater importance to more recent observations and reflects current asset volatilities, which improves the accuracy of estimates of potential loss. As a result, even if positions included in VaR were unchanged, VaR would increase with increasing market volatility and vice versa.

Given its reliance on historical data, VaR is most effective in estimating risk exposures in markets in which there are no sudden fundamental changes or shifts in market conditions.

The VaR measure does not include:

- Positions that are best measured and monitored using sensitivity measures; and
- The impact of changes in counterparty and GS Group's and/or the company's credit spreads on derivatives, as well as changes in GS Group's and/or the company's credit spreads on unsecured borrowings, which are designated at fair value through profit or loss.

Daily backtesting of the VaR model is performed (i.e., comparing daily net revenues for positions included in VaR to the VaR measure calculated as of the prior business day) at the GS Group and company level and for each of GS Group's businesses.

Stress Testing. Stress testing is a method of determining the effect on GS Group of various hypothetical stress scenarios. GS Group uses stress testing to examine risks of specific portfolios, as well as the potential impact of significant risk exposures across GS Group, and the impact specifically on the company. A variety of stress testing techniques to calculate the potential loss from a wide range of market moves on the company's portfolios are used, including firmwide stress tests, sensitivity analysis and scenario analysis. The results of the various stress tests are analysed together for risk management purposes. See "Overview and Structure of Risk Management" for information about company-wide stress tests.

Unlike VaR measures, which have an implied probability because they are calculated at a specified confidence level, there may not be an implied probability that GS Group's stress testing scenarios will occur. Instead, stress testing is used to model both moderate and more extreme moves in underlying market factors. When estimating potential loss, it is generally assumed that positions cannot be reduced or hedged (although experience demonstrates that the company is generally able to do so).

Limits

The company uses market risk limits at various levels to manage the size of its market exposures. These limits are set based on VaR and on a range of stress tests relevant to the company's exposures.

The GSI Board Risk Committee and the GSI Risk Committee set market risk limits for the company at an entity, business and product level, consistent with the company's risk appetite.

Market Risk is responsible for monitoring these limits, and identifying and escalating to senior management and/or the appropriate risk committee, on a timely basis, instances where limits have been exceeded (e.g., due to positional changes or changes in market conditions, such as increased volatilities or changes in correlations). Such instances are remediated by a reduction in the positions the company holds and/or a temporary or permanent increase to the limit.

Metrics (Audited)

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.

	Period Ended	
	December	November
$ in millions	2020	2019
Categories		
Interest rates	$ 38	$ 24
Equity prices	33	18
Currency rates	11	8
Commodity prices	2	1
Diversification effect	(30)	(19)
Total	$ 54	$ 32

The company's average daily VaR increased to $54 million for the period ended December 2020 from $32 million for the period ended November 2019, primarily due to increases in the equity prices and interest rates categories, partially offset by an increase in the diversification effect. The overall increase was due to higher levels of volatility.

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

	As of		
	December	November	December 1
$ in millions	2020	2019	2018
Categories			
Interest rates	$ 26	$ 23	$ 25
Equity prices	24	18	19
Currency rates	9	6	10
Commodity prices	2	1	1
Diversification effect	(22)	(17)	(24)
Total	$ 39	$ 31	$ 31

The company's period-end VaR increased to $39 million as of December 2020 from $31 million as of November 2019, primarily due to increases in the equity prices, interest rates and currency rates categories, partially offset by an increase in the diversification effect. The overall increase was due to higher levels of volatility.

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

	Period Ended			
	December 2020		November 2019	
$ in millions	High	Low	High	Low
Categories				
Interest rates	$ 77	$19	$34	$18
Equity prices	$118	$15	$37	$13
Currency rates	$ 20	$ 6	$16	$ 4
Commodity prices	$ 8	$ 1	$ 2	$ –
Company-wide				
VaR	$155	$29	$49	$25

Sensitivity Measures (Audited)

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 $34.7 million as of December 2020, $31.6 million as of November 2019 and $33.2 million as of December 1, 2018.

Credit Risk Management

Overview (Audited)

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

Credit Risk, which is independent of the revenue-producing units and reports to GS Group's chief risk officer, has primary responsibility for assessing, monitoring and managing GS Group's credit risk through oversight across GS Group's global businesses. The company's framework for managing credit risk is consistent with the framework of GS Group, established by GS Group's Risk Governance Committee.

Credit Risk Management Process (Audited)

The process for managing credit risk includes the critical components of the company's risk management framework described in the "Overview and Structure of Risk Management", as well as the following:

- Monitoring compliance with established credit risk limits and reporting the company's credit exposures and credit concentrations;
- Assessing the likelihood that a counterparty will default on its payment obligations;
- Measuring the company's current and potential credit exposure and losses resulting from a counterparty default;
- Using credit risk mitigants, including collateral and hedging; and
- Maximising recovery through active workout and restructuring of claims.

The company also performs credit reviews, which include initial and ongoing analyses of the company's counterparties. A credit review is an independent analysis of the capacity and willingness of a counterparty to meet its financial obligations, resulting in an internal credit rating. The determination of internal credit ratings also incorporates assumptions with respect to the nature of and outlook for the counterparty's industry, and the economic environment. Senior personnel, with expertise in specific industries, inspect and approve credit reviews and internal credit ratings.

The credit risk management systems capture credit exposure to individual counterparties and on an aggregate basis to counterparties and their subsidiaries. These systems also provide management with comprehensive information about aggregate credit risk by product, internal credit rating, industry, country and region.

Risk Measures

Credit risk is measured based on the potential loss in the event of non-payment by a counterparty using current and potential exposure. For derivatives and securities financing transactions, current exposure represents the amount presently owed to the company after taking into account applicable netting and collateral arrangements, while potential exposure represents the company's estimate of the future exposure that could arise over the life of a transaction based on market movements within a specified confidence level. Potential exposure also takes into account netting and collateral arrangements.

Stress Tests

The company conducts regular stress tests to calculate the credit exposures, including potential concentrations that would result from applying shocks to counterparty credit ratings or credit risk factors (e.g., currency rates, interest rates, equity prices). These shocks cover a wide range of moderate and more extreme market movements, including shocks to multiple risk factors, consistent with the occurrence of a severe market or economic event. In the case of sovereign default, the company estimates the direct impact of the default on its sovereign credit exposures, changes to its credit exposures arising from potential market moves in response to the default, and the impact of credit market deterioration on corporate borrowers and counterparties that may result from the sovereign default. Unlike potential exposure, which is calculated within a specified confidence level, stress testing does not generally assume a probability of these events occurring. The company also performs company-wide stress tests. See "Overview and Structure of Risk Management" for information about company-wide stress tests.

Limits

Credit limits are used at various levels to manage the size and nature of the company's credit exposures. The GSI Board Risk Committee and the GSI Risk Committee approve credit risk limits at the company-wide, business and product level, consistent with the company's risk appetite. Furthermore, the GSI Risk Committee approves the framework that governs the setting of credit risk sub-limits at the company level, which is delegated to Credit Risk (through delegated authority from GS Group's Risk Governance Committee).

Credit Risk is responsible for monitoring these limits, and identifying and escalating to senior management and/or the appropriate risk committee, on a timely basis, instances where limits have been exceeded.

Risk Mitigants

To reduce credit exposures on derivatives and securities financing transactions, the company may enter into netting agreements with counterparties that permit it to offset receivables and payables with such counterparties. The company may also reduce credit risk with counterparties by entering into agreements that enable it to obtain collateral from them on an upfront or contingent basis and/or to terminate transactions if the counterparty's credit rating falls below a specified level. The company monitors the fair value of the collateral to ensure that credit exposures are appropriately collateralised. The company seeks to minimise exposures where there is a significant positive correlation between the creditworthiness of counterparties and the market value of collateral received.

When the company does not have sufficient visibility into a counterparty's financial strength or when it believes a counterparty requires support from its parent company, the company may obtain third-party guarantees of the counterparty's obligations. The company may also mitigate its credit risk using credit derivatives.

Credit Exposures (Audited)

The company's credit exposures are described further below.

Cash and Cash Equivalents. Cash and cash equivalents include both interest-bearing and non-interest-bearing deposits. To mitigate the risk of credit loss, the company places substantially all of its deposits with highly rated banks and central banks.

Collateralised Agreements. The company bears credit risk related to collateralised agreements only to the extent that cash advanced to the counterparty exceeds the value of the collateral received. The company's credit exposure on these transactions is therefore significantly lower than the amounts recorded in the balance sheet, which represent fair values or contractual value before consideration of collateral received. The company also has credit exposure on collateralised financings, which are liabilities on its balance sheet, to the extent that the value of collateral pledged to the counterparty for these transactions exceeds the amount of cash or collateral received.

Customer and Other Receivables. The company is exposed to credit risk from its customer and other receivables through its receivables from broker/dealers and clearing organisations and receivables from customer. These primarily consist of receivables related to cash collateral paid to counterparties and clearing organisations in respect of derivative financial instrument liabilities. Customer and other receivables also includes collateralised receivables related to customer securities transactions, which generally have minimal credit risk due to both the value of the collateral received and the short-term nature of these receivables.

Trading Assets. Trading assets includes trading cash instruments and derivatives. In the tables below trading cash instruments are included in the gross exposure; however, to the extent that they have been captured by market risk they are removed to arrive at net credit exposure. Derivatives are reported at fair value on a gross by counterparty basis in the company's financial statements unless the company has a current legal right of set-off and also intends to settle on a net basis. OTC derivatives are risk managed using the risk processes, measures and limits described above.

Investments. Investments includes debt instruments and equity securities. In the tables below investments are included in the gross exposure; however, to the extent that they have been captured by market risk they are removed to arrive at net credit exposure.

Loans. Loans includes loans held for investment. In the tables below loans are included in the gross exposure; however, to the extent that they have been captured by market risk they are removed to arrive at net credit exposure. In addition to the mitigants quantified in "Financial Instruments Measured at Fair Value" below, the company may also obtain credit protection on certain loans through credit derivatives, which can be single name or index-based contracts, to mitigate the credit risk associated with certain lending activity.

Other Assets. The company is exposed to credit risk from its other assets primarily through its intercompany loans and other miscellaneous receivables.

Credit Risk Exposure (Audited)

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.

$ in millions	Fair value	Amortised cost	Total
As of December 2020			
Gross credit exposure	**$1,083,006**	**$183,571**	**$1,266,577**
Net credit exposure	**$ 28,367**	**$ 64,235**	**$ 92,602**
As of November 2019			
Gross credit exposure	$ 879,993	$160,425	$1,040,418
Net credit exposure	$ 20,165	$ 43,763	$ 63,928
As of December 1, 2018			
Gross credit exposure	$ 741,686	$144,684	$ 886,370
Net credit exposure	$ 20,721	$ 44,860	$ 65,581

In the table above, net credit exposure has increased by $477 million as of November 2019 and $248 million as of December 1, 2018 to conform to the current period's presentation. See "Financial Instruments Measured at Fair Value" below for further information.

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 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.

$ in millions	Collateralised agreements	Trading assets	Investments	Loans	Other assets	Total
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**
As of November 2019						
Gross credit exposure	$ 91,586	$ 785,365	$ 1,492	$ 1,550	$ -	$ 879,993
Assets captured by market risk	-	(97,265)	(1,492)	(663)	-	(99,420)
Counterparty netting	(33,612)	(612,754)	-	(2)	-	(646,368)
Cash collateral	-	(40,382)	-	-	-	(40,382)
Security collateral received	(57,478)	(15,939)	-	(241)	-	(73,658)
Net credit exposure	$ 496	$ 19,025	$ -	$ 644	$ -	$ 20,165
As of December 1, 2018						
Gross credit exposure	$146,767	$ 592,781	$ 1,318	$ 820	$ -	$ 741,686
Assets captured by market risk	-	(73,486)	(1,318)	(555)	-	(75,359)
Counterparty netting	(58,327)	(450,418)	-	-	-	(508,745)
Cash collateral	-	(35,148)	-	-	-	(35,148)
Security collateral received	(87,254)	(14,319)	-	(140)	-	(101,713)
Net credit exposure	$ 1,186	$ 19,410	$ -	$ 125	$ -	$ 20,721

In the table above, the company has updated its comparatives for the following:

- Assets captured by market risk has been reduced to reflect certain corporate loans in trading assets and loans being included in credit risk. This increase in net credit exposure has been partially offset by an increase in applicable counterparty netting and security collateral received; and
- Counterparty netting for certain derivatives in trading assets has been increased to reflect the existence of an enforceable netting agreement, resulting in a decrease in net credit exposure.

The above changes resulted in the following impact:

- Assets captured by market risk has decreased by $1.69 billion as of November 2019 and $804 million as of December 1, 2018;
- Counterparty netting has increased by $967 million as of November 2019 and $556 million as of December 1, 2018;
- Security collateral received has increased by $241 million as of November 2019; and
- Net credit exposure has increased by $477 million as of November 2019 and $248 million as of December 1, 2018.

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.

	As of		
$ in millions	**December 2020**	November 2019	December 1 2018
AAA	**$ 16,789**	$ 16,752	$ 12,663
AA	**64,833**	62,611	60,143
A	**789,934**	586,450	481,759
BBB	**79,858**	78,009	76,178
BB or lower	**40,199**	34,730	35,290
Unrated	**91,393**	101,441	75,653
Total	**$1,083,006**	$879,993	$741,686

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 $794 million as of December 2020, $438 million as of November 2019 and $210 million as of December 1, 2018, which are financial assets for which the company has not assigned an internally determined public rating agency equivalent.
- The company has updated its comparatives to reflect certain loans being assigned internally determined public rating agency equivalents. This has resulted in a reclassification of gross credit exposure to financial assets measured at fair value through profit or loss of $1.66 billion as of November 2019 and $718 million as of December 1, 2018 from unrated to an internally determined public rate agency equivalent.

Financial Instruments Measured at Amortised Cost. The company's financial assets measured at amortised cost are set out in Note 30 to the financial statements. These amounts represent the company's gross credit exposure to financial assets measured at amortised cost. See "Risk Mitigants" above for information about collateral and other credit enhancements that mitigate credit risk on these financial assets.

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 December 2020, November 2019 and December 1, 2018. The expected credit losses (ECL) on these financial assets were not material as of December 2020, November 2019 and December 1, 2018. 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.

	As of		
	December	November	December 1
$ in millions	**2020**	2019	2018
AAA	**$ 2,578**	$ 13,761	$ 15,689
AA	**52,950**	21,203	18,728
A	**81,432**	91,284	79,700
BBB	**17,414**	18,874	17,175
BB or lower	**27,274**	14,236	11,899
Unrated	**1,923**	1,067	1,493
Total	**$183,571**	$160,425	$144,684

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.

Commitments and Contingencies. In addition to credit risk on financial assets, the company also has credit exposure in respect of contingent and forward starting collateralised agreements. The company's gross credit exposure related to these activities is $61.98 billion as of December 2020, $63.29 billion as of November 2019 and $60.53 billion as of December 1, 2018. However, this will be mitigated by collateral of approximately $61.40 billion as of December 2020, approximately $62.69 billion as of November 2019 and approximately $60.06 billion as of December 1, 2018 if these commitments are fulfilled. As a result, the company's net credit exposure to these commitments was approximately $580 million as of December 2020, approximately $601 million as of November 2019 and approximately $473 million as of December 1, 2018.

Credit Concentrations (Audited)

The company's concentrations to credit risk arise from its market making, client facilitation, investing, underwriting, lending and collateralised transactions, and cash management activities, and may be impacted by changes in economic, industry or political factors. These activities expose the company to many different industries and counterparties, and may also subject the company to a concentration of credit risk to a particular central bank, counterparty, borrower or issuer, including sovereign issuers, or to a particular clearing house or exchange. The company seeks to mitigate credit risk by actively monitoring aggregate exposures against limits on individual entities and their consolidating groups, as well as countries and industries, and obtaining collateral from counterparties as deemed appropriate.

The company measures and monitors its credit exposure based on amounts owed to the company after taking into account risk mitigants that management considers when determining credit risk. Such risk mitigants include netting and collateral arrangements and economic hedges, such as credit derivatives, futures and forward contracts. Netting and collateral agreements permit the company to offset receivables and payables with such counterparties and/or enable the company to obtain collateral on an upfront or contingent basis.

Collateral obtained by the company related to derivative assets is principally cash and is held by the company or a third-party custodian. Collateral obtained by the company related to collateralised agreement transactions is primarily government and agency obligations and equities.

The table below presents the company's net credit exposure to financial assets by industry and region.

	As of		
	December	November	December 1
$ in millions	**2020**	2019	2018
Credit Exposure by Industry			
Funds	**$ 6,599**	$ 7,429	$ 8,038
Financial Institutions	**34,767**	28,606	25,248
Sovereign	**42,760**	21,896	26,594
Natural Resources & Utilities	**1,470**	738	1,886
Diversified Industrials	**1,362**	1,178	1,233
Other (including Special Purpose Vehicles)	**5,644**	4,081	2,582
Total	**$92,602**	$63,928	$65,581
Credit Exposure by Region			
EMEA	**$64,381**	$41,523	$43,178
Americas	**18,937**	15,076	14,965
Asia	**9,284**	7,329	7,438
Total	**$92,602**	$63,928	$65,581

In the table above, net credit exposure by industry and region has increased by $477 million as of November 2019 and $248 million as of December 1, 2018 to conform to the current period's presentation. See "Financial Instruments Measured at Fair Value" above for further information.

Operational Risk Management

Overview (Audited)

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.

Potential types of loss events related to internal and external operational risk include:

- Clients, products and business practices;
- Execution, delivery and process management;
- Business disruption and system failures;
- Employment practices and workplace safety;
- Damage to physical assets;
- Internal fraud; and
- External fraud.

Operational Risk, which is independent of revenue-producing units, and reports to GS Group's chief risk officer, has primary responsibility for developing and implementing a formalised framework for assessing, monitoring and managing operational risk with the goal of maintaining GS Group's exposure to operational risk at levels that are within its risk appetite. The company's framework for managing operational risk is consistent with, and part of, the GS Group framework.

Operational Risk Management Process (Audited)

The company's process for managing operational risk includes the critical components of the company's risk management framework described in the "Overview and Structure of Risk Management", including a comprehensive data collection process, as well as company-wide policies and procedures, for operational risk events.

Top-down and bottom-up approaches are combined to manage and measure operational risk. From a top-down perspective, senior management assesses company-wide and business-level operational risk profiles. From a bottom-up perspective, the first and second lines of defence are responsible for risk identification and risk management on a day-to-day basis, including escalating operational risks to senior management.

The company has a comprehensive control framework designed to provide a well-controlled environment to minimise operational risks. The EMEA Operational Risk Committee is responsible for overseeing operational risk of the company, and for ensuring the company's business and operational resilience.

The operational risk management framework is in part designed to comply with the operational risk measurement rules under Basel III and has evolved based on the changing needs of the company's businesses and regulatory guidance.

Policies are in place that require all employees to report and escalate operational risk events. When operational risk events are identified, policies require that the events be documented and analysed to determine whether changes are required in the systems and/or processes to further mitigate the risk of future events.

Operational risk management applications are used to capture and organise operational risk event data and key metrics. One of the company's key risk identification and assessment tools is an operational risk and control self-assessment process, which is performed by the company's managers. This process consists of the identification and rating of operational risks, on a forward-looking basis, and the related controls. The results from this process are analysed to evaluate operational risk exposures and identify businesses, activities or products with heightened levels of operational risk.

Risk Measurement

The company's operational risk exposure is measured using both statistical modelling and scenario analyses, which involve qualitative and quantitative assessments of internal and external operational risk event data and internal control factors for each of the company's businesses.

The results from these scenario analyses are used to monitor changes in operational risk and to determine business lines that may have heightened exposure to operational risk. These analyses are used in the determination of the appropriate level of operational risk capital to hold. The company also performs company-wide stress tests. See "Overview and Structure of Risk Management" for information about company-wide stress tests.

Types of Operational Risks

Increased reliance on technology and third-party relationships has resulted in increased operational risks, such as information and cyber security risk, third-party risk and business resilience risk. The company manages those risks as follows:

Information and Cyber Security Risk. Information and cyber security risk is the risk of compromising the confidentiality, integrity or availability of the company's data and systems, leading to an adverse impact to the company, its reputation, its clients and/or the broader financial system. The company seeks to minimise the occurrence and impact of unauthorised access, disruption or use of information and/or information systems. The company deploys and operates preventive and detective controls and processes to mitigate emerging and evolving information security and cyber security threats, including monitoring the company's network for known vulnerabilities and signs of unauthorised attempts to access its data and systems. There is increased information risk through diversification of the company's data across external service providers, including use of a variety of cloud-provided or -hosted services and applications. See "Principal Risks and Uncertainties" for further information about information and cyber security risk.

Third-Party Risk. Third-party risk, including vendor risk, is the risk of an adverse impact due to reliance on third parties performing services or activities on the company's behalf. These risks may include legal, regulatory, information security, reputational, operational or any other risks inherent in engaging a third party. The company identifies, manages and reports key third-party risks and conducts due diligence across multiple risk domains, including information security and cyber security, resilience and additional third-party dependencies. GS Group's Third-Party Risk Program monitors, reviews and reassesses third-party risks on an ongoing basis. See "Principal Risks and Uncertainties" for further information about third-party risk.

Business Resilience Risk. Business resilience risk is the risk of disruption to the company's critical processes. The company monitors threats and assesses risks and seeks to ensure its state of readiness in the event of a significant operational disruption to the normal operations of its critical functions or their dependencies, such as, critical facilities, systems, third parties, data and/or personnel. The company approaches BCP through the lens of business and operational resilience. The resilience framework defines the fundamental principles for BCP and crisis management to ensure that critical functions can continue to operate in the event of a disruption. The business continuity programme is comprehensive, consistent across GS Group and up-to-date, incorporating new information, techniques and technologies as and when they become available, and the company's resilience recovery plans incorporate and test specific and measurable recovery time objectives in accordance with local market best practices and regulatory requirements, and under specific scenarios.

Model Risk Management

Overview (Audited)

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.

Model Risk, which is independent of the revenue-producing units, model developers, model owners and model users, and reports to GS Group's chief risk officer, has primary responsibility for assessing, monitoring and managing GS Group's model risk through oversight across GS Group's global businesses, and provides periodic updates to senior management, risk committees and GS Group's Risk Committee of the Board. The company's framework for managing model risk is consistent with, and part of, the GS Group's framework.

GS Group's model risk management framework is managed through a governance structure and risk management controls, which encompass standards designed to ensure it maintains a comprehensive model inventory, including risk assessment and classification, sound model development practices, independent review and model-specific usage controls. GS Group's Firmwide Model Risk Control Committee oversees the model risk management framework.

Model Review and Validation Process

Model Risk consists of quantitative professionals who perform an independent review, validation and approval of the models. This review includes an analysis of the model documentation, independent testing, an assessment of the appropriateness of the methodology used, and verification of compliance with model development and implementation standards.

The company regularly refines and enhances its models to reflect changes in market or economic conditions and its business mix. All models are reviewed on an annual basis, and new models or significant changes to existing models and their assumptions are approved prior to implementation.

The model validation process incorporates a review of models and trade and risk parameters across a broad range of scenarios (including extreme conditions) in order to critically evaluate and verify the model's conceptual soundness, suitability of calculation techniques, accuracy in reflecting the characteristics of the related product and its significant risks, and sensitivity to input parameters and assumptions, as well as the scope of testing performed by the model developers.

See "Liquidity Risk Management", "Market Risk Management", "Credit Risk Management", and "Operational Risk Management" for further information about the company's use of models within these areas.

Section 172(1) Statement

The directors have included the Section 172(1) statement in the directors' report, consistent with corporate governance disclosures.

Date of Authorisation of Issue

The strategic report was authorised for issue by the Board on March 11, 2021.

By order of the Board
D. W. McDonogh
Director
March 24, 2021

Directors' Report

The directors present their report and the audited financial statements for the period ended December 2020.

Introduction

In accordance with section 414A of the Companies Act 2006, the directors have prepared a strategic report, which is included in Part I of this annual report and which contains a review of the company's businesses and a description of the principal risks and uncertainties facing the company. The directors have chosen to disclose the company's risk management objectives and policies, including exposures to market risk, credit risk and liquidity risk, and the future outlook of the company in the strategic report in accordance with section 414C(11) of the Companies Act 2006.

Corporate Governance

The company has a robust corporate governance framework which is embedded in its approach to running its business. This framework aligns with legal and regulatory requirements and guidance issued by various bodies as relevant to the company and as appropriate for its business and shareholding structure. As a wholly-owned subsidiary within GS Group, the company also aligns its corporate governance with that of GS Group. The company's governance arrangements are broadly consistent with the Financial Reporting Council (FRC) Wates Corporate Governance Principles for Large Private Companies, however the company did not formally apply any single corporate governance code during the period ended December 2020.

Role of the Board. The Board has overall responsibility for the management of the company. As part of this role, the Board approves and oversees implementation of the company's strategic objectives, risk strategy and internal governance. The Board monitors the integrity of the company's accounting and financial reporting systems including financial and operational controls and regulatory compliance and has oversight of senior management.

Purpose, Values and Culture. Whilst some of these areas of responsibility are delegated to Board committees, the Board as a whole is responsible for overseeing the company's strategic direction and culture.

The purpose of the GS Group as a whole is to advance sustainable economic growth and financial opportunity across the globe. As a subsidiary within GS Group, the company is aligned to this purpose.

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.

The Board recognises the importance of maintaining and developing the culture of the company, and does so by setting the 'tone from the top' and overseeing how culture and values are fostered by the management of the company. The Board receives regular management updates on culture, conduct and diversity and inclusion.

GS Group maintains a Code of Business Conduct and Ethics, supplemented by 14 Business Principles, and a compendium of internal policies to inform and guide employees in their roles.

Strategy. GS Group's focus is on delivering sustainable, long-term returns for its shareholders through a strategy that revolves around its clients. Its strategy comprises three core objectives:

- Growing and strengthening its existing businesses: deepening its relationships with existing clients, and expanding its capabilities to serve new clients.
- Diversifying its business mix: increasing its fee-based or recurring revenues, including by launching new products and services.
- Achieving greater operating efficiency: across all areas of GS Group, including expenses, funding costs and capital, without compromising the long-standing strength of its control and risk management functions.

The company's strategy, aligned with that of GS Group, is implemented by the executive management of the company with Board oversight. The chief executive officer of the company updates the Board on the company's performance against its strategic objectives at board meetings.

Composition of the Board. The directors collectively possess a broad range of skills, backgrounds, experience and knowledge appropriate for the effective oversight of the company's business. The roles of the chair of the Board and the chief executive officer are held by different individuals.

The Board considers that the size and structure of the Board is appropriate to oversee the businesses conducted by the company. As of December 2020, the Board is comprised of eleven directors, six of whom are independent. The company has Audit, Risk, Nominations and Remuneration Board Committees.

The Board Nominations Committee is responsible for identifying and recommending qualified candidates for Board membership and utilises a Succession Planning Framework which sets out the process and criteria, which include a consideration of board diversity, for the selection of new directors. The use of a skills matrix enables the experience and expertise of the Board both individually and as a whole to be assessed. New directors are provided with a comprehensive and bespoke induction programme. The chair of the Board oversees an ongoing training and development programme for the directors to enhance their knowledge and engagement.

The Board Nominations Committee oversees the effectiveness of the Board, its Committees and their chairs and members, and evaluates this annually. It also reviews the size, structure and composition of the Board, including the balance of independent and non-independent directors.

The approach to directors' conflicts of interest and the anticipated time commitment required is discussed with each director on their joining the Board and reviewed annually as part of the fitness and propriety assessment process. All the directors meet the applicable regulatory requirements for the number of directorships they are permitted to hold.

Responsibilities and Accountability. The company's governance model fully incorporates the Senior Managers and Certification Regime.

The Board is supported by various Board Committees, each with a charter setting out its duties and the responsibilities delegated to it. The Committees are comprised of non-executives only to enable them to provide oversight and challenge to management. The chairs of these board Committees report to the Board on the proceedings and recommendations of the Committees. Certain matters are reserved for decision by the Board alone.

Further details of the GSI Board Risk Committee and GSI Board Audit Committee are set out in the "Overview and Structure of Risk Management — Structure" section of the strategic report.

Opportunity and Risk. The company believes that effective risk management is critical to its success, and so has established an enterprise risk management framework that employs a comprehensive, integrated approach to risk management, and through which the risks associated with the company's businesses are identified, assessed, monitored and managed. The company's risk management structure is built around three core components: governance; processes; and people.

Risk management governance starts with the Board, which both directly and through its committees, including the GSI Board Risk Committee and the GSI Risk Committee, oversee the company's risk management policies and practices implemented through the enterprise risk management framework. The Board is responsible for the annual review and approval of the company's risk appetite statement, which describes the levels and types of risk it is willing to accept, in order to achieve the objectives included in its strategic business plan, while remaining in compliance with regulatory requirements. The company's strategy set out above is aligned with that of GS Group and the Board is ultimately responsible for overseeing and providing direction about the company's strategic business plan and risk appetite.

The chief risk officer reports to the GSI Board Risk Committee. As part of the review of the firmwide risk portfolio, the chief risk officer regularly advises the GSI Board Risk Committee of relevant risk metrics and material exposures, including risk limits and thresholds established in the company' risk appetite statement.

Further details of the GSI Board Risk Committee are set out in the "Overview and Structure of Risk Management — Structure" section of the strategic report.

Remuneration Framework. Attracting and retaining talent is fundamental to GS Group's long-term success as a firm. Compensation, when structured appropriately, is an important way of attracting, retaining and incentivising talent and in reinforcing GS Group's culture. GS Group's remuneration philosophy is reflected in the Goldman Sachs Compensation Principles as posted on the Goldman Sachs public website. In particular, effective remuneration practices should: (i) Encourage a real sense of teamwork and communication, binding individual short-term interests to the institution's long-term interests; (ii) Evaluate performance on a multi-year basis; (iii) Discourage excessive or concentrated risk-taking; (iv) Allow an institution to attract and retain proven talent; and (v) Align aggregate remuneration for GS Group with performance over the cycle.

The company develops remuneration policies and practices in accordance with applicable regulatory rules whilst ensuring that these are aligned so far as possible with the Goldman Sachs Compensation Principles. Employees share in performance-based incentive schemes.

The GSI Board Remuneration Committee oversees the development and implementation of these remuneration policies and practices.

Stakeholder Engagement. The company's stakeholders include its shareholder, employees, suppliers, clients, regulators and the communities and environment in which it operates.

Engagement with Shareholder

The company is a wholly-owned subsidiary of Group Inc. As such its purpose, culture, values and strategies are aligned with those of its ultimate shareholder. The Board receives regular updates on GS Group strategy. Chairs of Board Committees meet regularly with their counterparts on the board of Group Inc. The company's chief executive officer is a member of GS Group's Management Committee and one non-executive director sits on the board of Group Inc.

Engagement with Employees

The company considers its employees as its greatest asset and the Board is responsible for overseeing the company's engagement with them. This includes regular updates from management on various metrics, including on diversity and inclusion.

Senior management engaged with employees in various ways during the period including firmwide or regional 'Town Halls', where questions are solicited in advance and feedback gathered afterwards; Talks at GS with external and internal speakers; periodic employee feedback; email and voicemail communications and manager engagement at a divisional level. Employees are invited to watch quarterly earnings announcements and receive internal briefings so that they are made aware of the financial and economic factors affecting the performance of the company. A sophisticated firmwide intranet further enables employees to be engaged.

The company supports the diversity and inclusion initiatives of GS Group and is committed to sustaining a work environment where its people feel comfortable bringing their authentic selves to work and are empowered to reach their full potential. GS Group has a range of initiatives in place to increase diverse representation at all levels and foster inclusion. Various affinity groups for employees are supported by the company in the U.K. and the company is a signatory to the U.K. Women in Finance Charter and the U.K. Race at Work Charter.

The company initiated BCP strategies on the outbreak of the COVID-19 pandemic to safeguard the well-being of its employees, the continued operation of critical functions and support of its clients. It has invested in supporting its employees working remotely or those continuing to work in the company's COVID-19 secure offices. Senior management make regular announcements to employees on the latest governmental and public health advice on COVID-19 and continue to monitor employee sentiment around the company's management of the pandemic to inform its decisions as to the type of support to make available.

Engagement with Other Stakeholders

Clients – the chief executive officer of the company regularly meets with clients and hosts and participates in client events. The Board as a whole regularly receives updates from management on client engagement.

Suppliers – GS Group has globally consistent standards and procedures for the on-boarding, use and payment of external suppliers (vendors). In partnering with GS Group to deliver on its objectives, suppliers are required to meet business, compliance and financial stability requirements and adhere to GS Group's vendor code of conduct, which describes the expectations GS Group has of its suppliers to conduct business responsibly. Suppliers in industries perceived to be of higher risk in relation to environmental, social and governance (ESG) or modern slavery and human trafficking are subject to enhanced due diligence and monitoring. The company reports its activities on this within its annual Modern Slavery Act statement, which is reviewed and signed off by the Board. GS Group has a long history of working with small and diverse businesses as part of its vendor diversity program and has implemented strategies to promote greater diversity within its supplier base, publicly committing to increasing spend with diverse suppliers by 50% by 2025 (from its 2020 baseline).

Regulators – the company has an active dialogue with its regulators. Senior management and directors meet with regulators on a frequent basis. The FCA and PRA periodically attend board meetings.

Environment – GS Group has a global approach to sustainability through its platform for sustainable finance. GS Group's approach to sustainable finance is focused on two long-term imperatives: accelerating the global climate transition by supporting clients and stakeholders in the transition to a low-carbon economy; and driving inclusive economic growth by leveraging its business capabilities to improve access and affordability across financial products and services, education and healthcare, as well as housing and infrastructure development in underserved communities. GS Group has made a commitment to deploy $750 billion in sustainable financing, investing and advisory activity by 2030, in which the company will play a part.

As part of its ESG framework, GS Group's Corporate and Workplace Solutions division looks to reduce the environmental impact of GS Group's global operations and supply chain, through operational resiliency; ensuring facilities adhere to the highest levels of environmentally sustainable standards; carbon footprint and energy usage reduction initiatives; the sourcing of sustainably produced goods and resource conservation. This approach is applied consistently across all entities in GS Group including the company. GS Group has been carbon neutral across its operations and business travel since 2015, and met its 2020 goal of procuring 100% of electricity from renewable sources.

Communities – the company supports its communities in many ways, with global initiatives coordinated through the Office of Corporate Engagement. These include the 10,000 Small Businesses entrepreneurship programme which helps small business owners create jobs and economic opportunity by providing access to education, capital and business support services, and the 10,000 Women programme which fosters economic growth by providing women entrepreneurs with a business and management education, mentoring and networking, and access to capital. Charitable initiatives include Goldman Sachs Gives, which supports innovative ideas, solving economic and social issues, and enabling progress in underserved communities, and the Community Teamworks volunteering initiative which enables the company's employees to contribute their ideas, time and expertise to drive tangible progress in communities through work in partnership with non-profit organisations.

Internal Control over Financial Reporting. Management of the company is responsible for establishing and maintaining adequate internal control over financial reporting. The company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the company's financial statements for external reporting purposes in accordance with IFRS.

The company's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures are being made only in accordance with authorisations of management and the directors of the company; and provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the company's assets that could have a material effect on the company's financial statements.

Section 172(1) Statement

Under section 172 of the Companies Act 2006, the directors of the company are required to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its stakeholders as a whole. In doing this, section 172 requires a director to have regard, among other matters, to: the likely consequences of any decision in the long term; the interests of the company's employees; the need to foster the company's business relationships with clients, suppliers and others; the impact of the company's operations on the community and the environment; the desirability of the company maintaining a reputation for high standards of business conduct; and the need to act fairly with stakeholders of the company.

The directors give careful consideration to the factors set out above in discharging their duties under section 172 and they inform the directors' decision-making as a board. The company endorses GS Group's Code of Business Conduct and Ethics set out on the Goldman Sachs public website and looks to conduct its business in accordance with the highest ethical standards and in compliance with all applicable laws, rules and regulations.

The directors are committed to effective engagement with all of the company's stakeholders. They recognise that building strong relationships with these stakeholders will help the company deliver its strategy in line with its long-term values, and operate the business in a sustainable way. The Board seeks to understand and balance the relative interests and priorities of each group and to have regard to these, as appropriate, in their discussions and in the decision-making process. As part of this, the Board receives regular updates from the chief executive officer of the company on his interactions with clients and how these are shaping the company's strategy. It also receives feedback from the company's shareholder. A rigorous agenda setting process for Board meetings ensures topics relevant to stakeholders are brought to the Board in a frequent and timely manner.

In addition, the Board may receive training and other information to further develop its understanding of key issues impacting the company's stakeholders. The Board is further supported by the GSI Board Audit Committee, the GSI Board Risk Committee and the GSI Board Remuneration Committee who consider in more detail the systems and controls in place in relation to engagement with stakeholders.

More details about the company's engagement with its stakeholders can be found in "Corporate Governance — Stakeholder Engagement" above.

Carbon, Energy and Business Travel Consumption and Reporting

The company's main sources of Greenhouse Gas (GHG) emissions are the operation of office facilities, dedicated data centres and business travel. GS Group has been carbon neutral across its global operations and business travel since 2015. The offices and data centres utilised by the company in the U.K. source 100% renewable electricity.

GS Group has committed to the following 2025 global targets:

- Reduce energy intensity by 20% from a 2017 baseline for offices under operational control.
- Extend Scope 3 carbon neutrality commitment for business travel to include hotel night stays.
- Ensure that 80% of renewable energy procurement is from long-term, impactful agreements, such as power purchase agreements or on-site generation.
- Establish a green traveller programme for Goldman Sachs employees to minimise the environmental impact of business travel.

GS Group recognises that reducing its energy consumption and operating efficient offices is a critical component of transitioning to a low-carbon economy. GS Group is committed to playing its part in this transition, focusing on reducing its operational impact by consolidating into more efficient real estate and retrofitting existing spaces to higher standards. More information on GS Group's sustainability efforts, including its sustainable finance strategy, energy consumption and carbon emissions can be found in the annual Goldman Sachs Sustainability Report, available at www.goldmansachs.com/s/sustainability-report.

Streamlined Energy and Carbon Reporting (SECR). The tables below present the company's U.K. energy consumption and associated GHG emissions, as well as normalisation metrics for the purposes of SECR. As multiple GS Group subsidiaries occupy the same office space, the U.K. energy consumption and associated Scope 1 and 2 GHG emissions across GS Group have been allocated to the company based on the company's U.K. headcount, less any employees seconded to other GS Group U.K. entities, as a proportion of GS Group's total U.K. headcount.

The table below presents the company's energy consumption.

	Twelve Months Ended December 31	
MWh	**2020**	2019
Total energy consumption	**50,305**	84,199

The table below presents the company's GHG emissions.

	Twelve Months Ended December 31	
tCO_2e	**2020**	2019
Scope 1		
Direct	**1,840**	2,670
Scope 2		
Location - indirect	**9,626**	18,182
Market - indirect	**-**	-
Scope 3 Business travel		
Commercial air	**2,958**	16,849
Ground transportation	**21**	34
Totals		
Scope 1, 2 (location)	**11,466**	20,852
Scope 1, 2 (location) and 3 business travel	**14,445**	37,735
Scope 1, 2 (market) and 3 business travel	**4,819**	19,553

The table below presents the company's normalisation metrics.

	Twelve Months Ended December 31	
tCO_2e/U.K. employee	**2020**	2019
Scope 1, 2 (location)	**3.1**	5.7

GS Group's emissions are calculated in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition). The boundaries of the GHG inventory are defined using the operational control approach and cover the emissions GS Group is responsible for across Scope 1, 2 and material Scope 3 business travel. The emissions are calculated using the emissions factors for the respective year published by the Department for Business, Energy & Industrial Strategy.

GS Group gathers data from its operations on an ongoing basis, with primary evidence sourced from office managers and managed centrally via GS Group's GHG Emissions Reporting Operating Procedure. GS Group ensures the accuracy of its environmental metrics and data collection processes by maintaining a robust internal inventory management plan, continuously enhancing its carbon accounting methodology and obtaining third party verification of its Scope 1, 2 and Scope 3 business travel emissions.

The company's energy consumption and GHG emissions have decreased during the twelve months ended December 2020 in comparison to the twelve months ended December 2019 primarily due to the consolidation of its London operations in new headquarters in 2019. The outbreak of COVID-19 has also meant that the company's office operations and business travel have been restricted, resulting in further reductions in energy consumption and GHG emissions.

Maximising Energy Efficiency

GS Group's strategy to improve energy efficiency is to continuously move into more energy efficient real estate, consolidate spaces and improve technology offerings. This has been the case in London where the company's new BREEAM "Excellent" certified office has achieved a 50% reduction in utility consumption compared to the previous campus.

GS Group has adopted a Global Workplace Standard, reducing floor area per seat by 25% or more, resulting in reduced energy consumption and material use. In 2019, 30% of employees were assigned flexible workspaces, decreasing the floor area per staff and leading to more energy efficient offices whilst increasing the variety and choice of work settings.

GS Group is also deploying new technological solutions, including desktop power management, better desktop video conferencing services to reduce global travel requirements and introducing a suite of work-from-home collaboration tools.

GS Group is also working to maximise the operational efficiency of the building infrastructure and technology systems of its data centres by consolidating facilities, increasing the efficiency of powering and cooling systems and utilising more efficient technology equipment.

Employment of Disabled Persons

Applications for employment by disabled persons are fully and fairly considered with regard to the aptitudes and abilities of each applicant. Efforts are made to enable any employees who become disabled during employment to continue their careers within GS Group. Training, career development and promotion of disabled persons are, to the extent possible, identical to that of other employees who are not disabled.

Charitable Contributions

The company made donations to charity of $57 million for the period ended December 2020 and $28 million for the period ended November 2019. This included donations of $52 million for the period ended December 2020 and $26 million for the period ended November 2019 to Goldman Sachs Gives (UK), a registered charity, for general charitable purposes in England and Wales.

Dividends

The directors declared and paid an interim dividend of $1.00 billion on November 26, 2019.

Exchange Rate

The British pound/U.S. dollar exchange rate was £/$1.3653 as of December 2020, £/$1.2932 as of November 2019 and £/$1.2743 as of December 1, 2018. The average rate for the periods was £/$1.2950 for December 2020 and £/$1.2748 for November 2019.

Disclosure of Information to Auditors

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

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

Independent Auditors

The company has passed a resolution to re-appoint PricewaterhouseCoopers LLP as auditors of the company for the year ended December 31, 2021.

Directors' Report

Statement of Directors' Responsibilities in respect of the financial statements

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare accounts for each financial period. Under that law, the directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the E.U.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those accounts, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable international accounting standards 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. have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's financial statements on the Goldman Sachs website. Legislation in the U.K. governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Directors' Confirmations

The directors confirm to the best of their knowledge:

- The financial statements, prepared in accordance with international accounting standards 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., give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- The strategic report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that the company faces.

Directors

The directors of the company who served throughout the period and to the date of this report, except where noted, were:

Name
J. M. D. Barroso, Chair
S. A. Boyle
C. Cripps
R. J. Gnodde, Chief executive officer
Lord Grabiner QC
S. P. Gyimah (appointed November 5, 2020)
N. Harman
D. W. McDonogh
T. L. Miller OBE
E. E. Stecher
M. O. Winkelman

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

Date of Authorisation of Issue

The financial statements were authorised for issue by the Board on March 11, 2021.

By order of the Board
D. W. McDonogh
Director
March 24, 2021

Independent auditors' report to the members of Goldman Sachs International (unlimited company)

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at December 31, 2020 and of its profit and cash flows for the thirteen month period then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at December 31, 2020; the income statement and statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Board Audit Committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in Note 2 'Basis of Preparation' to the financial statements, the company, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

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

Independence

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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard have not been provided.

Other than those disclosed in Note 7 'Net Operating Expenses' to the financial statements, we have provided no non-audit services to the company in the period under audit.

Our audit approach

Overview

Audit scope. We perform a full scope audit of the financial statements of the company as a whole as a single component. The scope of the audit and the nature, timing and extent of audit procedures were determined by our risk assessment, the financial significance of financial statement line items and qualitative factors (including history of misstatement through fraud or error).

In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Independent auditors' report to the members of Goldman Sachs International (unlimited company)

Key audit matters.

- Valuation of financial assets and liabilities held at fair value. Refer to Note 31 'Fair Value Measurement' in the financial statements.
- Impact of COVID-19 on the financial statements.

Materiality.

- Overall materiality: $258 million (2019: $240 million) based on 0.75% of total Tier 1 capital resources.
- Performance materiality: $194 million (2019: $180 million)

The scope of our audit

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

Capability of the audit in detecting irregularities, including fraud

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the rules of the Financial Conduct Authority ("FCA") and the Prudential Regulatory Authority ("PRA"), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries and management bias through the manipulation of the valuation of financial instruments held at fair value.

Audit procedures performed by the engagement team included:

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

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

Key audit matters

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

The key audit matters below are consistent with the prior period.

Key audit matter	*How our audit addressed the key audit matter*
Valuation of financial assets and liabilities held at fair value ***Refer to Note 31 'Fair Value Measurement' in the financial statements.*** In accordance with the accounting policies set out in Note 4 'Summary of Significant Accounting Policies' to the financial statements, the majority of financial assets and liabilities are recorded in the balance sheet at fair value and changes in fair value are recorded in net revenues. Total financial assets and liabilities at fair value were \$1,083 billion and \$1,059 billion, respectively, as of December 31, 2020. The audit of the valuation of financial assets and liabilities required significant audit resources and is an area of increased estimation uncertainty and therefore represents a key audit matter. The fair values for substantially all of the company's financial assets and liabilities measured at fair value detailed in Note 31 'Fair Value Measurement' are based on observable prices and inputs and are classified in levels 1 and 2 of the fair value hierarchy. The valuations of derivative financial instruments are calculated by financial models using a variety of inputs. Most of the company's derivatives are traded in active markets and external observable inputs are available to support management's valuations. The company also enters into complex and less liquid cash and derivative financial instruments where a limited or no active market exists. In these instances, there is less observable evidence to support the valuations and hence there is greater estimation uncertainty. When one or more valuation inputs are unobservable and significant, the financial instrument is classified as level 3 in the valuation hierarchy. Level 3 financial assets and liabilities measured at fair value were \$6.37 billion and \$13.45 billion, respectively, as of December 31, 2020. We performed a risk assessment of the financial instruments held by the company using our industry experience and knowledge of the company's business. We used this analysis to identify areas of greater judgement and focus our testing. We concluded that the higher assessed risks of material misstatement relate to the valuation of certain credit and equity derivative financial instruments classified as level 3. Within credit derivatives, this included the valuation of a portfolio of financial instruments sensitive to secured funding spreads, the methodology for which involves a number of assumptions in developing the estimate, and within equity derivatives, a portfolio of financial instruments sensitive to correlations which are unobservable.	We understood and evaluated the design and tested the operational effectiveness of key controls over the valuation of financial assets and liabilities. These controls included: • Validation of new and existing models by a specialist team within the risk function, as well as access and change management controls in respect of models in use; • The price verification process performed by the Controller's function using prices and model inputs sourced from third parties; and • Calculation and approval of key valuation adjustments. We noted no significant exceptions in the design or operating effectiveness of these controls, and we determined we could rely on these controls for the purposes of our audit. In addition, we performed the substantive testing described below. We tested the valuation of a sample of cash instruments to third party sources. We utilised internal valuation experts to revalue a sample of derivative and cash financial instruments, including level 3 instruments, using independent models. In relation to a portfolio of credit derivatives in level 3, we utilised our internal valuation experts to evaluate management's methodology for determining secured funding spreads, test the associated valuation inputs to external sources and reperform the valuation of a sample of positions. Additionally, we valued a sample of level 3 equity derivatives and, to the extent available, independently sourced inputs, such as correlation. For samples where we utilised management's inputs to revalue the instruments, we assessed the reasonableness of the inputs used. We evaluated the methodology and underlying assumptions used to determine valuation adjustments. We tested a sample of valuation adjustments as at the period-end. Based on the work performed, we found management's estimates of the fair value of financial assets and liabilities to be supported by the evidence obtained. We performed testing to validate that management had allocated derivative financial instruments to the appropriate level within the fair value hierarchy in line with the established policy, and that the policy classifications were appropriate. We read and assessed the disclosures in Note 31 'Fair Value Measurement' regarding significant unobservable inputs and the fair value hierarchy and found them to be appropriate.

Key audit matter	*How our audit addressed the key audit matter*
Impact of COVID-19 on the financial statements The global pandemic generated significant volatility in global financial markets and caused disruption to normal patterns of business activity around the world. Given the pervasive effect of the pandemic on macroeconomic events and financial markets, as well as the possible disruption to the company's operations and the conduct of our audit, this represents a key audit matter. As described in the Strategic report, the Directors have assessed that the company's systems and infrastructure have been robust throughout the pandemic, and that there has been no significant disruption in maintaining operations. The Directors have considered the impact of the pandemic on the company's ability to continue as a going concern. Based on recent and forecast financial performance and the availability of capital resources and liquidity, the Directors have concluded that there is no material uncertainty and the company will continue as a going concern for at least twelve months from the date of this report.	We critically assessed the impact of COVID-19 on the planning and execution of our audit. In particular: • We assessed the impact of the disruption caused by COVID-19 on the risks of material misstatement. This included a consideration of the impact of higher trade volumes and the markets in which the company operates. We reviewed operational risk reports, internal audit reports and discussed the impact of the pandemic with senior management in all three lines of defence We concluded that no significant changes to our risk assessment were required; • We evaluated the controls relevant to our audit by undertaking walkthroughs of key processes and tested the operating effectiveness of relevant controls that we planned to rely on. We considered the impact of remote working on the effectiveness of controls such as reconciliations; • We considered the impact on estimates included in the financial statements, in particular in relation to the valuation of financial instruments. We did not identify any material impacts on the estimates as at December 31, 2020 (see also above key audit matter); and • We adapted our own working practices to remote working and ensured we gathered appropriate audit evidence. We reviewed management's going concern assessment. We also reviewed the Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process submissions to the PRA and evaluated the impact of COVID-19 on the company's financial performance, business operations and regulatory capital and liquidity ratios. We tested the total capital resources as at December 31, 2020. As a result of these procedures, we concluded that the impact of COVID-19 as it relates to the going concern assumption has been appropriately evaluated for the purposes of the preparation of the financial statements. Based on the work performed, we are satisfied that our audit addressed the impact of the disruption caused by COVID-19. We have also concluded that the impact of COVID-19 has been appropriately evaluated and reflected in the preparation of these financial statements.

Independent auditors' report to the members of Goldman Sachs International (unlimited company)

How we tailored the audit scope

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

The company provides a variety of financial services to clients worldwide. The company also operates a number of branches and representative offices across Europe, the Middle East and Africa to provide financial services to clients in those regions. We consider the company and its branches to represent a single audit component.

Traders based in overseas group locations enter into transactions on behalf of the company. In these circumstances, certain internal controls relevant to financial reporting operate in those locations. In addition, there are a number of centralised functions operated by the ultimate parent company, The Goldman Sachs Group, Inc., in the U.S. or in group shared service centres in other locations that are relevant to the audit of the company. We determined the scope of the work required in each of these locations and issued instructions to PwC network firms. We interacted regularly with the firms responsible for the work throughout the course of the audit. This included reviewing key working papers and discussing and challenging the results of work in higher risk areas of the audit. We concluded that the procedures performed on our behalf were sufficient for the purposes of issuing our opinion.

Materiality

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

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

Overall materiality	$258 million (2019: $240 million).
How we determined it	0.75% of total Tier 1 capital resources (2019: 0.75% of Tier 1 capital resources)
Rationale for benchmark applied	The immediate and ultimate parent companies, management, certain creditors (e.g. note holders) and the company's regulators are the primary users of the financial statements. The level of Tier 1 capital resources is a key area of focus for these users.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to $194 million for the company financial statements.

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

We agreed with the Board Audit Committee that we would report to them misstatements identified during our audit above $12.9 million (2019: $12 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

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

Independent auditors' report to the members of Goldman Sachs International (unlimited company)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended December 31, 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the directors on September 22, 1988 to audit the financial statements for the year ended November 24, 1989 and subsequent financial periods. The period of total uninterrupted engagement is 32 years, covering the years ended November 24, 1989 to December 31, 2020.

J Holloway

Jonathan Holloway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
March 24, 2021

Income Statement

		Period Ended	
		December	November
$ in millions	**Note**	**2020**	2019
Gains or losses from financial instruments at fair value through profit or loss		**$ 7,729**	$ 5,786
Fees and commissions		**3,191**	2,506
Other income		**76**	-
Non-interest income		**10,996**	8,292
Interest income from financial instruments measured at fair value through profit or loss		**2,657**	4,965
Interest income from financial instruments measured at amortised cost		**1,539**	2,694
Interest expense from financial instruments measured at fair value through profit or loss		**(3,053)**	(4,310)
Interest expense from financial instruments measured at amortised cost		**(2,128)**	(3,782)
Net interest expense		**(985)**	(433)
Net revenues	6	**10,011**	7,859
Net operating expenses	7	**(6,487)**	(5,425)
Profit before taxation		**3,524**	2,434
Income tax expense	10	**(769)**	(426)
Profit for the financial period		**$ 2,755**	$ 2,008

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

Statement of Comprehensive Income

		Period Ended	
		December	November
$ in millions	**Note**	**2020**	2019
Profit for the financial period		**$2,755**	$2,008
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Actuarial loss relating to the pension scheme	16	**(76)**	(159)
Debt valuation adjustment	21	**(183)**	(201)
U.K. deferred tax attributable to the components of other comprehensive income	17	**62**	90
U.K. current tax attributable to the components of other comprehensive income		**11**	1
Other comprehensive loss for the financial period, net of tax		**(186)**	(269)
Total comprehensive income for the financial period		**$2,569**	$1,739

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

Balance Sheet

		As of		
$ in millions	**Note**	**December 2020**	November 2019	December 1 2018
Assets				
Cash and cash equivalents	26	**$ 43,833**	$ 22,397	$ 24,396
Collateralised agreements	11	**140,682**	156,348	203,334
Customer and other receivables	12	**90,380**	71,807	62,633
Trading assets (includes $27,295, $35,307 and $20,511 pledged as collateral)	13	**982,919**	785,365	592,781
Investments (includes $62, $28 and $39 pledged as collateral)	14	**888**	1,492	1,318
Loans		**567**	1,550	820
Other assets	15	**8,589**	2,617	2,291
Total assets		**$1,267,858**	$1,041,576	$887,573
Liabilities				
Collateralised financings	19	**$ 113,127**	$ 115,936	$140,110
Customer and other payables	20	**100,519**	84,968	76,150
Trading liabilities	13	**932,414**	714,640	545,987
Unsecured borrowings	21	**80,351**	88,669	88,140
Other liabilities	22	**4,869**	3,109	3,269
Total liabilities		**1,231,280**	1,007,322	853,656
Shareholder's equity				
Share capital	23	**598**	590	582
Share premium account		**5,568**	5,196	4,864
Other equity instruments	25	**8,300**	8,300	8,300
Retained earnings		**22,437**	20,336	20,070
Accumulated other comprehensive income		**(325)**	(168)	101
Total shareholder's equity		**36,578**	34,254	33,917
Total liabilities and shareholder's equity		**$1,267,858**	$1,041,576	$887,573

The financial statements were approved by the Board on March 11, 2021 and signed on its behalf by:

D. W. McDonogh
Director
March 24, 2021

The accompanying notes are an integral part of these financial statements.
Company number: 02263951

Statement of Changes in Equity

		Period Ended	
$ in millions	Note	December 2020	November 2019
Share capital			
Beginning balance		$ 590	$ 582
Shares issued	23	8	8
Ending balance		598	590
Share premium account			
Beginning balance		5,196	4,864
Shares issued	23	372	332
Ending balance		5,568	5,196
Other equity instruments			
Beginning balance		8,300	8,300
Ending balance		8,300	8,300
Retained earnings			
Beginning balance		20,336	20,070
Profit for the financial period		2,755	2,008
Transfer of realised debt valuation adjustment into retained earnings, net of tax	21	(29)	-
Non-cash capital contribution	22	126	-
Interim dividends paid	24	-	(1,000)
Interest on Additional Tier 1 notes	25	(751)	(742)
Share-based payments		459	452
Management recharge related to share-based payments		(459)	(452)
Ending balance		22,437	20,336
Accumulated other comprehensive income			
Beginning balance		(168)	101
Other comprehensive loss		(186)	(269)
Transfer of realised debt valuation adjustment into retained earnings, net of tax	21	29	-
Ending balance		(325)	(168)
Total shareholder's equity		$36,578	$34,254

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

Statement of Cash Flows

		Period Ended	
$ in millions	**Note**	**December 2020**	November 2019
Cash flows from operating activities			
Cash generated from operations	26	**$16,938**	$ (2,498)
Taxation received		**7**	3
Taxation paid		**(492)**	(151)
Net cash from/(used in) operating activities		**16,453**	(2,646)
Cash flows from investing activities			
Proceeds from sales of intangible assets		**7**	-
Capital expenditure for property, leasehold improvements and equipment and intangible assets		**(272)**	(220)
Purchase of investments		**(223)**	(596)
Proceeds from sales of investments		**910**	395
Net cash from/(used in) investing activities		**422**	(421)
Cash flows from financing activities			
Increase in MREL-eligible intercompany loans	26	**3,400**	3,367
Interest paid on Additional Tier 1 notes	26	**(751)**	(742)
Interest paid on subordinated loans and MREL-eligible intercompany loans	26	**(1,300)**	(325)
Receipts from issuing share capital	23	**380**	340
Interim dividends paid	24	**-**	(1,000)
Payments for lease liabilities	15	**(57)**	(125)
Net cash from financing activities		**1,672**	1,515
Net increase/(decrease) in cash and cash equivalents, net of overdrafts		**18,547**	(1,552)
Cash and cash equivalents, net of overdrafts, beginning balance	26	**22,359**	24,243
Foreign exchange gains/(losses) on cash and cash equivalents, net of overdrafts		**2,812**	(332)
Cash and cash equivalents, net of overdrafts, ending balance	26	**$43,718**	$22,359

See Notes 22 and 25 for information about non-cash activities.

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

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.

Basel III Pillar 3 Disclosures

The company is included in the consolidated Pillar 3 disclosures of GSG UK, as required by the U.K. capital framework. GSG UK's December 2020 Pillar 3 disclosures will be made available in conjunction with the publication of its consolidated financial information at www.goldmansachs.com/disclosures.

Country-by-Country Reporting

The company is included in the consolidated country-by-country reporting disclosures of GSG UK, as required by the Capital Requirements (Country-by-Country Reporting) Regulations 2013. GSG UK's December 2020 Country-by-Country Reporting will be made available by December 31, 2021 at www.goldmansachs.com/disclosures.

Note 2.

Basis of Preparation

Statement of Compliance

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the E.U. In the prior period, the company prepared financial statements under U.K. GAAP, in accordance with FRS 101 'Reduced Disclosure Framework' (FRS 101). As such, the company has prepared IFRS transition disclosures required by IFRS 1 'First-time adoption of International Financial Reporting Standards'. The impact on the company's financial statements as a result of adopting IFRS is described in Note 3.

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

Consolidation

The company has elected not to prepare consolidated financial statements as permitted by section 402 of the Companies Act 2006 as its subsidiaries are not material for the purpose of giving a true and fair view. These financial statements are individual financial statements.

Accounting Reference Date

During the period ended December 2020, the company changed its accounting reference date from November 30 to December 31 to conform to the period used by the company for U.S. tax reporting purposes. As such, these financial statements have been prepared for the thirteen months ended December 31, 2020, with comparative information being presented for the twelve months ended November 30, 2019. As a result, amounts presented in this annual report are not directly comparable.

Note 3.

First Time Adoption of IFRS

Reconciliation of Equity

On adoption of IFRS, the company has changed the format of its balance sheet from one that was based on Schedule 1 of the Statutory Instruments 2008/410 to one that is based on order of liquidity as permitted by IAS 1 'Presentation of Financial Statements'. In order to aid comparability between the two formats, the company's balance sheets under U.K. GAAP as of November 2019 and December 1, 2018 have been presented below in order of liquidity and financial statement lines spanning amounts due within one year and amounts falling due after more than one year have been combined.

The tables below provide a reconciliation of the company's balance sheets between U.K. GAAP and IFRS. See "Reconciliation Notes" below for an explanation of each adjustment. To the extent these adjustments impact the disclosures in this Annual Report, comparatives have been updated.

$ in millions		As of November 2019			
Previous presentation	Note	U.K. GAAP	Adjustments	IFRS	Current presentation
Assets					**Assets**
Cash at bank and in hand		$ 22,397	$ –	$ 22,397	Cash and cash equivalents
Collateralised agreements		156,348	–	156,348	Collateralised agreements
Debtors	A	73,693	(1,886)	71,807	Customer and other receivables
Financial instruments owned	B	788,407	(3,042)	785,365	Trading assets
Fixed assets	A	409	(409)	–	
Pension surplus	A	264	(264)	–	
	B	–	1,492	1,492	Investments
	B	–	1,550	1,550	Loans
	A,C	–	2,617	2,617	Other assets
Total assets		**$1,041,518**	**$ 58**	**$1,041,576**	**Total assets**
Liabilities					**Liabilities**
Collateralised financings	F	$ 130,087	$(14,151)	$ 115,936	Collateralised financings
Other creditors	D,E,F	162,542	(77,574)	84,968	Customer and other payables
Financial instruments sold, but not yet purchased		714,640	–	714,640	Trading liabilities
Provisions for liabilities	E	1	(1)	–	
	D	–	88,669	88,669	Unsecured borrowings
	C,E	–	3,109	3,109	Other liabilities
Total liabilities		**1,007,270**	**52**	**1,007,322**	**Total liabilities**
Capital and reserves					**Shareholder's equity**
Called up share capital		590	–	590	Share capital
Share premium account		5,196	–	5,196	Share premium account
Other equity instruments		8,300	–	8,300	Other equity instruments
Profit and loss account	C	20,330	6	20,336	Retained earnings
Accumulated other comprehensive income		(168)	–	(168)	Accumulated other comprehensive income
Total shareholder's funds		**34,248**	**6**	**34,254**	Total shareholder's equity
Total liabilities and shareholder's funds		**$1,041,518**	**$ 58**	**$1,041,576**	**Total liabilities and shareholder's equity**

$ in millions		As of December 1, 2018			
Previous presentation	Note	U.K. GAAP	Adjustments	IFRS	Current presentation
Assets					**Assets**
Cash at bank and in hand		$ 24,396	$ –	$ 24,396	Cash and cash equivalents
Collateralised agreements		203,334	–	203,334	Collateralised agreements
Debtors	A,F	64,793	(2,160)	62,633	Customer and other receivables
Financial instruments owned	B,F	594,129	(1,348)	592,781	Trading assets
Fixed assets	A	315	(315)	–	
Pension surplus	A	406	(406)	–	
	B	–	1,318	1,318	Investments
	B	–	820	820	Loans
	A,C	–	2,291	2,291	Other assets
Total assets		**$887,373**	**$ 200**	**$887,573**	**Total assets**
Liabilities					**Liabilities**
Collateralised financings	F	$152,145	$(12,035)	$140,110	Collateralised financings
Other creditors	D,E,F	155,246	(79,096)	76,150	Customer and other payables
Financial instruments sold, but not yet purchased		545,987	–	545,987	Trading liabilities
Provisions for liabilities	E	78	(78)	–	
	D,F	–	88,140	88,140	Unsecured borrowings
	C,E	–	3,269	3,269	Other liabilities
Total liabilities		**853,456**	**200**	**853,656**	**Total liabilities**
Capital and reserves					**Shareholder's equity**
Called up share capital		582	–	582	Share capital
Share premium account		4,864	–	4,864	Share premium account
Other equity instruments		8,300	–	8,300	Other equity instruments
Profit and loss account	C	20,070	–	20,070	Retained earnings
Accumulated other comprehensive income		101	–	101	Accumulated other comprehensive income
Total shareholder's funds		**33,917**	**-**	**33,917**	Total shareholder's equity
Total liabilities and shareholder's funds		**$887,373**	**$ 200**	**$887,573**	**Total liabilities and shareholder's equity**

Reconciliation Notes

A. Other Assets. The company has reclassified certain miscellaneous receivables from GS Group affiliates, deferred tax assets and other assets from debtors to other assets. The impact of this change is:

- As of November 2019, the company has reclassified $1.89 billion of miscellaneous receivables, deferred tax assets and other assets from debtors to other assets. In addition, the company has reclassified $409 million of fixed assets and its pension surplus of $264 million to other assets.
- As of December 1, 2018, the company has reclassified $1.37 billion of miscellaneous receivables, deferred tax assets and other assets from debtors to other assets. In addition, the company has reclassified $315 million of fixed assets and its pension surplus of $406 million to other assets.

The remaining debtors, following the reclassification of prepaid commodity balances as of December 1, 2018 have been renamed as customer and other receivables.

B. Investing Activity. The company has reclassified the following balances held in connection with its long-term investing activities:

- As of November 2019, $1.10 billion of corporate debt instruments, $17 million of government and agency obligations, $1 million of mortgage and other asset-backed loans and securities and $373 million of equity securities have been reclassified from financial instruments owned to investments. In addition, the company reclassified $1.55 billion of corporate loans classified in corporate debt instruments from financial instruments owned to loans.
- As of December 1, 2018, $932 million of corporate debt instruments, $17 million of government and agency obligations, $1 million of mortgage and other asset-backed loans and securities and $368 million of equity securities have been reclassified from financial instruments owned to investments. In addition, the company reclassified $820 million of corporate loans classified in corporate debt instruments from financial instruments owned to loans.

The remaining financial instruments owned have been renamed as trading assets.

C. Leases. The company has retrospectively adopted IFRS 16 'Leases' (IFRS 16) as of December 1, 2018. The impact of this change is:

- As of November 2019, other assets increased by $58 million and other liabilities increased by $52 million. The company's net equity changed by $6 million.
- As of December 1, 2018 both other assets and other liabilities increased by $200 million, with no change to net equity.

D. Unsecured Borrowings. The company has reclassified unsecured borrowings and accrued interest on unsecured borrowings from other creditors to unsecured borrowings. The impact of this change is:

- As of November 2019, the company has reclassified $87.45 billion of unsecured borrowings and $1.22 billion of accrued interest on unsecured borrowings from other creditors to unsecured borrowings.
- As of December 1, 2018, the company has reclassified $86.69 billion of unsecured borrowings and $730 million of accrued interest on unsecured borrowings from other creditors to unsecured borrowings.

E. Other Liabilities. The company has reclassified miscellaneous payables to GS Group affiliates, share-based compensation, corporation tax payables, other taxes and social security costs and other creditors and accruals from other creditors to other liabilities. In addition, the company has reclassified provisions for liabilities to other liabilities. The impact of this change is:

- As of November 2019, the company has reclassified $3.06 billion of miscellaneous payables to GS Group affiliates, share-based compensation, corporation tax payables, other taxes and social security costs and other creditors and accruals from other creditors to other liabilities. In addition, the company has reclassified $1 million of provisions for liabilities to other liabilities.
- As of December 1, 2018, the company has reclassified $2.99 billion of miscellaneous payables to GS Group affiliates, share-based compensation, corporation tax payables, other taxes and social security costs and other creditors and accruals from other creditors to other liabilities. In addition, the company has reclassified $78 million of provisions for liabilities to other liabilities.

The remaining other creditors, following the reclassification of unsecured borrowings, accrued interest on unsecured borrowings and prepaid commodity balances as of December 1, 2018 have been renamed as customer and other payables.

F. Other.

- The company has reclassified secured client payables of $14.15 billion as of November 2019 and $12.04 billion as of December 1, 2018 from collateralised financings to customer and other payables.
- The company has reclassified $790 million of prepaid commodity assets from debtors to trading assets and $790 million of prepaid commodity liabilities from other creditors to unsecured borrowings as of December 1, 2018.

Reconciliation of Total Comprehensive Income

The tables below provide a reconciliation of the company's total comprehensive income between U.K. GAAP and IFRS. See "Reconciliation Notes" below for an explanation of each adjustment. To the extent these adjustments impact disclosures in this Annual Report, comparatives have been updated. In addition, certain other adjustments not related to the first time adoption of IFRS are described in Note 6.

$ in millions		Period Ended November 2019			
Previous presentation	Note	U.K. GAAP	Adjustments	IFRS	Current presentation
Net revenues	A,B,C	$ 8,096	$(237)	$ 7,859	Net revenues
Administrative expenses	C	(5,440)	15	(5,425)	Net operating expenses
Interest payable and similar expenses	A	(243)	243	-	
Net finance income	B	13	(13)	-	
Profit before taxation		**2,426**	**8**	**2,434**	**Profit before taxation**
Tax on profit	C,D	(624)	198	(426)	Income tax expense
Profit for the financial period		**$ 1,802**	**$ 206**	**$ 2,008**	**Profit for the financial period**
Other comprehensive income					**Other comprehensive income**
Items that will not be reclassified subsequently to profit or loss					**Items that will not be reclassified subsequently to profit or loss**
Actuarial loss relating to the pension scheme		$ (159)	$ -	$ (159)	Actuarial loss relating to the pension scheme
Debt valuation adjustment		(201)	-	(201)	Debt valuation adjustment
U.K. deferred tax attributable to the components of other comprehensive income		90	-	90	U.K. deferred tax attributable to the components of other comprehensive income
U.K. current tax attributable to the components of other comprehensive income		1	-	1	U.K. current tax attributable to the components of other comprehensive income
Other comprehensive loss for the financial period, net of tax		**$ (269)**	**$ -**	**$ (269)**	**Other comprehensive loss for the financial period, net of tax**
Total comprehensive income for the financial period		**$ 1,533**	**$ 206**	**$ 1,739**	**Total comprehensive income for the financial period**

Reconciliation Notes

A. Interest on Subordinated Loans. The company has reclassified interest on its subordinated loans of $243 million for the period ended November 2019 from interest payable and similar expenses to net revenues.

B. Interest on Pension Surplus. The company has reclassified interest income on its pension surplus of $13 million for the period ended November 2019 from net finance income to net revenues.

C. Leases. The company has adopted IFRS 16 as of December 1, 2018, resulting in net revenues decreasing by $7 million, net operating expenses decreasing by $15 million (depreciation and amortisation increasing by $133 million and occupancy decreasing by $148 million) and income tax expense increasing by $2 million for the period ended November 2019.

D. Tax on Dividends. The company has adopted the amendment to IAS 12 'Income Taxes' which clarified the requirements to recognise the income tax consequences of dividends where the transactions or events that generated the distributable profits were recognised on a retrospective basis in accordance with IFRS 1, resulting in income tax of $200 million on interest paid on the company's AT1 notes for the period ended November 2019 being reclassified from retained earnings to the income statement.

Reconciliation of Cash Flows

The adoption of IFRS resulted in no change to the company's cash and cash equivalents, net of overdrafts as of November 2019 and December 1, 2018. The company's statement of cash flows for the period ended November 2019 includes the following changes:

- **Financing Activity.** The company has revised its definition of financing activity to now include all MREL-eligible debt. This includes the company's AT1 notes, subordinated loans and MREL-eligible intercompany loans. Previously, MREL-eligible intercompany loans were classified as operating activity. The impact of this change was a reduction in net cash used in operating activities of $3.33 billion, with a corresponding increase in net cash from financing activities.
- **Leases.** On adoption of IFRS 16, the company has reclassified cash flows related to leases from operating activity to financing activity. The impact of this change was a reduction in net cash from financing activities of $125 million, with a corresponding increase in net cash used in operating activities.
- **Investing Activity.** The company has reclassified its cash flows related to investments from operating activity to investing activities. The impact of this change was a reduction in net cash used in operating activities of $198 million, with a corresponding increase in net cash used in investing activities.

Note 4.

Summary of Significant Accounting Policies

Accounting Policies

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

Financial Assets and Liabilities Measured at Fair Value Through Profit or Loss

Financial assets and liabilities measured at fair value through profit or loss are recognised at fair value with realised and unrealised gains and losses, as well as associated interest and dividend income and expenses included in net revenues, with the exception of changes in the fair value of financial liabilities designated at fair value through profit or loss attributable to own credit spreads (debt valuation adjustment or DVA), which is recognised in other comprehensive income, unless this would create or enlarge an accounting mismatch in profit or loss. 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).

Unrealised gains and losses related to the change in fair value of financial assets and liabilities measured at fair value through profit or loss are recognised from trade date in net revenues or other comprehensive income in the case of DVA.

Contractual interest is included in interest income and expense for all instruments other than hybrid financial instruments at fair value through profit or loss, for which contractual interest is included in gains and losses from financial instruments measured at fair value through profit or loss.

Revenue from Contracts with Clients

Revenues earned from contracts with clients for services, such as investment banking, investment management, and execution and clearing (contracts with clients) are recognised when the performance obligations related to the underlying transaction are completed.

If the company is principal to the transaction, the company recognises revenue on contracts with clients, gross of expenses incurred to satisfy some or all of its performance obligations. The company is principal to the transaction if it has the primary obligation to provide the service to the client. The company satisfies the performance obligation by itself, or by engaging other GS Group affiliates to satisfy some or all of its performance obligations on its behalf. Such revenue is recognised in net revenues and expenses incurred are recognised in net operating expenses.

Net revenues are recognised as follows:

- **Investment Banking**
  Fees from financial advisory and underwriting engagements are recognised in profit and loss when the services related to the underlying transactions are completed under the terms of the engagement.

- **Investment Management**
  Management fees are recognised on an accrual basis and are generally calculated as a percentage of a fund or a separately managed account's average net asset value. All management fees are recognised over the period that the related service is provided.

  Incentive fees are calculated as a percentage of a fund's return or a percentage of a fund's excess return above a specified benchmark or other performance target.

- **Commissions and Fees**
  Revenue from commissions and fees from executing and clearing client transactions on stock, options and futures markets, as well as OTC transactions is recognised in net revenues on the day the trade is executed.

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

Short-Term Employee Benefits. Short-term employee benefits, such as wages and salaries, are measured on an undiscounted basis and accrued as an expense over the period in which the employee renders the service to the company. Provision is made for discretionary year-end compensation whether to be paid in cash or share-based awards where, as a result of company policy and past practice, a constructive obligation exists at the balance sheet date.

Share-Based Payments. Group Inc. issues awards in the form of restricted stock units (RSUs) and stock options to the company's employees in exchange for employee services. Awards are classified as equity settled and hence the cost of share-based transactions with employees is measured based on the grant-date fair value of the award. Share-based awards that do not require future service (i.e., vested awards, including awards granted to retirement eligible employees) are expensed immediately. Share-based awards that require future service are amortised over the relevant service period. Expected forfeitures are included in determining share-based employee compensation expense.

Group Inc. generally issues new shares of common stock upon delivery of share-based awards. Cash dividend equivalents, unless prohibited by regulation, are generally paid on outstanding RSUs. The company has also entered into a chargeback agreement with Group Inc. under which it is committed to pay to Group Inc. (a) the grant-date fair value of those awards and (b) subsequent movements in the fair value of those awards between the grant date and delivery to employees. As a result, the share-based payment transaction and chargeback agreement, in aggregate, gives rise to a total charge to the income statement based on the grant-date fair value of the awards adjusted for subsequent movements in the fair value of those awards prior to delivery.

Current and Deferred Taxation. Current tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income.

Deferred tax is recognised in respect of all temporary differences that have originated, but not reversed at the balance sheet date, where transactions or events have occurred at that date that will result in an obligation to pay more tax or a right to pay less tax in the future with the following exceptions:

- Deferred tax assets are recognised only to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.
- Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Current tax and deferred tax is generally recognised in the income statement or directly in other comprehensive income according to where the associated gain or loss was recognised. The income tax on interest on AT1 notes is recognised in the income statement.

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

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

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

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

Financial Assets and Liabilities.

Recognition and Derecognition

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

Cash instruments purchased or sold in regular way transactions are recognised and derecognised using settlement date accounting.

Classification and Measurement: Financial Assets

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

- **Financial assets measured at amortised cost.** Financial assets that are held for the collection of contractual cash flows and have cash flows that represent solely payments of principal and interest are measured at amortised cost. The company considers whether the cash flows represent basic lending arrangements, and where contractual terms introduce exposure to risk or volatility inconsistent with a basic lending arrangement, the financial asset is mandatorily measured at fair value through profit or loss (see below). Financial assets measured at amortised cost are initially measured at fair value plus transaction costs and subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period to the net carrying value of the financial asset. When calculating the effective interest rate, the company estimates cash flows considering all contractual terms of the financial asset but does not consider future credit losses. Finance revenue is recorded in net revenues. Financial assets measured at amortised cost include:
  - Cash and cash equivalents;
  - Certain collateralised agreements, which consists of certain resale agreements and substantially all securities borrowed;
  - Customer and other receivables; and
  - Certain other assets, which consists of certain intercompany loans and substantially all miscellaneous receivables and other.
- **Financial assets mandatorily measured at fair value through profit or loss.** Financial assets that are not held for the collection of contractual cash flows and/or do not have cash flows that represent solely payments of principal and interest are mandatorily measured at fair value through profit or loss. Financial assets mandatorily measured at fair value are initially measured at fair value with transaction costs expensed in the income statement. Such financial assets are subsequently measured at fair value with gains or losses recognised in net revenues. Financial assets mandatorily measured at fair value include:
  - Certain collateralised agreements, which consists of substantially all resale agreements and certain securities borrowed;
  - Trading assets, which consists of trading cash instruments and derivative instruments;
  - Investments;
  - Loans; and
  - Certain other assets, which consists of certain intercompany loans.

Classification and Measurement: Financial Liabilities

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

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

  Financial liabilities designated at fair value through profit or loss include:
  - Substantially all repurchase agreements;
  - Securities loaned within FICC;
  - Secured debt securities issued, intercompany loans and other borrowings, which consists of hybrid financial instruments and transfers of assets accounted for as financings rather than sales; and
  - Certain unsecured borrowings, which consists of certain debt securities issued, certain other borrowings, certain intercompany loans and prepaid commodity contracts.

Hybrid financial instruments are instruments that contain bifurcatable embedded derivatives. If the company elects to bifurcate the embedded derivative from the associated debt, the derivative is accounted for at fair value and the host contract is accounted for at amortised cost, adjusted for the effective portion of any fair value hedges. If the company does not elect to bifurcate, the entire hybrid financial instrument is designated at fair value through profit or loss.

- **Financial liabilities measured at amortised cost.** Financial liabilities measured at amortised cost are initially measured at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method. See "Financial assets measured at amortised cost" above for further information on the effective interest method. Finance costs, including discounts allowed on issue, are recorded in net interest income and interest expense. Financial liabilities measured at amortised cost include:
  - Certain repurchase agreements and substantially all securities loaned;
  - Customer and other payables;
  - Certain unsecured borrowings that have not been designated at fair value through profit or loss; and
  - Other liabilities, which primarily consists of compensation and benefits and accrued expenses and other.

Impairment

The company assesses the expected credit losses associated with financial assets measured at amortised cost on a forward-looking basis in accordance with the provisions of IFRS 9 'Financial Instruments' (IFRS 9). The measurement of expected credit losses reflects an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. Expected credit losses are recorded in net revenues.

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

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

Determination of the relevant staging for each financial asset is dependent on the definition of 'significant increase in credit risk' (stage 1 to stage 2) and the definition of 'credit-impaired' (stage 3). The company considers a financial asset to have experienced a significant increase in credit risk when certain quantitative or qualitative conditions are met. Quantitative thresholds include absolute probability of default thresholds on investment-grade financial assets and relative probability of default thresholds on non-investment grade financial assets. Qualitative review is also performed as part of the company's credit risk management process, including a back-stop consideration of 30 days past due. The company considers a financial asset to be credit-impaired when it meets Credit Risk's definition of default, which is either when the company considers that the obligor is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if held), or the obligor has defaulted on a payment and/or is past due more than 90 days.

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

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

Forward-looking information, such as key economic variables impacting credit risk and expected credit losses, is incorporated into both the assessment of staging and the calculation of ECL. The company writes off financial assets, in whole or in part, when it has concluded that there is no reasonable expectation of recovery. When a financial asset is deemed to be uncollectable, the company concludes this to be an indicator that there is no reasonable expectation of recovery. The company still seeks to recover amounts it is legally owed in full, but which have been wholly or partially written off due to no reasonable expectation of full recovery.

Classification of Financial Liabilities and Equity

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

Offsetting Financial Assets and Liabilities

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

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

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

Fair Value Measurement

See Note 31 for details about the fair value measurement of the company's financial assets and liabilities.

Fair Value Hedges

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

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

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

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

Collateralised Agreements and Collateralised Financings. Collateralised agreements include resale agreements and securities borrowed. Collateralised financings include repurchase agreements, securities loaned, secured debt securities issued, intercompany loans and other borrowings. See "Classification and Measurement: Financial Assets" and "Classification and Measurement: Financial Liabilities" above for details on the classification and measurement of these instruments. Collateral received or posted can be in the form of cash or securities. Cash collateral is recognised/derecognised when received/paid. Collateral posted by the company in the form of securities is not derecognised from the balance sheet, whilst collateral received in the form of securities is not recognised in the balance sheet. If collateral received is subsequently sold, the obligation to return the collateral and the cash received are recognised in balance sheet.

Pension Arrangements. The company is a sponsor of a defined contribution pension plan, and a hybrid pension plan for the benefit of certain employees. The hybrid pension plan has both a defined benefit section (the Plan) and a defined contribution section. These are accounted for as follows:

- For the defined contribution pension plan and the defined contribution section of the hybrid pension plan, the contributions payable for the period are charged to net operating expenses. Differences between contributions payable for the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.
- For the Plan, the amounts charged to net operating expenses are any past service costs, administration costs and any gains or losses on settlements and curtailments. These amounts are included in compensation and benefits. The net interest is included in net interest income/(expense). Actuarial gains and losses are recognised immediately in other comprehensive income. Plan assets are measured at fair value and Plan liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the Plan liabilities. Full actuarial valuations are obtained at least triennially and updated at each balance sheet date. Any surplus or deficit of Plan assets over Plan liabilities is recognised in the balance sheet as an asset (surplus) or liability (deficit).

Property, Leasehold Improvements and Equipment. Property, leasehold improvements and equipment are stated at cost less accumulated depreciation and provision for impairment. Fixtures, fittings and equipment are depreciated on a straight-line basis over their estimated useful lives, which is between 3 to 7 years. Leasehold improvements are depreciated over the shorter of the useful economic life of the asset or the remaining life of the lease when the asset is brought into use. Depreciation is included in net operating expenses. Depreciation policies are reviewed on an annual basis.

Intangible Assets. Intangible assets are stated at cost less accumulated amortisation and provision for impairment. Subject to the recognition criteria in IAS 38 'Intangible Assets' being met, costs incurred during the period that are directly attributable to the development or improvement of new business application software are capitalised as assets in the course of construction. Assets in the course of construction are transferred to computer software once completed and ready for their intended use.

Computer software is amortised on a straight-line basis over its estimated useful life, which is three years. No amortisation is charged on assets in the course of construction. Amortisation is included in net operating expenses and the amortisation policies are reviewed on an annual basis.

Intangible assets are tested for impairment whenever events or changes in circumstances suggest that an asset's or asset group's carrying value may not be fully recoverable.

Leases. Leases are recognised as a right-of-use asset and a corresponding liability at the date of commencement of the lease.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate (IBR) as of the lease commencement date or adoption of IFRS 16, whichever is later, as the interest rate implicit in the lease cannot be readily determined. The weighted average discount rate applied to the lease liabilities on adoption of IFRS 16 was 3.5%.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed and variable payments (including those under reasonably certain extension options), less any lease incentives receivable, and payment of penalties for terminating any lease. The lease payments are discounted using the lessee's IBR. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, and any initial direct costs. Right-of-use assets are depreciated over the lease term on a straight line basis. The company has chosen not to revalue its right-of-use assets.

Extension and termination options are included in the office premises lease entered into by the company. These are used to maximise operational flexibility in terms of managing the assets used in the company's operations. The extension and termination options held are exercisable only by the company and not by the respective lessor.

Right-of-use assets are tested for impairment whenever events or changes in circumstances suggest that an asset's or asset group's carrying value may not be fully recoverable. An impairment loss, calculated as the difference between the estimated recoverable amount (being the fair value) and the carrying value of an asset or asset group, is recognised if the sum of its expected undiscounted cash flows is less than its corresponding carrying value.

Provisions, Contingent Liabilities and Contingent Assets. Provisions are recognised in the financial statements when it is probable that an outflow of economic benefits will be required to settle a present (legal or constructive) obligation, which has arisen as a result of past events, and for which a reliable estimate can be made of the amount of the obligation. Legal obligations that may arise as a result of proposed new laws are recognised as obligations only when the legislation is virtually certain to be enacted as drafted.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events but is not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company.

Contingent liabilities and contingent assets are not recognised in the financial statements. However, disclosure is made unless the probability of settlement is remote.

New Standards, Amendments and Interpretations Not Yet Adopted During the Year

Amendments to IFRS 9, IAS 39, IFRS 4 'Insurance Contracts' and IFRS 16. On August 27, 2020, the IASB issued "Interest Rate Benchmark Reform – Phase 2" which provides optional relief for issues affecting financial reporting when changes are made to contractual cash flows of financial instruments or hedging relationships as a result of reference rate reform. The company has not elected to early apply the reliefs available, which are otherwise effective for periods beginning on or after January 1, 2021. The company is currently assessing the impact of the adoption of these amendments on its financial statements.

Note 5.

Critical Accounting Estimates and Judgements

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

Fair Value Measurement

Certain of the company's financial assets and liabilities include significant unobservable inputs (i.e., level 3). See Note 31 for information about the carrying value, valuation techniques and significant inputs of these instruments.

Defined Benefit Pension

The cost of the Plan and the value of the Plan liabilities are determined using actuarial valuations. This involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, such estimates are subject to significant uncertainty. See Note 16 for further information about the company's Plan.

Note 6.

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.
- Other income, which relates to consideration received from GSBE in connection with the transfer of certain of the company's activities and employees as a part of GS Group's Brexit planning.

The table below presents net revenues.

	Period Ended	
$ in millions	December 2020	November 2019
Non-interest income		
Financial instruments mandatorily measured at fair value through profit or loss	**$ 6,200**	$ 7,372
Financial instruments designated at fair value through profit or loss	**1,529**	(1,586)
Fees and commissions	**3,191**	2,506
Other income	**76**	–
Non-interest income	**10,996**	8,292
Interest income		
Interest income from financial instruments measured at fair value through profit or loss	**2,657**	4,965
Interest income from financial instruments measured at amortised cost	**1,539**	2,694
Total interest income	**4,196**	7,659
Interest expense		
Interest expense from financial instruments measured at fair value through profit or loss	**(3,053)**	(4,310)
Interest expense from financial instruments measured at amortised cost	**(2,128)**	(3,782)
Total interest expense	**(5,181)**	(8,092)
Net interest expense	**(985)**	(433)
Net revenues	**$10,011**	$ 7,859

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 $766 million of net revenues, predominately from underwriting engagements, from financial instruments measured at fair value through profit or loss to fees and commissions for the period ended November 2019 in order to conform to the current period's presentation.
- Interest income and expense from financial instruments measured at amortised cost for the period ended November 2019 has increased by $137 million 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.

Geographic Information

Due to the highly integrated nature of international financial markets, the company manages its businesses based on the profitability of the enterprise as a whole. The methodology for allocating profitability to geographic regions is dependent on estimates and management judgement.

Geographic results are generally allocated as follows:

- Investment Banking: location of the client, investment banking team and underlying risk.
- FICC and Equities: location of the market-making desk or the primary market for the underlying security.
- Investment Management: location of the investment management team.

The table below presents net revenues by geographic region allocated based on the methodology referred to above.

	Period Ended	
$ in millions	December 2020	November 2019
EMEA	**$ 6,676**	$5,608
Americas	**1,564**	1,406
Asia	**1,771**	845
Total	**$10,011**	$7,859

Revenue from Contracts With Customers

The table below presents revenue from contracts with customers subject to IFRS 15, which are included in fees and commissions within non-interest income.

	Period Ended	
	December	November
$ in millions	2020	2019
Financial advisory and underwriting engagements	$2,198	$1,516
Execution and client clearing transactions	599	652
Investment management services	394	338
Total	**$3,191**	$2,506

Note 7.

Net Operating Expenses

The table below presents net operating expenses.

	Period Ended	
	December	November
$ in millions	2020	2019
Compensation and benefits	$2,825	$2,394
Transaction based expenses	1,680	1,177
Market development	43	94
Communications and technology	145	122
Depreciation and amortisation	194	249
Professional fees	181	186
Occupancy	4	78
Management charges from GS Group affiliates	921	919
Other expenses	838	576
Operating expenses	**6,831**	5,795
Management charges to GS Group affiliates	(344)	(370)
Net operating expenses	**$6,487**	$5,425

In the table above:

- Brokerage, clearing, exchange and distribution fees has been renamed transaction based expenses and additionally includes expenses resulting from completed transactions, which are directly related to client revenues, and certain expenses incurred to satisfy performance obligations where the company is principal to a transaction as required by IFRS 15. Such expenses were previously reported in other expenses and were $467 million for the period ended December 2020. The company has reclassified $270 million of such expenses for the period ended November 2019 to conform to the current presentation.

- Management charges includes charges relating to operational and administrative support and management services, received from and provided to GS Group affiliates

- Other expenses primarily includes expenses incurred to satisfy performance obligations where the company is principal to a transaction as required by IFRS 15, miscellaneous taxes, provisions for liabilities and charitable contributions.

The table below presents the fees payable to the company's auditor, which are included in professional fees.

	Period Ended	
	December	November
$ in millions	2020	2019
Audit fees	$4.6	$ 6.0
Audit related assurance services	1.8	4.1
Other assurance services	3.3	1.1
Taxation compliance services	0.2	0.2
Other non-audit services	–	0.1
Total fees for non-audit services	5.3	5.5
Total fees	**$9.9**	$11.5

In the table above:

- The fees for the company's audit for the period ended December 2020 decreased by $1.4 million compared with the period ended November 2019 and fees for audit related assurance services for the period ended December 2020 decreased by $2.3 million compared with the period ended November 2019, primarily due to the company changing its accounting reference date.

- Audit related assurance services for the period ended November 2019 included fees in connection with the audit of the company's financial information and reporting to GS Group's auditor for the purposes of GS Group's audit due to a difference in the accounting reference date between the company and GS Group in the prior period.

- Other assurance services included the company's share of fees related to certain services provided by a network firm of the company's auditor to various GS Group affiliates. These fees were apportioned to the various GS Group affiliates, including the company, by reference to each entity's asset size. Other assurance services for the period ended December 2020 also included fees in connection with a thematic regulatory review.

Note 8.

Compensation and Benefits

The table below presents the company's average monthly employee headcount, including executive directors.

	Average for the Period Ended	
	December	November
Number	2020	2019
Investment Banking	**828**	819
FICC	**833**	813
Equities	**908**	836
Investment Management	**819**	786
Support Functions	**872**	924
Total average headcount	**4,260**	4,178

Total headcount was 4,115 as of December 2020 and 4,230 as of November 2019.

The table below presents compensation and benefits costs incurred by the company, including those relating to directors.

	Period Ended	
	December	November
$ in millions	2020	2019
Wages and salaries	**$2,418**	$2,075
Social security costs	**355**	268
Pension costs:		
Defined contribution plan and defined contribution section of the hybrid pension plan	**49**	51
Defined benefit section of the hybrid pension plan	**3**	–
Total	**$2,825**	$2,394

In the table above, total compensation and benefits included a charge of $259 million for the period ended December 2020 and a charge of $175 million for the period ended November 2019 representing recharges from Group Inc. equivalent to changes in the fair value of share-based payment awards during the period.

Note 9.

Share-Based Payments

Stock Incentive Plan

Group Inc. sponsors a stock incentive plan, The Goldman Sachs Amended and Restated Stock Incentive Plan (2018) (2018 SIP), which provides for, amongst others, grants of RSUs, restricted stock, dividend equivalent rights and incentive stock options. On May 2, 2018, Group Inc.'s shareholders approved the 2018 SIP. The 2018 SIP replaced The Goldman Sachs Amended and Restated Stock Incentive Plan (2015) previously in effect, and applies to awards granted on or after the date of approval.

The company recorded share-based compensation in respect of the amortisation of granted equity awards, net of forfeitures, of $459 million for the period ended December 2020 and $452 million for the period ended November 2019. The resultant credit to equity arising from these share-based payments has been offset in equity as a result of the recognition of a liability for amounts arising under the terms of the chargeback agreement with Group Inc. under which the company is committed to pay to Group Inc. the grant-date fair value, as well as subsequent movements in the fair value of those awards to Group Inc. at the time of delivery to its employees.

Restricted Stock Units

Group Inc. grants RSUs to the company's employees under the 2018 SIP, which are generally valued based on the closing price of the underlying shares on the date of grant after taking into account a liquidity discount for any applicable post-vesting and delivery transfer restrictions. RSUs generally vest and underlying shares of common stock deliver (net of required withholding tax) as outlined in the applicable award agreements. Employee award agreements generally provide that vesting is accelerated in certain circumstances, such as on retirement, death, disability and conflicted employment. Delivery of the underlying shares of common stock is conditioned on the grantees satisfying certain vesting and other requirements outlined in the award agreements. RSUs not subject to performance conditions generally deliver over a three-year period. RSUs that are subject to performance conditions generally deliver after the end of a three-year performance period. For these awards, based on performance, the final award is adjusted from zero to 150% of the original grant. Dividends that accrue during the performance period are paid at settlement.

The tables below present the activity related to RSUs.

	Restricted Stock Units Outstanding		Weighted Average Grant-Date Fair Value of Restricted Stock Units Outstanding	
	Future Service Required	No Future Service Required	Future Service Required	No Future Service Required
Period Ended December 2020				
Beginning balance	**1,743,850**	**2,893,507**	**$193.70**	**$193.54**
Granted	**830,270**	**1,159,883**	**$215.44**	**$223.68**
Forfeited	**(80,808)**	**(25,459)**	**$204.95**	**$198.27**
Delivered	**-**	**(1,878,224)**	**$ -**	**$196.88**
Vested	**(1,502,818)**	**1,502,818**	**$197.82**	**$197.82**
Transfers	**(68,365)**	**(58,149)**	**$199.27**	**$202.60**
Ending balance	**922,129**	**3,594,376**	**$205.09**	**$203.12**
Period Ended November 2019				
Beginning balance	1,623,466	2,493,081	$200.55	$198.25
Granted	1,142,547	1,619,850	$174.64	$179.14
Forfeited	(111,861)	(50,221)	$189.94	$191.53
Delivered	–	(2,087,925)	$ –	$183.30
Vested	(916,482)	916,482	$182.76	$182.76
Transfers	6,180	2,240	$188.07	$206.17
Ending balance	1,743,850	2,893,507	$193.70	$193.54

In the tables above:

- The weighted average grant-date fair value of RSUs granted was $220.24 during the period ended December 2020 and $177.28 during the period ended November 2019. The fair value of the RSUs granted included a liquidity discount of 8.19% during the period ended December 2020 and 8.46% during the period ended November 2019, to reflect post-vesting and delivery transfer restrictions, generally of up to 4 years.
- The aggregate fair value of awards that vested was $576 million during the period ended December 2020 and $435 million during the period ended November 2019.
- The ending balance for the period ended December 2020 also included RSUs subject to performance conditions but not subject to future service requirements of 37,767 RSUs and the maximum amount of such RSUs that may be earned was 56,651 RSUs. No such RSUs were granted during the period ended November 2019.

Stock Options

Stock options generally vest as outlined in the applicable stock option agreement. In general, options expire on the tenth anniversary of the grant date, although they may be subject to earlier termination or cancellation under certain circumstances in accordance with the terms of the applicable stock option agreement and The Goldman Sachs Amended and Restated Stock Incentive Plan in effect at the time of grant.

The table below presents options outstanding as of December 1, 2018. There were no options outstanding as of both December 2020 and November 2019.

Exercise Price	Options outstanding	Weighted average exercise price	Weighted average remaining life *(years)*
As of December 1, 2018			
$ 75.00 - $ 89.99	249,813	$78.78	0.08
Total outstanding	249,813	$78.78	0.08

During the period ended December 2020, no options were exercised. During the period ended November 2019, 249,813 options were exercised with a weighted average share price at the date of exercise was $171.32.

Note 10.

Income Tax Expense

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

	Period Ended	
$ in millions	December 2020	November 2019
Current tax		
U.K. taxation	**$583**	$160
Adjustments in respect of prior periods	**29**	5
Overseas taxation	**215**	246
Total current tax	**827**	411
Deferred tax		
Origination and reversal of temporary differences	**(39)**	15
Effect of increased U.K. corporation tax rate	**(19)**	–
Total deferred tax	**(58)**	15
Total income tax expense	**$769**	$426

The table below presents a reconciliation between income tax expense and the amount calculated by applying the weighted average rate of U.K. corporation tax applicable to the company for the period ended December 2020 of 27.0% (period ended November 2019: 27.0%) to the profit before taxation.

	Period Ended	
$ in millions	December 2020	November 2019
Profit before taxation	**$3,524**	$2,434
Profit multiplied by U.K. corporation tax rate of 27.0% (period ended November 2019: 27.0%)	**951**	657
Changes in recognition and measurement of deferred tax assets	**11**	15
Tax deductible on interest on AT1 notes	**(203)**	(200)
Permanent differences	**10**	(10)
Tax losses surrendered from GS Group affiliates for nil consideration	**(3)**	(40)
Effect of higher taxes on overseas earnings	**1**	3
Exchange differences and other	**(8)**	(4)
Adjustments in respect of prior periods	**29**	5
Effect of increased U.K. corporate tax rate	**(19)**	–
Total income tax expense	**$ 769**	$ 426

The Finance Act 2020 received Royal Assent on July 22, 2020 and maintained the U.K. corporation tax main rate at 19.0%, when it had been due to decrease from 19.0% to 17.0% from April 1, 2020. As a result, the U.K. corporate rate applicable to the company for the period ended December 2020 was 27.0%, consistent with the period ended November 2019. This change resulted in the company recognising a gain of $19 million on remeasurement of its deferred tax assets.

The U.K. government announced in its budget on March 3, 2021 that the U.K. corporation tax main rate will increase from 19.0% to 25.0% from April 1, 2023, while noting that the 8.0% bank surcharge applicable to the company is under review. The company will remeasure its deferred tax assets on substantive enactment of this change.

Note 11.

Collateralised Agreements

The table below presents collateralised agreements.

	As of		
$ in millions	**December 2020**	November 2019	December 1 2018
Resale agreements	**$ 75,140**	$ 72,770	$127,474
Securities borrowed	**65,542**	83,578	75,860
Total	**$140,682**	$156,348	$203,334

Note 12.

Customer and Other Receivables

The table below presents customer and other receivables.

	As of		
$ in millions	**December 2020**	November 2019	December 1 2018
Receivables from broker/dealers and clearing organisations	**$11,350**	$10,520	$ 9,620
Receivables from customers and counterparties	**79,030**	61,287	53,013
Total	**$90,380**	$71,807	$62,633

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.
- Receivables from customer and counterparties includes receivables from contracts with clients and contract assets. The company's receivables from contracts with clients were $327 million as of December 2020, $203 million as of November 2019 and $236 million as of December 1, 2018. Contract assets represent the company's right to receive consideration for services provided in connection with its contracts with clients for which collection is conditional and not merely subject to the passage of time. As of December 2020, November 2019 and December 1, 2018 contract assets were $nil.

Note 13.

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. See Note 30 for further information.

The table below presents trading assets.

	As of		
$ in millions	**December 2020**	November 2019	December 1 2018
Trading cash instruments			
Money market instruments	**$ 338**	$ 672	$ 428
Government and agency obligations	**24,759**	39,544	33,499
Mortgage and other asset-backed loans and securities	**586**	233	484
Corporate debt instruments	**21,790**	18,738	16,552
Equity securities	**47,135**	44,728	29,167
Commodities	**9**	25	88
Total trading cash instruments	**94,617**	103,940	80,218
Derivatives			
Interest rates	**671,483**	491,471	294,986
Credit	**24,778**	33,564	28,463
Currencies	**110,493**	89,323	111,791
Commodities	**10,824**	8,054	12,644
Equities	**70,724**	59,013	64,679
Total derivatives	**888,302**	681,425	512,563
Total trading assets	**$982,919**	$785,365	$592,781

The table below presents trading liabilities.

	As of		
$ in millions	**December 2020**	November 2019	December 1 2018
Trading cash instruments			
Government and agency obligations	**$ 16,772**	$ 16,955	$ 21,700
Corporate debt instruments	**3,700**	3,883	3,545
Equity securities	**31,473**	23,292	22,353
Commodities	**40**	20	2
Total trading cash instruments	**51,985**	44,150	47,600
Derivatives			
Interest rates	**660,262**	481,797	287,789
Credit	**22,141**	31,371	26,080
Currencies	**114,495**	91,522	111,863
Commodities	**10,663**	7,853	12,758
Equities	**72,868**	57,947	59,897
Total derivatives	**880,429**	670,490	498,387
Total trading liabilities	**$932,414**	$714,640	$545,987

In the tables above:

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

Note 14.

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. See Note 30 for further information.

The table below presents information about investments.

	As of		
$ in millions	December 2020	November 2019	December 1 2018
Government and agency obligations	$ –	$ 17	$ 17
Mortgage and other asset-backed loans and securities	–	1	1
Corporate debt instruments	639	1,101	932
Equity securities	249	373	368
Total	$888	$1,492	$1,318

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 in corporate entities.

Note 15.

Other Assets

The table below presents other assets by type.

	As of		
$ in millions	December 2020	November 2019	December 1 2018
Intercompany loans	$6,744	$ 600	$ 258
Miscellaneous receivables and other	564	859	830
Total financial assets	7,308	1,459	1,088
Property, leasehold improvements and equipment	2	13	20
Intangible assets	490	392	294
Right-of-use assets	15	56	182
Pension surplus (see Note 16)	202	264	406
Deferred tax assets (see Note 17)	444	331	256
Prepayments and accrued income	28	22	27
Tax-related assets	94	76	17
Miscellaneous receivables and other	6	4	1
Total non-financial assets	1,281	1,158	1,203
Total	$8,589	$2,617	$2,291

In the table above:

- Miscellaneous receivables and other primarily includes receivables for allocation of net revenues among GS Group affiliates for their participation in GS Group's business activities.
- Miscellaneous receivables and other also includes receivables from contracts with clients of $nil as of both December 2020 and November 2019 and $102 million as of December 1, 2018.

Property, Leasehold Improvements and Equipment

The table below presents the movements in property, leasehold improvements and equipment during the current and prior period.

$ in millions	Leasehold improvements	Fixtures, fittings and equipment	Total
Cost			
As of December 1, 2018	$ 51	$10	$ 61
Additions	9	–	9
Disposals	(31)	(1)	(32)
As of November 2019	29	9	38
Additions	–	1	1
Disposals	(20)	(5)	(25)
As of December 2020	9	5	14
Accumulated depreciation			
As of December 1, 2018	35	6	41
Charge for the period	7	–	7
Disposals	(22)	(1)	(23)
As of November 2019	20	5	25
Charge for the period	2	1	3
Disposals	(13)	(3)	(16)
As of December 2020	9	3	12
Net book value			
As of December 2020	$ –	$ 2	$ 2
As of November 2019	$ 9	$ 4	$ 13
As of December 1, 2018	$ 16	$ 4	$ 20

Intangible Assets

The table below presents the movements in intangible assets during the current and prior period.

$ in millions	Computer software	Assets in the course of construction	Total
Cost			
As of December 1, 2018	$191	$183	$374
Additions/Transfers	200	11	211
Disposals	(10)	–	(10)
As of November 2019	381	194	575
Additions/Transfers	236	36	272
Disposals	(5)	–	(5)
As of December 2020	612	230	842
Accumulated amortisation			
As of December 1, 2018	80	–	80
Charge for the period	109	–	109
Disposals	(6)	–	(6)
As of November 2019	183	–	183
Charge for the period	172	–	172
Disposals	(3)	–	(3)
As of December 2020	352	–	352
Net book value			
As of December 2020	$260	$230	$490
As of November 2019	$198	$194	$392
As of December 1, 2018	$111	$183	$294

Right-of-Use Assets and Lease Liabilities

The company leases certain buildings under non-cancellable lease agreements. Under these lease agreements, which are subject to renegotiation at various intervals specified in the leases, the company pays all insurance, maintenance and repairs of these properties.

The table below presents the right-of-use assets and lease liabilities.

	As of		
	December	November	December 1
$ in millions	**2020**	2019	2018
Right-of-use-assets	**$ 15**	$ 56	$ 182
Lease liabilities	**$(17)**	$(97)	$(210)

During the period ended December 2020 and period ended November 2019, there were no significant additions to the company's right-of-use assets. The decrease in company's right-of-use assets in the period ended November 2019 was primarily driven by the company consolidating its London activities in its new European headquarters in Plumtree Court.

The table below presents the undiscounted cash flows of the company's lease liabilities by contractual maturity. These amounts are included in other liabilities in the maturity of financial liabilities disclosure in Note 32.

	As of		
	December	November	December 1
$ in millions	**2020**	2019	2018
Less than one month	**$ –**	$24	$ 20
Between one and three months	**–**	1	1
Between three months and one year	**4**	33	64
Between one and five years	**13**	38	130
Over five years	**1**	2	6
Total	**$18**	$98	$221

The company's total cash outflow for leases was $57 million for the period ended December 2020 and $125 million for the period ended November 2019.

The table below presents the amounts recognised in the income statement relating to leases.

	Period Ended	
	December	November
$ in millions	**2020**	2019
Depreciation of right-of-use asset	**$19**	$133
Interest expense	**2**	7
Total	**$21**	$140

Total future minimum sublease payments expected to be received by the company under non-cancellable subleases were $nil million as of December 2020, $9 million as of November 2019 and $21 million as of December 1, 2018.

Note 16.

Pension Arrangements

The company sponsors a pension plan with a hybrid structure, having both a defined benefit section (the Plan) and a defined contribution section. The Plan provides retirement benefits on the basis of members' final salary, with a normal retirement age of 65 for most members. The Plan is funded, with the assets of the scheme held separately from those of the company, in separate trustee-administered funds.

The Plan was closed to new entrants with effect from April 1, 2008, and was replaced by a defined contribution plan. As of March 31, 2016, the Plan was closed to future benefit accruals for existing participants.

The Plan operates under trust law and is managed and administrated by the Goldman Sachs UK Retirement Plan Trustee Limited (the Trustee) on behalf of the members and beneficiaries in accordance with the terms of the Trust Deed and Rules and relevant legislation. The Trustees act on behalf of the members and beneficiaries and have the responsibility for setting the investment strategy and agreeing funding requirements with the company through the valuation process.

A full actuarial valuation of the Plan was carried out by a qualified independent actuary as of December 31, 2020 using the projected unit credit method based upon membership data as of July 31, 2020. As of December 2020, the Plan liabilities consist of 96% in respect of future beneficiaries and 4% in respect of current beneficiaries.

There is no asset ceiling imposed on the amount of pension surplus recognised in the financial statements as the company is able to utilise the Plan surplus in the scenarios set out in "IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction".

Risks of the Plan

The main risks of the Plan are:

- **Funding Shortfall.** Additional contributions will be required if the investment returns are not sufficient to pay for benefits. The level of equity returns will be a key determinant of overall investment return; the investment portfolio is also subject to a range of other risks typical of the asset classes held, in particular interest rate risk and inflation risk on bonds.
- **Asset Volatility.** A consequence of the Plan's investment strategy, with a significant proportion of the assets invested in equities and other return-seeking assets is that the difference between Plan assets and Plan liabilities may be volatile.
- **Plan Liabilities Sensitivity.** Plan liabilities are sensitive to the assumptions made about future inflation and life expectancy. It is also sensitive to the discount rate, which depends on market yields on sterling-denominated AA corporate bonds.

Financial and Mortality Assumptions

The table below presents the significant financial and mortality assumptions used to determine the present value of the defined benefit obligation.

% per annum, except mortality assumptions	As of December 2020	November 2019	December 1 2018
Financial Assumptions			
Discount rate	**1.52**	1.99	3.14
Rate of price inflation – RPI	**2.99**	3.02	3.50
Rate of price inflation – CPI	**2.49**	2.27	2.50
Rate of increase in pensions in payments (post-November 30, 1996 accrual)	**2.79**	2.82	3.30
Rate of increase in pensions in deferment (post-November 30,1996 accrual)	**2.49**	2.27	2.50
Rate of increase in pensions in deferment (post-April 5, 2009 accrual)	**2.49**	2.27	2.50
Mortality Assumptions			
Life expectancy at 65 for a member currently at 65:			
Males	**24.2 years**	24.1 years	23.5 years
Females	**25.4 years**	25.3 years	24.7 years
Life expectancy at 65 for a member currently at 45:			
Males	**25.5 years**	25.3 years	24.8 years
Females	**26.8 years**	26.6 years	26.2 years

In the table above, the mortality assumptions adopted for the period ended December 2020 were the "SAPS S3 very light (All Pensioners) series" base table with an allowance for future improvements from 2013 onwards in line with the CMI 2019 core projections with a long-term rate of improvement of 1.25% per annum and an initial addition to mortality improvement parameter of 0.50% per annum.

Reconciliation of Pension Surplus

The table below presents a reconciliation of Plan assets, Plan liabilities and the net pension surplus.

$ in millions	Plan assets	Plan liabilities	Net pension surplus
Period Ended December 2020			
As of December 1, 2019	**$2,682**	**$(2,418)**	**$ 264**
Administrative cost	**–**	**(3)**	**(3)**
Interest income/(expense)	**57**	**(51)**	**6**
Return on Plan assets greater than discount rate	**356**	**–**	**356**
Actuarial gain – liability experience	**–**	**45**	**45**
Actuarial loss – financial assumptions	**–**	**(470)**	**(470)**
Actuarial loss – demographic assumptions	**–**	**(7)**	**(7)**
Benefits paid	**(49)**	**49**	**–**
Foreign exchange gain/(loss)	**170**	**(159)**	**11**
As of December 31, 2020	**$3,216**	**$(3,014)**	**$ 202**
Period Ended November 2019			
As of December 1, 2018	$2,222	$(1,816)	$ 406
Administrative cost	–	–	–
Interest income/(expense)	69	(56)	13
Return on Plan assets greater than discount rate	393	–	393
Actuarial gain – liability experience	–	21	21
Actuarial loss – financial assumptions	–	(560)	(560)
Actuarial loss – demographic assumptions	–	(13)	(13)
Benefits paid	(44)	44	–
Foreign exchange gain/(loss)	42	(38)	4
As of November 30, 2019	$2,682	$(2,418)	$ 264

Fair Value of Plan Assets

The Plan Trustees have a long-term asset allocation strategy to invest 53% of assets in return seeking investments (such as equity funds/indices, alternative investments and fixed income securities) and 47% in liability matching assets (such as Gilts). The Plan has a hedging programme investing in swaps and other derivatives in order to reduce the exposure to changes in interest rates and inflation.

The table below presents the fair value of Plan assets.

$ in millions	Quoted	Unquoted	Total
As of December 2020			
Equity funds/indices	**$ 828**	**$ –**	**$ 828**
Gilts	**684**	**–**	**684**
Swaps	**–**	**986**	**986**
Cash and cash equivalents	**34**	**–**	**34**
Other	**543**	**141**	**684**
Total	**$2,089**	**$1,127**	**$3,216**
As of November 2019			
Equity funds/indices	$1,400	$ –	$1,400
Gilts	351	–	351
Swaps	–	665	665
Cash and cash equivalents	177	–	177
Other	–	89	89
Total	$1,928	$ 754	$2,682
As of December 1, 2018			
Equity funds/indices	$1,126	$ –	$1,126
Gilts	497	–	497
Swaps	–	395	395
Cash and cash equivalents	108	–	108
Other	–	96	96
Total	$1,731	$ 491	$2,222

In the table above, other primarily consists of investments in alternative investments and fixed income securities. During the period ended December 2020, the Plan has further diversified its exposure and partially moved investments in equity funds/indices into alternative investments and fixed income securities.

Defined Benefit Cost

The table below presents the defined benefit loss related to the Plan recognised in the income statement and in other comprehensive income.

$ in millions	Period Ended December 2020	November 2019
Income statement		
Administrative cost	**$ 3**	$ –
Interest income	**(6)**	(13)
Total credited to the income statement	**(3)**	(13)
Other comprehensive income		
Return on Plan assets greater than discount rate	**(356)**	(393)
Actuarial gain – liability experience	**(45)**	(21)
Actuarial loss – financial assumptions	**470**	560
Actuarial loss – demographic assumptions	**7**	13
Total loss recognised in other comprehensive income	**76**	159
Total defined benefit loss	**$ 73**	$ 146

Sensitivity Analysis

The table below presents a sensitivity analysis of Plan liabilities for each significant actuarial assumption.

	Impact to Plan Liabilities			
	Increase in assumption		Decrease in assumption	
	$ in millions	*%*	*$ in millions*	*%*
As of December 2020				
0.25% change in discount rate	**$(235)**	**(7.8)**	**$ 255**	**8.5**
0.25% change in price inflation	**190**	**6.3**	**(217)**	**(7.2)**
1 year change in life expectancy	**118**	**3.9**	**(119)**	**(3.9)**
As of November 2019				
0.25% change in discount rate	$(189)	(7.8)	$ 206	8.5
0.25% change in price inflation	184	7.6	(173)	(7.2)
1 year change in life expectancy	89	3.7	(89)	(3.7)
As of December 1, 2018				
0.25% change in discount rate	$(138)	(7.6)	$ 151	8.3
0.25% change in price inflation	109	6.0	(127)	(7.0)
1 year change in life expectancy	75	4.1	(75)	(4.1)

In the table above, the sensitivities are based on a change in each assumption while holding all other assumptions constant.

There are inherent limitations in the sensitivity analysis, as such idiosyncratic movements are unlikely to occur. The methodology used to calculate the sensitivities are consistent across the two periods presented in the table above.

Nature of Future Cash Flows

Since the Plan's closure to future accruals from March 31, 2016, the company has ceased to make regular contributions into the Plan but will continue to assess the funding requirements of the Plan with the Trustees on a periodic basis.

On a triennial basis, a formal funding valuation of the Plan is performed for the Trustees to assess the funding needs of the Plan. This valuation differs from the actuarial valuation required for accounting purposes due to the use of different assumptions.

The most recent funding valuation of the Plan was performed by a qualified independent actuary as of December 31, 2018, which indicated that the Plan was in a funding surplus of $316 million. As such, the company currently does not expect to make any further contributions into the Plan.

The company expects $45 million of benefits to be paid out of the Plan to members in the twelve months following December 2020.

The weighted average duration of Plan liabilities was 33 years as of December 2020.

Note 17.

Deferred Tax Assets

The table below presents the components of the company's deferred tax asset.

	As of		
	December	November	December 1
$ in millions	**2020**	2019	2018
Deferred compensation	**$ 551**	$453	$431
Post-retirement benefits	**(54)**	(63)	(95)
Property, leasehold improvements and equipment and intangible assets	**(129)**	(93)	(68)
Debt valuation adjustment	**78**	38	(12)
Other temporary differences	**(2)**	(4)	–
Total	**$ 444**	$331	$256

The table below presents changes in each component of the company's deferred tax asset.

	Period ended	
	December	November
$ in millions	**2020**	2019
Deferred compensation		
Beginning balance	**$ 453**	$431
Transfer to the income statement	**105**	22
Disposal of deferred tax assets	**(7)**	–
Ending balance	**$ 551**	$453
Post-retirement benefits		
Beginning balance	**$ (63)**	$ (95)
Transfer to the income statement	**(13)**	(8)
Transfer to other comprehensive income	**22**	40
Ending balance	**$ (54)**	$ (63)
Property, leasehold improvements and equipment and intangible assets		
Beginning balance	**$ (93)**	$ (68)
Transfer to the income statement	**(36)**	(25)
Ending balance	**$(129)**	$ (93)
Debt valuation adjustment		
Beginning balance	**$ 38**	$ (12)
Transfer to other comprehensive income	**40**	50
Ending balance	**$ 78**	$ 38
Other temporary differences		
Beginning balance	**$ (4)**	$ –
Transfer to the income statement	**2**	(4)
Ending balance	**$ (2)**	$ (4)
Total		
Beginning balance	**$ 331**	$256
Transfer to the income statement (see Note10)	**58**	(15)
Transfer to other comprehensive income	**62**	90
Disposal of deferred tax assets	**(7)**	–
Ending balance	**$ 444**	$331

In the tables above, deferred compensation is mainly in respect of share-based compensation.

Note 18.

Interests in Other Entities

The table below presents the subsidiary over which the company exercised control as of December 2020.

Name of company	Country of incorporation	Holding and proportion of voting rights	Class of shares held	Number held	Nature of business
Goldman Sachs (Cayman) Limited	Cayman Islands	100%	Ordinary shares	250	Financial services

The registered office address of Goldman Sachs (Cayman) Limited is the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The company has interests in a number of special purpose entities and capital guaranteed funds which do not meet the definition of a legal subsidiary, but give rise to the risks and rewards that are, in substance, no different than if they were legal subsidiaries. The activities of these special purpose entities and capital guaranteed funds consist of the issuance of loan notes under the terms of a repackaging programme. These special purposes entities and capital guaranteed funds are consolidated in the financial statements of Group Inc.

Unconsolidated Structured Entities

The company has interests in structured entities that it does not control (unconsolidated structured entities), which primarily includes: senior and subordinated debt; derivatives and guarantees. Structured entities generally finance the purchase of assets by issuing debt securities that are either collateralised by or indexed to the assets held by the structured entity. The debt securities issued by a structured entity may include tranches of varying levels of subordination. The company's involvement with structured entities primarily includes the purchase and sale of beneficial interests issued by mortgage-backed structured entities in connection with market-making activities and derivatives the company has entered into with structured entities, such as total return swaps. In certain instances, the company provides guarantees, including derivative guarantees, to unconsolidated structured entities or holders of interests in unconsolidated structured entities.

The table below presents a summary of the unconsolidated structured entities in which the company holds interests.

	As of		
$ in millions	**December 2020**	November 2019	December 1 2018
Assets in structured entities	**$8,745**	$5,563	$6,467
Carrying value of interests - assets	**$ 439**	$ 308	$ 419
Carrying value of interests - liabilities	**$ (39)**	$ (27)	$ (6)
Maximum exposure to loss	**$2,761**	$3,787	$3,816

In the table above:

- The carrying values of the company's interests are included in the balance sheet in trading assets or trading liabilities.
- The company's maximum exposure to loss is mainly a result of derivatives, commitments and guarantees, for which the maximum exposure to loss is the notional amount, which does not represent anticipated losses and also has not been reduced by unrealised losses already recorded. As a result, the maximum exposure to loss exceeds liabilities recorded for derivatives, commitments and guarantees.

Note 19.

Collateralised Financings

The table below presents collateralised financings.

	As of		
$ in millions	**December 2020**	November 2019	December 1 2018
Repurchase agreements	**$ 77,726**	$ 53,134	$ 85,230
Securities loaned	**21,034**	52,222	44,314
Intercompany loans	**1,432**	722	–
Debt securities issued	**6,664**	3,467	2,933
Other borrowings	**6,271**	6,391	7,633
Total	**$113,127**	$115,936	$140,110

In the table above, 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 20.

Customer and Other Payables

The table below presents customer and other payables.

	As of		
$ in millions	**December 2020**	November 2019	December 1 2018
Payables to broker/dealers and clearing organisations	**$ 2,648**	$ 2,923	$ 2,178
Payables to customers and counterparties	**97,871**	82,045	73,972
Total	**$100,519**	$84,968	$76,150

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 21.

Unsecured Borrowings

The table below presents unsecured borrowings.

	As of		
$ in millions	December 2020	November 2019	December 1 2018
Bank loans	$ 6	$ 86	$ 170
Overdrafts	115	38	153
Intercompany loans – non-MREL-eligible	21,032	43,714	54,159
Intercompany loans – MREL-eligible	16,723	13,805	–
Debt securities issued	32,385	22,422	24,370
Subordinated loans	5,394	5,554	5,600
Other borrowings	4,696	3,050	3,688
Total	**$80,351**	$88,669	$88,140

In the table above:

- 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 $5.39 billion as of December 2020, $5.55 billion as of November 2019 and $5.60 billion as of December 1, 2018 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.

Debt Valuation Adjustment

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

	Period Ended		
$ in millions	December 2020	November 2019	December 1 2018
Beginning balance	$(147)	$ 54	$(411)
Debt valuation adjustment for the period	(183)	(201)	465
Transfer to retained earnings	40	–	–
Ending balance	**$(290)**	$(147)	$ 54

In the table above, net losses of $40 million ($29 million, net of tax) for the period ended December 2020 realised upon early redemption of certain such financial liabilities, have been transferred from accumulated other comprehensive income to retained earnings. Such losses were not material in the prior periods.

Hedge Accounting

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

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

	As of		
$ in millions	December 2020	November 2019	December 1 2018
Asset carrying value	$17	$18	$26
Liability carrying value	$32	$ –	$ –

The table below presents the notional of hedging instruments by contractual maturity date.

	As of		
$ in millions	December 2020	November 2019	December 1 2018
1 – 3 months	$ –	$ 2	$ –
3 months – 1 year	–	6	93
1 – 5 years	1,760	125	14
Greater than 5 years	1,469	2,804	2,728
Total	**$3,229**	$2,937	$2,835

The average fixed rate of the company's hedging instruments was 1.16% for the period ended December 2020 and 1.25% for the period ended November 2019.

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

$ in millions	Carrying value	Cumulative hedging adjustment
As of December 2020		
Unsecured short-term borrowings	**$ –**	**$ –**
Unsecured long-term borrowings	**$3,042**	**$177**
As of November 2019		
Unsecured short-term borrowings	$ 8	$ –
Unsecured long-term borrowings	$2,841	$133
As of December 1, 2018		
Unsecured short-term borrowings	$ 85	$ –
Unsecured long-term borrowings	$2,582	$ 28

In the table above, cumulative hedging adjustment for items no longer designated in a hedging relationship were $34 million as of December 2020 and $nil as of both November 2019 and December 1, 2018.

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

	Period Ended	
	December	November
$ in millions	**2020**	2019
Interest rate hedges	**$ 50**	$ 108
Hedged borrowings	**(53)**	(108)
Hedge ineffectiveness	**$ (3)**	**$ –**

Note 22.

Other Liabilities

The table below presents other liabilities by type.

	As of		
	December	November	December 1
$ in millions	**2020**	2019	2018
Compensation and benefits	**$2,762**	$2,046	$1,652
Income tax-related liabilities	**330**	128	1
Lease liabilities (see Note 15)	**17**	97	210
Accrued expenses and other	**1,370**	490	863
Total financial liabilities	**4,479**	2,761	2,726
Income tax-related liabilities	**11**	42	127
Other taxes and social security costs	**378**	305	338
Provisions	**1**	1	78
Total non-financial liabilities	**390**	348	543
Total	**$4,869**	$3,109	$3,269

In the table above, accrued expenses and other includes contract liabilities, which represent consideration received by the company in connection with its contracts with clients prior to providing the service. As of December 2020, November 2019 and December 1, 2018 contract liabilities were not material.

Provisions

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

$ in millions	
As of December 1, 2018	$ 78
Charge during the period	3
Reduction in provision	(24)
Utilised during the period	(56)
As of November 2019	**$ 1**
Charge during the period	**127**
Non-cash capital contribution	**(126)**
Utilised during the period	**(1)**
As of December 2020	**$ 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 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.
- Provisions utilised during the period ended November 2019 included $45 million related to a fine levied by the FCA in March 2019 relating to transaction reporting. This fine was paid in April 2019.

Note 23.

Share Capital

The table below presents share capital.

Allotted, called up and fully paid	**Ordinary shares of $1 each**	***$ in millions***
As of December 1, 2018	581,964,161	$582
Allotted during the period	7,643,885	8
As of November 2019	**589,608,046**	**$590**
Allotted during the period	**8,574,007**	**8**
As of December 2020	**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.

On January 21 2019, 7,643,885 ordinary shares of $1 each were allotted at $44.48 to GSG UK. The total consideration received was $340,000,000 in cash incorporating a share premium of $332,356,115.

Note 24.

Dividends

No dividends were paid in the period ended December 2020.

The directors declared and paid an interim dividend of $1.00 billion on November 26, 2019 to GSG UK representing $1.70 per share.

Note 25.

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 December 2020	**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%.

The company paid interest on its AT1 notes of $751 million for the period ended December 2020 and $742 million for the period ended November 2019. Interest paid is recognised in retained earnings. The associated tax effect is recognised in income tax expense. The non-cumulative fixed interest is payable at the company's discretion subject to certain solvency and regulatory conditions.

Note 26.

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.

	As of		
$ in millions	December 2020	November 2019	December 1 2018
Cash and cash equivalents	$43,833	$22,397	$24,396
Overdrafts (see Note 21)	(115)	(38)	(153)
Total	**$43,718**	$22,359	$24,243

In the table above, cash and cash equivalents included cash that is not available for use by the company of $1.84 billion as of December 2020, $4.22 billion as of November 2019 and $3.44 billion as of December 1, 2018.

Reconciliation of Cash Flows From Operating Activities

The table below presents a reconciliation of cash flows from/(used in) operating activities.

	Period Ended	
$ in millions	December 2020	November 2019
Profit before taxation	$ 3,524	$ 2,434
Adjustments for		
Depreciation and amortisation (see Note 7)	194	249
Loss on disposal of leasehold improvements	2	9
Gain on disposal of intangible assets	–	(3)
Credit for defined benefit plan (see Note 16)	(3)	(13)
Foreign exchange losses/(gains)	(2,793)	328
Share-based compensation expense	830	601
Provisions	127	(21)
Interest on subordinated loans and MREL-eligible intercompany loans	658	758
Losses/(gains) on investments	(50)	24
Interest expense on leases	2	7
Cash generated before changes in operating assets and liabilities	2,491	4,373
Changes in operating assets		
Decrease in collateralised agreements	15,666	46,986
Increase in customer and other receivables	(18,573)	(9,174)
Increase in trading assets	(197,554)	(192,584)
Decrease/(increase) in loans	983	(730)
Increase in other assets	(5,889)	(425)
Changes in operating assets	(205,367)	(155,927)
Changes in operating liabilities		
Decrease in collateralised financings	(2,809)	(24,174)
Increase in customer and other payables	15,551	8,818
Increase in trading liabilities	217,774	168,653
Decrease in unsecured borrowings	(11,323)	(3,357)
Increase/(decrease) in other liabilities	621	(884)
Changes in operating liabilities	219,814	149,056
Cash generated from/(used in) operations	**$ 16,938**	$ (2,498)

In the table above, cash generated from operations included interest paid of $5.05 billion for the period ended December 2020 and $7.13 billion for the period ended November 2019, and interest received of $4.22 billion for the period ended December 2020 and $7.75 billion for the period ended November 2019. The interest paid and interest received for the period ended November 2019 has increased by $137 million to conform to the current period's presentation. See Note 6 for further information.

Reconciliation of Cash Flows From Financing Activities Excluding Lease Liabilities

The company includes MREL-eligible borrowings as financing activity for the purposes of its statement of cash flows, which consists of its AT1 notes, subordinated loans and MREL-eligible intercompany loans. Both the principal and interest related to these borrowings is classified as financing activity.

Between December 1, 2018 and January 1, 2019, the company amended the terms of an intercompany loan, resulting in it becoming MREL-eligible. For the purposes of the company's Statement of Cash Flows, this has been recognised as a non-cash transaction.

The table below presents a reconciliation of cash flows from/(used in) financing activities excluding lease liabilities.

$ in millions	Principal	Interest	Total
As of December 1, 2018	$13,677	$ 223	$13,900
Non-cash movement	9,923	36	9,959
Increase in MREL-eligible intercompany loans	3,367	–	3,367
Interest on AT1 notes	–	742	742
Interest on subordinated loans and MREL-eligible intercompany loans	–	758	758
Interest paid on AT1 notes	–	(742)	(742)
Interest paid on subordinated loans and MREL-eligible intercompany loans	–	(325)	(325)
As of November 2019	26,967	692	27,659
Increase in MREL-eligible intercompany loans	**3,400**	–	**3,400**
Interest on AT1 notes	–	**751**	**751**
Interest on subordinated loans and MREL-eligible intercompany loans	–	**658**	**658**
Interest paid on AT1 notes	–	**(751)**	**(751)**
Interest paid on subordinated loans and MREL-eligible intercompany loans	–	**(1,300)**	**(1,300)**
As of December 2020	**$30,367**	**$ 50**	**$30,417**

Note 27.

Financial Commitments and Contingencies

Commitments and Contingencies

The table below presents commitments and contingencies.

	As of		
	December	November	December 1
$ in millions	**2020**	2019	2018
Collateralised agreements	**$61,982**	$63,292	$60,530
Collateralised financings	**18,787**	28,006	27,155
Other	**4,942**	2,906	2,400
Total	**$85,711**	$94,204	$90,085

Collateralised agreements commitments includes forward starting resale and securities borrowing agreements, and collateralised financings commitments includes forward starting repurchase and secured lending agreements that settle at a future date, generally within three business days. Collateralised agreements commitments also include transactions where the company has entered into commitments to provide contingent financing to its clients and counterparties through resale agreements. The company's funding of these commitments depends on the satisfaction of all contractual conditions to the resale agreement and these commitments can expire unused.

Other commitments primarily relate to collateral commitments and investment commitments.

In addition, there are registered charges on the company's assets which have arisen in the ordinary course of business.

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 it is not practicable to reliably estimate the financial impact, if any, of these proceedings on the company, except as disclosed in Note 22.

1MDB-Related Matters. Between 2012 and 2013, subsidiaries of Group Inc., including the company, acted as arrangers or purchasers of approximately $6.5 billion of debt securities of 1MDB. On November 1, 2018, the U.S. Department of Justice (DOJ) unsealed a criminal information and guilty plea by Tim Leissner, a former participating managing director of GS Group, and an indictment against Ng Chong Hwa, a former managing director of GS Group, and Low Taek Jho. Leissner pleaded guilty to a two-count criminal information charging him with conspiring to launder money and conspiring to violate the U.S. Foreign Corrupt Practices Act's (FCPA) anti-bribery and internal accounting controls provisions. Low and Ng were charged in a three-count indictment with conspiring to launder money and conspiring to violate the FCPA's anti-bribery provisions. On August 28, 2018, Leissner's guilty plea was accepted by the U.S. District Court for the Eastern District of New York and Leissner was adjudicated guilty on both counts. Ng was also charged in this indictment with conspiring to violate the FCPA's internal accounting controls provisions. On May 6, 2019, Ng pleaded not guilty to the DOJ's criminal charges.

On August 18, 2020, GS Group announced that it entered into a settlement agreement with the Government of Malaysia to resolve the criminal and regulatory proceedings in Malaysia involving GS Group, which includes a guarantee that the Government of Malaysia receives at least $1.4 billion in assets and proceeds from assets seized by governmental authorities around the world related to 1MDB.

On October 22, 2020, GS Group announced that it reached settlements of governmental and regulatory investigations relating to 1MDB with the DOJ, the Securities Exchange Commission (SEC), the FRB, the New York State Department of Financial Services (NYDFS), the FCA, the PRA, the Singapore Attorney General's Chambers, the Singapore Commercial Affairs Department, the Monetary Authority of Singapore and the Hong Kong Securities and Futures Commission. Group Inc. entered into a three-year deferred prosecution agreement with the DOJ, in which a charge against GS Group, one count of conspiracy to violate the FCPA, was filed and will later be dismissed if GS Group abides by the terms of the agreement. In addition, GS Malaysia pleaded guilty to one count of conspiracy to violate the FCPA.

GS Group has been working to secure necessary exemptions and authorisations from regulators so that these settlements do not impact GS Group's activities or the services that it provides to clients. In October 2020, GS Group submitted its application to the U.S. Department of Labor (DOL) to maintain its status as a qualified professional asset manager (QPAM) and in January 2021 the DOL published for public comment a notice of proposed exemption. GS Group expects to obtain the exemption before the sentencing of GS Malaysia.

GS Group has received multiple demands, beginning in November 2018, from alleged shareholders under Section 220 of the Delaware General Corporation Law for books and records relating to, among other things, GS Group's involvement with 1MDB and its compliance procedures. On December 13, 2019, an alleged shareholder of Group Inc. filed a lawsuit in the Court of Chancery of the State of Delaware seeking books and records relating to, among other things, GS Group's involvement with 1MDB and its compliance procedures. The parties have agreed to stay proceedings pending resolution of the books and records demand.

On February 19, 2019, a purported shareholder derivative action relating to 1MDB was filed in the U.S. District Court for the Southern District of New York against Group Inc. and the directors at the time and a former chairman and chief executive officer of GS Group. The second amended complaint filed on November 13, 2020, alleges breaches of fiduciary duties, including in connection with alleged insider trading by certain current and former directors, unjust enrichment and violations of the anti-fraud provisions of the Exchange Act, including in connection with Group Inc.'s common stock repurchases and solicitation of proxies and seeks unspecified damages, disgorgement and injunctive relief. Defendants moved to dismiss this action on January 15, 2021.

Beginning in March 2019, GS Group has also received demands from alleged shareholders to investigate and pursue claims against certain current and former directors and executive officers of Group Inc. based on their oversight and public disclosures regarding 1MDB and related internal controls.

On December 20, 2018, a putative securities class action lawsuit was filed in the U.S. District Court for the Southern District of New York against Group Inc. and certain former officers of GS Group alleging violations of the anti-fraud provisions of the Exchange Act with respect to Group Inc.'s disclosures concerning 1MDB and seeking unspecified damages. The plaintiffs filed the second amended complaint on October 28, 2019, which the defendants moved to dismiss on January 9, 2020.

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.

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 plaintiff's 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.

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.

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 offering process;
- 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, 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.

Note 28.

Maturity of Assets and Liabilities

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

$ in millions	Non-current	Current	Total
As of December 2020			
Assets			
Cash and cash equivalents	$ -	$ 43,833	$ 43,833
Collateralised agreements	1,896	138,786	140,682
Customer and other receivables	-	90,380	90,380
Trading assets	-	982,919	982,919
Investments	689	199	888
Loans	517	50	567
Other assets	1,742	6,847	8,589
Total assets	**$ 4,844**	**$1,263,014**	**$1,267,858**
Liabilities			
Collateralised financings	$ 3,851	$ 109,276	$ 113,127
Customer and other payables	-	100,519	100,519
Trading liabilities	-	932,414	932,414
Unsecured borrowings	55,781	24,570	80,351
Other liabilities	1,009	3,860	4,869
Total liabilities	**$60,641**	**$1,170,639**	**$1,231,280**
As of November 2019			
Assets			
Cash and cash equivalents	$ -	$ 22,397	$ 22,397
Collateralised agreements	1,721	154,627	156,348
Customer and other receivables	-	71,807	71,807
Trading assets	-	785,365	785,365
Investments	1,200	292	1,492
Loans	1,512	38	1,550
Other assets	1,586	1,031	2,617
Total assets	$ 6,019	$1,035,557	$1,041,576
Liabilities			
Collateralised financings	$ 5,347	$ 110,589	$ 115,936
Customer and other payables	-	84,968	84,968
Trading liabilities	-	714,640	714,640
Unsecured borrowings	64,266	24,403	88,669
Other liabilities	849	2,260	3,109
Total liabilities	$70,462	$ 936,860	$1,007,322
As of December 1, 2018			
Assets			
Cash and cash equivalents	$ -	$ 24,396	$ 24,396
Collateralised agreements	1,158	202,176	203,334
Customer and other receivables	-	62,633	62,633
Trading assets	-	592,781	592,781
Investments	1,078	240	1,318
Loans	645	175	820
Other assets	1,293	998	2,291
Total assets	$ 4,174	$ 883,399	$ 887,573
Liabilities			
Collateralised financings	$10,305	$ 129,805	$ 140,110
Customer and other payables	-	76,150	76,150
Trading liabilities	-	545,987	545,987
Unsecured borrowings	53,213	34,927	88,140
Other liabilities	771	2,498	3,269
Total liabilities	$64,289	$ 789,367	$ 853,656

In the table above:

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

Note 29.

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.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the company. Key management personnel of the company include the directors of the company, members of the EMC who are employees of the company and members of senior management who are designated as managers under the PRA and FCA's Senior Managers and Certification Regime.

Key Management Compensation

The table below presents the compensation paid or payable by the company for employee services to key management personnel of the company and its parent entities.

	Period Ended	
	December	November
$ in millions	2020	2019
Salaries and other short-term benefits	$211	$162
Post-employment benefits	1	1
Share-based compensation	255	167
Total	**$467**	$330

In the table above:

- Salaries and other short-term benefits includes fees paid to the non-executive directors of the company.
- Share-based compensation included a charge of $72 million for the period ended December 2020 and a charge of $45 million for the period ended November 2019 representing recharges from Group Inc. equivalent to changes in the fair value of share-based payment awards during the period.

Directors' Emoluments

In accordance with the Companies Act 2006, directors' emoluments represent the proportion of total emoluments paid or payable in respect of qualifying services only. This total only includes the value of cash and benefits in kind, and does not include the value of equity awards in accordance with the provisions of Schedule 5 of the Statutory Instruments 2008/410. Directors also receive emoluments for non-qualifying services which are not required to be disclosed.

The table below presents the company's directors' emoluments.

	Period Ended	
	December	November
$ in millions	2020	2019
Aggregate emoluments	$9	$7
Company pension contributions to money purchase schemes	-	-
Total	**$9**	$7

The table below presents emoluments for the highest paid director.

	Period Ended	
	December	November
$ in millions	2020	2019
Aggregate emoluments	$5	$4
Company pension contributions to money purchase schemes	-	-
Accrued annual pension at end of the period	-	-

Three directors were members of a defined contribution scheme for both the period ended December 2020 and November 2019. Three directors including the highest paid director, have received or are due to receive Group Inc. shares in respect of long-term incentive schemes for both the period ended December 2020 and November 2019. No director has exercised stock options during both the period ended December 2020 and November 2019.

The aggregate emoluments of the eight non-executive directors during the period ended December 2020 (period ended November 2019: seven non-executive directors) who were members of the Board for all or part of the period ended December 2020 was approximately $2.1 million (for all or part of the period ended November 2019: approximately $1.8 million). Certain non-executive directors received or will receive additional ongoing fees in respect of advisory services, the aggregate amount of which is approximately $2.5 million during the period ended December 2020 (period ended November 2019: approximately $2.3 million).

Transactions with Related Parties

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

Risk Management and Market-Making Activity

The company routinely enters into derivatives and buys and sells securities and loans with related parties for risk management and market-making purposes, which are recognised in trading assets and trading liabilities.

The table below presents the gross outstanding buys and sells of regular-way securities and loans from/to other GS Group affiliates.

	As of	
	December	November
$ in millions	2020	2019
Outstanding regular-way buys of securities and loans	$8,363	$10,018
Outstanding regular-way sells of securities and loans	$7,767	$ 9,003

The company also holds securities in, and makes corporate loans to other GS Group affiliates, which are classified in trading assets. The company also exchanges cash and security collateral in connection with derivative transactions. Cash collateral received is recognised in customer and other payables. Cash collateral paid is recognised in customer and other receivables. The company received security collateral from other GS Group affiliates of $nil as of December 2020 and $108 million as of November 2019 and posted security collateral to related parties of $1.30 billion as of December 2020 and $1.96 billion as of November 2019.

In addition, the company also executes and intermediates listed derivatives with other GS Group affiliates, resulting in the exchange of margin, which is recognised in customer and other receivables and customer and other payables.

Funding Activity

The company routinely enters into collateralised agreements and collateralised financings with GS Group affiliates to source securities and fund inventory on a secured basis.

In addition, a significant portion of the company's unsecured borrowings is from GS Group affiliates, including the company's AT1 notes issued to GSGUK. See Notes 21 and 25 for further details. The company has also made loans to certain GS Group affiliates. See Note 15 for further details.

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

Cash Management Services

The company receives cash management services from other GS Group affiliates and places cash deposits with them in the normal course of business which is recognised in cash and cash equivalents.

Commitments and Guarantees

The table below presents commitments and contingencies with other GS Group affiliates.

	As of		
	December	November	December 1
$ in millions	**2020**	2019	2018
Collateralised agreements	**$43,145**	$ 27,113	$15,012
Collateralised financings	**7,488**	14,619	8,117
Total	**$50,633**	$41,732	$23,129

During the period ended December 2020, the company received a guarantee from Group Inc. related to transactions entered into with certain of its counterparties. The value of the guarantee received was up to $8 billion of exposure at default, reducing to $nil as of December 2020.

Transfer Pricing and Management Charges

The company participates in the allocation of net revenues among GS Group affiliates for their involvement in GS Group's business activities. In addition, the company incurs/receives management charges to/from GS Group affiliates relating to operational and administrative support and management services.

Taxation

The company receives group relief from other GS Group affiliates. See Note 10 for the tax-effected losses surrendered from other GS Group affiliates for nil consideration. The company also received tax-effected losses from other GS Group affiliates of $201 million for the period ended December 2020 and $113 million for the period ended November 2019 for which it paid consideration in full.

Share-Based Payments

The company has entered into a chargeback agreement with Group Inc. under which it is committed to pay to Group Inc. (a) the grant-date fair value of those awards and (b) subsequent movements in the fair value of those awards between the grant date and delivery to employees. See Note 8 and Note 9 for further information.

Transactions with Key Management Personnel

Certain key management personnel and their close family members have brokerage and/or discretionary accounts at the company. They are provided services in the ordinary course of business on commercial terms, and in each case in compliance with the relevant laws and regulations.

Close family members of certain key management personnel are employed by the company. The amount of compensation paid to the family members was determined in accordance with the company's standard compensation practices applicable to similarly-situated employees.

Related Party Assets and Liabilities

The table below presents assets and liabilities with related parties.

$ in millions	Parent entities	Other GS Group affiliates	Other related parties	Total
As of December 2020				
Assets				
Cash and cash equivalents	$ –	$ 993	$ –	$ 993
Collateralised agreements	–	94,067	86	94,153
Customer and other receivables	3,455	9,596	1,091	14,142
Trading assets	1,365	634,405	2,123	637,893
Investments	–	193	–	193
Loans	–	215	–	215
Other assets	6,036	1,151	–	7,187
Total assets	**$10,856**	**$740,620**	**$3,300**	**$754,776**
Liabilities				
Collateralised financings	$ –	$ 75,388	$ 78	$ 75,466
Customer and other payables	–	14,104	97	14,201
Trading liabilities	4,546	625,421	3,111	633,078
Unsecured borrowings	34,737	12,257	–	46,994
Other liabilities	1,898	1,184	–	3,082
Total liabilities	**$41,181**	**$728,354**	**$3,286**	**$772,821**
As of November 2019				
Assets				
Cash and cash equivalents	$ –	$ 5	$ –	$ 5
Collateralised agreements	–	88,428	48	88,476
Customer and other receivables	3,014	9,894	774	13,682
Trading assets	1,233	449,670	1,389	452,292
Investments	–	230	–	230
Loans	–	2	–	2
Other assets	14	1,350	–	1,364
Total assets	$ 4,261	$549,579	$2,211	$556,051
Liabilities				
Collateralised financings	$ –	$ 87,079	$ –	$ 87,079
Customer and other payables	1	8,614	91	8,706
Trading liabilities	3,769	444,972	2,085	450,826
Unsecured borrowings	30,870	34,622	–	65,492
Other liabilities	926	436	–	1,362
Total liabilities	$35,566	$575,723	$2,176	$613,465
As of December 1, 2018				
Assets				
Cash and cash equivalents	$ –	$ –	$ –	$ –
Collateralised agreements	–	129,749	–	129,749
Customer and other receivables	1,240	10,254	498	11,992
Trading assets	1,488	297,931	502	299,921
Investments	–	198	–	198
Loans	–	17	–	17
Other assets	6	921	–	927
Total assets	$ 2,734	$439,070	$ 1,000	$442,804
Liabilities				
Collateralised financings	$ –	$ 98,800	$ –	$ 98,800
Customer and other payables	9	10,504	31	10,544
Trading liabilities	2,171	292,539	942	295,652
Unsecured borrowings	24,877	38,032	–	62,909
Other liabilities	498	745	–	1,243
Total liabilities	$27,555	$440,620	$ 973	$469,148

Related Party Income and Expense

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

$ in millions	Parent entities	Other GS Group affiliates	Other related parties	Total
Period Ended December 2020				
Net revenues				
Interest income	$ 7	$ 648	$ 3	$ 658
Interest expense	(1,012)	(1,376)	–	(2,388)
Transfer pricing revenues	5	964	–	969
Other income	–	76	–	76
Total net revenues	**$(1,000)**	**$ 312**	**$ 3**	**$ (685)**
Net operating expenses				
Transaction based expenses	$ –	$ 438	$ –	$ 438
Management charges from GS Group affiliates	–	921	–	$ 921
Management charges to GS Group affiliates	(6)	(338)	–	(344)
Other expenses	–	423	–	423
Total net operating expenses	**$ (6)**	**$ 1,444**	**$ –**	**$ 1,438**
Period Ended November 2019				
Net revenues				
Interest income	$ 26	$ 1,665	$6	$ 1,697
Interest expense	(1,251)	(3,386)	–	(4,637)
Transfer pricing revenues	49	687	–	736
Other income	–	–	–	–
Total net revenues	$(1,176)	$(1,034)	$6	$(2,204)
Net operating expenses				
Transaction based expenses	$ –	$ 230	$ –	$ 230
Management charges from GS Group affiliates	–	919	–	919
Management charges to GS Group affiliates	(8)	(362)	–	(370)
Other expenses	11	285	–	296
Total net operating expenses	$ 3	$ 1,072	$ –	$ 1,075

In the table above:

- Other income relates to consideration received from GSBE in connection with the transfer of certain of the company's activities and employees as a part of GS Group's Brexit planning.
- Transaction based expenses and other expenses primarily include expenses for activity where the company is principal to transactions for which it engages other GS Group affiliates to satisfy some or all of its performance obligations, resulting in a gross up in net revenues and expenses as required by IFRS 15.

Note 30.

Financial Instruments

Financial Assets and Liabilities by Category

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

$ in millions	Financial Assets Mandatorily at fair value	Amortised cost	Total
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**
As of November 2019			
Cash and cash equivalents	$ –	$ 22,397	$ 22,397
Collateralised agreements	91,586	64,762	156,348
Customer and other receivables	–	71,807	71,807
Trading assets	785,365	–	785,365
Investments	1,492	–	1,492
Loans	1,550	–	1,550
Other assets	–	1,459	1,459
Total	$ 879,993	$160,425	$1,040,418
As of December 1, 2018			
Cash and cash equivalents	$ –	$ 24,396	$ 24,396
Collateralised agreements	146,767	56,567	203,334
Customer and other receivables	–	62,633	62,633
Trading assets	592,781	–	592,781
Investments	1,318	–	1,318
Loans	820	–	820
Other assets	–	1,088	1,088
Total	$ 741,686	$144,684	$ 886,370

$ in millions	Financial Liabilities Held for trading	Designated at fair value	Amortised cost	Total
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**
As of November 2019				
Collateralised financings	$ –	$ 74,580	$ 41,356	$ 115,936
Customer and other payables	–	–	84,968	84,968
Trading liabilities	714,640	–	–	714,640
Unsecured borrowings	–	49,239	39,430	88,669
Other liabilities	–	–	2,761	2,761
Total	$714,640	$123,819	$168,515	$1,006,974
As of December 1, 2018				
Collateralised financings	$ –	$108,170	$ 31,940	$ 140,110
Customer and other payables	–	–	76,150	76,150
Trading liabilities	545,987	–	–	545,987
Unsecured borrowings	–	50,930	37,210	88,140
Other liabilities	–	–	2,726	2,726
Total	$545,987	$159,100	$148,026	$ 853,113

In the table above, certain of the company's collateralised financings that have been designated at fair value were previously disclosed as measured at amortised cost. As of November 2019, $777 million of collateralised financings have been moved from amortised cost to designated at fair value to more appropriately present these balances. These financial instruments have been presented in level 2 in the fair value hierarchy. See Note 31 for further information.

Offsetting of Financial Assets and Liabilities

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

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

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

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

- Gross amounts for the company included derivative assets of $4.69 billion and derivative liabilities of $5.47 billion as of December 2020, derivative assets of $4.65 billion and derivative liabilities of $4.96 billion as of November 2019, and derivative assets of $6.15 billion and derivative liabilities of $5.10 billion as of December 1, 2018 which are not subject to an enforceable netting agreement or are subject to a netting agreement that the company has not yet determined to be enforceable.

- Substantially all resale agreements and securities borrowed within collateralised agreements and repurchase agreements and securities loaned within collateralised financings are subject to enforceable netting agreements as of December 2020, November 2019 and December 1, 2018.

- Counterparty netting for derivative assets and unsecured borrowings has increased by $967 million as of November 2019 and $556 million as of December 1, 2018 to reflect the existence of an enforceable netting agreement.

	As of December 2020						
				Amounts not offset in the balance sheet			
$ in millions	Gross amounts	Amounts offset in the balance sheet	Net amount presented in the balance sheet	Counterparty netting	Cash collateral	Security collateral	Net amount
Financial Assets							
Collateralised agreements	$ 222,507	$ (81,825)	$ 140,682	$ (33,757)	$ –	$(104,988)	$ 1,937
Customer and other receivables	103,442	(24,095)	79,347	(5,502)	(49,489)	(17,331)	7,025
Trading cash instruments	27,326	(16,195)	11,131	(1,355)	(309)	(8,903)	564
Derivatives	904,223	(15,921)	888,302	(805,825)	(48,846)	(13,109)	20,522
Trading assets	931,549	(32,116)	899,433	(807,180)	(49,155)	(22,012)	21,086
Loans	266	–	266	(215)	–	–	51
Other assets	2,093	(2,093)	–	–	–	–	–
Financial assets subject to enforceable netting agreements	1,259,857	(140,129)	1,119,728	(846,654)	(98,644)	(144,331)	30,099
Financial assets not subject to enforceable netting agreements	146,849	–	146,849	–	–	–	146,849
Total financial assets	$1,406,706	$(140,129)	$1,266,577	$(846,654)	$(98,644)	$(144,331)	$176,948
Financial Liabilities							
Collateralised financings	$ 193,074	$(91,070)	$ 102,004	$ (33,951)	$ (1,322)	$ (65,118)	$ 1,613
Customer and other payables	117,084	(24,491)	92,593	(5,502)	(49,155)	(13,519)	24,417
Trading cash instruments	1,477	(1,381)	96	–	–	–	96
Derivatives	895,953	(15,524)	880,429	(806,171)	(47,995)	(8,269)	17,994
Trading liabilities	897,430	(16,905)	880,525	(806,171)	(47,995)	(8,269)	18,090
Unsecured borrowings	12,209	(7,663)	4,546	(1,030)	(172)	–	3,344
Financial liabilities subject to enforceable netting agreements	1,219,797	(140,129)	1,079,668	(846,654)	(98,644)	(86,906)	47,464
Financial liabilities not subject to enforceable netting agreements	151,222	–	151,222	–	–	–	151,222
Total financial liabilities	$1,371,019	$(140,129)	$1,230,890	$(846,654)	$(98,644)	$ (86,906)	$198,686

	As of November 2019						
				Amounts not offset in the balance sheet			
$ in millions	Gross amounts	Amounts offset in the balance sheet	Net amount presented in the balance sheet	Counterparty netting	Cash collateral	Security collateral	Net amount
Financial Assets							
Collateralised agreements	$ 216,916	$ (60,568)	$ 156,348	$ (65,240)	$ –	$ (88,735)	$ 2,373
Customer and other receivables	83,400	(23,902)	59,498	(4,199)	(39,222)	(10,159)	5,918
Trading cash instruments	18,645	(12,834)	5,811	(1,106)	–	(4,450)	255
Derivatives	692,404	(10,979)	681,425	(611,648)	(40,336)	(11,283)	18,158
Trading assets	711,049	(23,813)	687,236	(612,754)	(40,336)	(15,733)	18,413
Loans	67	–	67	(2)	–	–	65
Other assets	–	–	–	–	–	–	–
Financial assets subject to enforceable netting agreements	1,011,432	(108,283)	903,149	(682,195)	(79,558)	(114,627)	26,769
Financial assets not subject to enforceable netting agreements	137,269	–	137,269	–	–	–	137,269
Total financial assets	$1,148,701	$(108,283)	$1,040,418	$(682,195)	$(79,558)	$(114,627)	$164,038
Financial Liabilities							
Collateralised financings	$ 176,490	$ (67,914)	$ 108,576	$ (65,410)	$ (904)	$ (40,768)	$ 1,494
Customer and other payables	100,565	(23,598)	76,967	(4,199)	(40,336)	(12,752)	19,680
Trading cash instruments	1,423	(1,218)	205	–	–	–	205
Derivatives	681,774	(11,284)	670,490	(610,920)	(38,186)	(8,188)	13,196
Trading liabilities	683,197	(12,502)	670,695	(610,920)	(38,186)	(8,188)	13,401
Unsecured borrowings	7,150	(4,269)	2,881	(1,666)	(132)	–	1,083
Financial liabilities subject to enforceable netting agreements	967,402	(108,283)	859,119	(682,195)	(79,558)	(61,708)	35,658
Financial liabilities not subject to enforceable netting agreements	147,855	–	147,855	–	–	–	147,855
Total financial liabilities	$1,115,257	$(108,283)	$1,006,974	$(682,195)	$(79,558)	$ (61,708)	$183,513

	As of December 1, 2018						
				Amounts not offset in the balance sheet			
$ in millions	Gross amounts	Amounts offset in the balance sheet	Net amount presented in the balance sheet	Counterparty netting	Cash collateral	Security collateral	Net amount
Financial Assets							
Collateralised agreements	$270,215	$ (66,881)	$203,334	$ (83,337)	$ –	$(116,825)	$ 3,172
Customer and other receivables	68,493	(15,727)	52,766	(5,450)	(32,439)	(7,415)	7,462
Trading cash instruments	19,525	(13,407)	6,118	(1,595)	(43)	(3,448)	1,032
Derivatives	523,283	(10,720)	512,563	(448,820)	(34,886)	(10,769)	18,088
Trading assets	542,808	(24,127)	518,681	(450,415)	(34,929)	(14,217)	19,120
Loans	75	–	75	–	–	–	75
Other assets	–	–	–	–	–	–	–
Financial assets subject to enforceable netting agreements	881,591	(106,735)	774,856	(539,202)	(67,368)	(138,457)	29,829
Financial assets not subject to enforceable netting agreements	111,514	–	111,514	–	–	–	111,514
Total financial assets	$993,105	$(106,735)	$886,370	$(539,202)	$(67,368)	$(138,457)	$141,343
Financial Liabilities							
Collateralised financings	$207,093	$ (73,992)	$133,101	$ (83,375)	$ (1,609)	$ (46,370)	$ 1,747
Customer and other payables	86,429	(15,727)	70,702	(5,450)	(34,928)	(10,482)	19,842
Trading cash instruments	730	(709)	21	–	–	–	21
Derivatives	509,108	(10,720)	498,388	(448,348)	(30,815)	(5,867)	13,358
Trading liabilities	509,838	(11,429)	498,409	(448,348)	(30,815)	(5,867)	13,379
Unsecured borrowings	9,385	(5,587)	3,798	(2,029)	(16)	–	1,753
Financial liabilities subject to enforceable netting agreements	812,745	(106,735)	706,010	(539,202)	(67,368)	(62,719)	36,721
Financial liabilities not subject to enforceable netting agreements	147,103	–	147,103	–	–	–	147,103
Total financial liabilities	$959,848	$(106,735)	$853,113	$(539,202)	$(67,368)	$ (62,719)	$183,824

During the period ended December 2020, pursuant to an election under the rules of a clearing organisation, transactions with such clearing organisation are considered settled each day. The impact of reflecting transactions with this clearing organisation as settled would have been a reduction in gross derivative assets of $4.47 billion and derivative liabilities of $4.51 billion as of November 2019 and derivative assets of $3.25 billion and derivative liabilities of $3.20 billion as of December 1, 2018 and a corresponding decrease in counterparty netting and cash collateral netting, with no impact to the net amount in the tables above.

Collateral Received and Pledged

The company receives cash and securities (e.g., government and agency obligations, corporate debt securities, equity securities) as collateral, primarily in connection with resale agreements, securities borrowed, derivative transactions and customer margin loans. The company obtains cash and securities as collateral on an upfront or contingent basis for derivative instruments and collateralised agreements to reduce its credit exposure to individual counterparties.

In many cases, the company is permitted to deliver or repledge financial instruments received as collateral when entering into repurchase agreements and securities lending agreements, primarily in connection with secured client financing activity. The company is also permitted to deliver or repledge these financial instruments in connection with other secured financings, collateralised derivative transactions and meeting company or customer settlement requirements.

The company also pledges certain trading assets in connection with repurchase agreements, securities lending agreements and other secured financings to counterparties who may or may not have the right to deliver or repledge them.

The table below presents financial instruments received as collateral that were available to be delivered or repledged, and that were delivered or repledged.

	As of		
$ in millions	**December 2020**	November 2019	December 1 2018
Collateral available to be delivered or repledged	**$571,872**	$468,465	$484,249
Collateral that was delivered or repledged	**$545,053**	$419,742	$429,161

The table below presents information about assets pledged.

	As of		
$ in millions	**December 2020**	November 2019	December 1 2018
Pledged to counterparties that had the right to deliver or repledge			
Trading assets	**$27,295**	$35,307	$20,511
Investments	**$ 62**	$ 28	$ 39
Pledged to counterparties that did not have the right to deliver or repledge			
Trading assets	**$29,506**	$33,221	$29,363
Investments	**$ 346**	$ 851	$ 814

The company has received cash collateral of $74.90 billion as of December 2020, $58.71 billion as of November 2019 and $54.10 billion as of December 1, 2018, and posted cash collateral of $60.75 billion as of December 2020, $48.83 billion as of November 2019 and $44.97 billion as of December 1, 2018. Amounts received and posted are mainly in respect of trading assets and trading liabilities.

Note 31.

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

Trading Cash Instruments, Investments and Loans. Valuation techniques and significant inputs for each level of the fair value hierarchy include:

Level 1

Level 1 instruments are valued using quoted prices for identical unrestricted instruments in active markets. The company defines active markets for equity instruments based on the average daily trading volume both in absolute terms and relative to the market capitalisation for the instrument. The company defines active markets for debt instruments based on both the average daily trading volume and the number of days with trading activity.

Level 2

Level 2 instruments can be verified to quoted prices, recent trading activity for identical or similar instruments, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. Consideration is given to the nature of the quotations (e.g., indicative or firm) and the relationship of recent market activity to the prices provided from alternative pricing sources.

Valuation adjustments are typically made to level 2 instruments (i) if the instrument is subject to transfer restrictions and/or (ii) for other premiums and liquidity discounts that a market participant would require to arrive at fair value. Valuation adjustments are generally based on market evidence.

Level 3

Level 3 instruments have one or more significant valuation inputs that are not observable. Absent evidence to the contrary, level 3 instruments are initially valued at transaction price, which is considered to be the best initial estimate of fair value. Subsequently, the company uses other methodologies to determine fair value, which vary based on the type of instrument. Valuation inputs and assumptions are changed when corroborated by substantive observable evidence, including values realised on sales of financial assets.

Valuation techniques of level 3 instruments vary by instrument, but are generally based on discounted cash flow techniques. The valuation techniques and the nature of significant inputs used to determine the fair values of each type of level 3 trading cash instrument, investments and loans are described below:

- **Mortgages and Other Asset-Backed Loans and Securities.** Significant inputs are generally determined based on relative value analyses and include:
  - Market yields implied by transactions of similar or related assets;
  - Transaction prices in both the underlying collateral and instruments with the same or similar underlying collateral;
  - Current performance of the borrower or loan collateral and recovery assumptions if a default occurs; and
  - Timing of expected future cash flows (duration) which, in certain cases, may incorporate the impact of other unobservable inputs (e.g., prepayment speeds).
- **Corporate Debt Instruments, Government and Agency Obligations and Loans.** Significant inputs are generally determined based on relative value analyses, which incorporate comparisons both to prices of credit default swaps that reference the same or similar underlying instrument or entity and to other debt instruments for the same or similar issuer for which observable prices or broker quotations are available. Significant inputs include:
  - Market yields implied by transactions of similar or related assets;
  - Current levels and changes in market indices, such as the iTraxx and CDX (indices that track the performance of corporate credit);
  - Current performance of the borrower or loan collateral and recovery assumptions if a default occurs;
  - Maturity and coupon profile of the instrument; and
  - Market and transaction multiples for corporate debt instruments with convertibility or participation options.
- **Equity Securities.** Equity securities consists of private equity securities. Recent third-party completed or pending transactions (e.g., merger proposals, tender offers, debt restructurings) are considered to be the best evidence for any change in fair value. When these are not available, the following valuation methodologies are used, as appropriate:
  - Industry multiples and public comparables;
  - Transactions in similar instruments; and
  - Discounted cash flow techniques.

Derivatives. Derivatives may be traded on an exchange (exchange-traded) or they may be privately negotiated contracts, which are usually referred to as OTC derivatives. Certain of the company's OTC derivatives are cleared and settled through central clearing counterparties (OTC-cleared), while others are bilateral contracts between two counterparties (bilateral OTC).

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

- **Interest Rate.** In general, the key inputs used to value interest rate derivatives are transparent, even for most long-dated contracts. Interest rate swaps and options denominated in the currencies of leading industrialised nations are characterised by high trading volumes and tight bid/offer spreads. Interest rate derivatives that reference indices, such as an inflation index, or the shape of the yield curve (e.g., 10-year swap rate vs. 2-year swap rate) are more complex, but the key inputs are generally observable.
- **Credit.** Price transparency for credit default swaps, including both single names and baskets of credits, varies by market and underlying reference entity or obligation. Credit default swaps that reference indices, large corporates and major sovereigns generally exhibit the most price transparency. For credit default swaps with other underliers, price transparency varies based on credit rating, the cost of borrowing the underlying reference obligations, and the availability of the underlying reference obligations for delivery upon the default of the issuer. Credit default swaps that reference loans, asset-backed securities and emerging market debt instruments tend to have less price transparency than those that reference corporate bonds. In addition, more complex credit derivatives, such as those sensitive to the correlation between two or more underlying reference obligations or to secured funding spreads, generally have less price transparency.
- **Currency.** Prices for currency derivatives based on the exchange rates of leading industrialised nations, including those with longer tenors, are generally transparent. The primary difference between the price transparency of developed and emerging market currency derivatives is that emerging markets tend to be only observable for contracts with shorter tenors.
- **Equity.** Price transparency for equity derivatives varies by market and underlier. Options on indices and the common stock of corporates included in major equity indices exhibit the most price transparency. Equity derivatives generally have observable market prices, except for contracts with long tenors or reference prices that differ significantly from current market prices. More complex equity derivatives, such as those sensitive to the correlation between two or more individual stocks, generally have less price transparency.

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

Level 1

Level 1 derivatives include short-term contracts for future delivery of securities when the underlying security is a level 1 instrument, and exchange-traded derivatives if they are actively traded and are valued at their quoted market price.

Level 2

Level 2 derivatives include OTC derivatives for which all significant valuation inputs are corroborated by market evidence and exchange-traded derivatives that are not actively traded and/or that are valued using models that calibrate to market-clearing levels of OTC derivatives. In evaluating the significance of a valuation input, the company considers, among other factors, a portfolio's net risk exposure to that input.

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

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

Level 3

Level 3 derivatives are valued using models which utilise observable level 1 and/or level 2 inputs, as well as unobservable level 3 inputs. Unobservable inputs include certain correlations, illiquid credit and secured funding spreads, recovery rates and certain equity and interest rate volatilities.

Subsequent to the initial valuation of a level 3 derivative, the company updates the level 1 and level 2 inputs to reflect observable market changes and any resulting gains and losses are classified in level 3. Level 3 inputs are changed when corroborated by evidence such as similar market transactions, third-party pricing services and/or broker or dealer quotations or other empirical market data. In circumstances where the company cannot verify the model value by reference to market transactions, it is possible that a different valuation model could produce a materially different estimate of fair value. See below for further information about significant unobservable inputs used in the valuation of level 3 derivatives.

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

Valuation Adjustments

Valuation adjustments are integral to determining the fair value of derivative portfolios and are used to adjust the mid-market valuations produced by derivative pricing models to the exit price valuation. These adjustments incorporate bid/offer spreads, the cost of liquidity, CVA and funding valuation adjustments, which account for the credit and funding risk inherent in the uncollateralised portion of derivative portfolios. The company also makes funding valuation adjustments to collateralised derivatives where the terms of the agreement do not permit the company to deliver or repledge collateral received. Market-based inputs are generally used when calibrating valuation adjustments to market-clearing levels.

In addition, for derivatives that include significant unobservable inputs, the company makes model or exit price adjustments to account for the valuation uncertainty present in the transaction.

Other Financial Assets and Liabilities. Valuation techniques and significant inputs of other financial assets and liabilities include:

- **Resale and Repurchase Agreements and Securities Borrowed and Loaned.** The significant inputs to the valuation of resale and repurchase agreements and securities borrowed and loaned are funding spreads, the amount and timing of expected future cash flows and interest rates.

- **Other Assets.** Other assets measured at fair value consist of an unsecured intercompany loan. The significant inputs to the valuation of this unsecured intercompany loan measured at fair value are the amount and timing of expected future cash flows, interest rates and the credit spreads of GS Group.

- **Other Secured Financings.** The significant inputs to the valuation of secured debt securities issued, other borrowings and intercompany loans measured at fair value are the amount and timing of expected future cash flows, interest rates, funding spreads, the fair value of the collateral delivered by the company (which is determined using the amount and timing of expected future cash flows, market prices, market yields and recovery assumptions) and the frequency of additional collateral calls.

- **Unsecured Borrowings.** The significant inputs to the valuation of unsecured borrowings measured at fair value are the amount and timing of expected future cash flows, interest rates, the credit spreads of GS Group, as well as commodity prices in the case of prepaid commodity contracts. The inputs used to value the embedded derivative component of hybrid financial instruments are consistent with the inputs used to value the company's other derivative instruments.

Fair Value of Financial Assets and Liabilities by Level

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

$ in millions	Level 1	Level 2	Level 3	Total
As of 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**
As of November 2019				
Financial assets				
Collateralised agreements	$ –	$ 91,586	$ –	$ 91,586
Trading cash instruments	76,927	26,492	521	103,940
Derivative instruments	13	676,875	4,537	681,425
Trading assets	76,940	703,367	5,058	785,365
Investments	19	1,328	145	1,492
Loans	–	1,428	122	1,550
Other assets	–	–	–	–
Total	$76,959	$ 797,709	$ 5,325	$ 879,993
Financial liabilities				
Collateralised financings	$ –	$ 73,469	$ 1,111	$ 74,580
Trading cash instruments	38,594	5,337	219	44,150
Derivative instruments	15	667,680	2,795	670,490
Trading liabilities	38,609	673,017	3,014	714,640
Unsecured borrowings	–	41,058	8,181	49,239
Total	$38,609	$ 787,544	$12,306	$ 838,459
Net derivatives	$ (2)	$ 9,195	$ 1,742	$ 10,935
As of December 1, 2018				
Financial assets				
Collateralised agreements	$ –	$ 146,767	$ –	$ 146,767
Trading cash instruments	53,173	26,326	719	80,218
Derivative instruments	17	508,315	4,231	512,563
Trading assets	53,190	534,641	4,950	592,781
Investments	32	1,047	239	1,318
Loans	–	695	125	820
Other assets	–	–	–	–
Total	$53,222	$ 683,150	$ 5,314	$ 741,686
Financial liabilities				
Collateralised financings	$ –	$ 107,234	$ 936	$ 108,170
Trading cash instruments	42,951	4,637	12	47,600
Derivative instruments	21	495,993	2,373	498,387
Trading liabilities	42,972	500,630	2,385	545,987
Unsecured borrowings	–	41,377	9,553	50,930
Total	$42,972	$ 649,241	$12,874	$ 705,087
Net derivatives	$ (4)	$ 12,322	$ 1,858	$ 14,176

In the table above, level 2 collateralised financings as of November 2019 has been increased by $777 million. See Note 30 for further details.

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.

	Level 3 Trading Cash Instruments Assets, Investments and Loans and Range of Significant Unobservable Inputs (Weighted Average) as of		
$ in millions	**December 2020**	November 2019	December 1, 2018
Trading Cash Instruments			
Mortgages and other asset-backed loans and securities			
Level 3 assets	**$132**	$125	$171
Yield	**0.6% to 14.0% (6.1%)**	1.2% to 18.6% (7.2%)	2.4% to 16.5% (6.5%)
Recovery rate	**21.6% to 69.3% (35.8%)**	48.3% to 75.0% (61.6%)	19.0% to 75.0% (50.0%)
Duration (years)	**1.0 to 11.5 (2.7)**	0.5 to 10.6 (4.3)	0.5 to 13.4 (5.1)
Corporate debt instruments and government and agency obligations			
Level 3 assets	**$349**	$378	$536
Yield	**0.6% to 23.6% (5.9%)**	1.8% to 13.2% (4.8%)	0.7% to 10.2% (3.7%)
Recovery rate	**0.0% to 69.7% (50.4%)**	0.0% to 69.5% (37.1%)	0.0% to 69.9% (53.4%)
Duration (years)	**2.0 to 25.5 (8.3)**	2.6 to 16.5 (8.7)	0.5 to 13.2 (3.0)
Investments			
Corporate debt instruments			
Level 3 assets	**$96**	$102	$206
Yield	**6.8% to 6.8% (6.8%)**	7.0% to 7.0% (7.0%)	8.9% to 28.2% (11.0%)
Recovery rate	**N/A**	65.4% to 65.4% (65.4%)	42.5% to 78.0% (71.4%)
Duration (years)	**2.9 to 2.9 (2.9)**	5.4 to 5.4 (5.4)	1.9 to 3.9 (2.2)
Equity securities			
Level 3 assets	**$36**	$42	$33
Multiples	**4.2x to 11.0x (4.6x)**	4.1x to 11.0x (5.4x)	4.1x to 11.0x (5.4x)
Loans			
Corporate			
Level 3 assets	**$111**	$122	$125
Yield	**3.3% to 6.6% (5.6%)**	1.9% to 6.7% (5.5%)	6.6% to 6.6% (6.6%)
Recovery rate	**15.0% to 15.0% (15.0%)**	15.0% to 15.0% (15.0%)	5.1% to 15.0% (12.5%)

In the table above:

- Level 3 equity securities in trading cash instruments of $22 million as of December 2020, $18 million as of November 2019 and $12 million as of December 1, 2018 and Level 3 mortgages and other asset-backed loan securities in investments of $1 million as of November 2019 were not included as they were not material.
- Ranges represent the significant unobservable inputs that were used in the valuation of each type of cash instrument.
- 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 December 2020, November 2019 and December 1, 2018. 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.

	Level 3 Derivatives and Range of Significant Unobservable Inputs (Average/Median) as of		
$ in millions	**December 2020**	November 2019	December 1, 2018
Interest rates, net	**$414**	$202	$76
Correlation	**(8)% to 24% (13%/20%)**	(42)% to 16% ((5)%/2%)	71% to 72% (72%/72%)
Volatility (bps)	**40 to 63 (53/52)**	50 to 70 (62/62)	64 to 143 (84/78)
Credit, net	**$2,305**	$2,344	$2,003
Credit spreads (bps)	**2 to 699 (100/63)**	2 to 1,321 (122/83)	2 to 589 (141/104)
Upfront credit points	**19 to 28 (23/23)**	76 to 82 (80/81)	1 to 46 (22/22)
Recovery rates	**25% to 90% (47%/40%)**	10% to 41% (27%/25%)	25% to 45% (37%/40%)
Currencies, net	**$37**	$50	$(115)
Correlation	**20% to 23% (21%/21%)**	20% to 23% (22%/22%)	5% to 32% (18%/15%)
Equities, net	**$(670)**	$(862)	$(108)
Correlation	**(35)% to 96% (46%/48%)**	(70)% to 97% (43%/45%)	(63)% to 98% (47%/53%)
Volatility	**3% to 102% (16%/16%)**	2% to 70% (12%/6%)	4% to 81% (17%/13%)

In the table above:

- Level 3 commodities derivatives of $4 million as of December 2020, $8 million as of November 2019 and $2 million as of December 1, 2018 were not included as they were not material.
- Net derivative assets are shown as positive amounts and net derivative liabilities are shown as negative amounts.
- 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

The following provides information about the ranges of significant unobservable inputs used to value level 3 derivative instruments:

- **Correlation.** Ranges for correlation cover a variety of underliers both within one product type (e.g., equity index and equity single stock names) and across product types (e.g., correlation of an interest rate and a currency), as well as across regions.
- **Volatility.** Ranges for volatility cover numerous underliers across a variety of markets, maturities and strike prices. For example, volatility of equity indices is generally lower than volatility of single stocks.
- **Credit spreads, upfront credit points and recovery rates.** The ranges for credit spreads, upfront credit points and recovery rates cover a variety of underliers (index and single names), regions, sectors, maturities and credit qualities (high-yield and investment grade) and also includes secured funding spreads. The broad range of this population gives rise to the width of the ranges of significant unobservable inputs.

Sensitivity of Fair Value Measurement to Changes in Significant Unobservable Inputs

The following is a description of the directional sensitivity of the company's level 3 fair value measurements to changes in significant unobservable inputs, in isolation, as of each period-end:

- **Correlation.** In general, for contracts where the holder benefits from the convergence of the underlying asset or index prices (e.g., interest rates, credit spreads, foreign exchange rates, inflation rates and equity prices), an increase in correlation results in a higher fair value measurement.
- **Volatility.** In general, for purchased options, an increase in volatility results in a higher fair value measurement.
- **Credit spreads, upfront credit points and recovery rates.** In general, the fair value of purchased credit protection increases as credit spreads or upfront credit points increase or recovery rates decrease, and the fair value of secured funding capacity increases as secured funding spreads increase. Credit spreads, upfront credit points and recovery rates are strongly related to distinctive risk factors of the underlying reference obligations, which include reference entity-specific factors such as leverage, volatility and industry, market-based risk factors, such as borrowing costs or liquidity of the underlying reference obligation, and macroeconomic conditions.

Due to the distinctive nature of each of the company's level 3 derivatives, the interrelationship of inputs is not necessarily uniform within each product type.

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 December 2020, November 2019 and December 1, 2018, there were no level 3 resale agreements, securities borrowed or securities loaned. As of December 2020, November 2019 and December 1, 2018, level 3 repurchase agreements were not material.
- **Other Secured Financings.** As of December 2020, November 2019 and December 1, 2018, 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 December 2020, November 2019 and December 1, 2018, 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 period ended December 2020 and period ended November 2019, there were no significant transfers between level 1 and level 2 financial assets and liabilities measured at fair value on a recurring basis.

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 $412 million as of December 2020, $346 million as of November 2019 and $356 million as of December 1, 2018, for favourable changes, and $186 million as of December 2020, $237 million as of November 2019 and $240 million as of December 1, 2018 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 December 2020, November 2019 and December 1, 2018, 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).

	Period Ended	
	December	November
$ in millions	2020	2019
Beginning balance	**$ 153**	$146
New transactions	**181**	90
Amounts recognised in the income statement during the period	**(125)**	(83)
Ending balance	**$ 209**	$153

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.

	Period Ended	
	December	November
$ in millions	2020	2019
Total financial assets		
Beginning balance	**$ 5,325**	$ 5,314
Gains/(losses)	**2,099**	942
Purchases	**635**	659
Sales	**(170)**	(249)
Settlements	**(1,428)**	(1,039)
Transfers into level 3	**351**	445
Transfers out of level 3	**(447)**	(747)
Ending balance	**$ 6,365**	$ 5,325
Total financial liabilities		
Beginning balance	**$(12,306)**	$(12,874)
Gains/(losses)	**(1,757)**	(1,745)
Purchases	**17**	7
Sales	**(340)**	(418)
Issuances	**(12,362)**	(6,352)
Settlements	**12,677**	8,710
Transfers into level 3	**(913)**	(852)
Transfers out of level 3	**1,534**	1,218
Ending balance	**$(13,450)**	$(12,306)

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.

- The net gains on level 3 financial assets for the period ended December 2020 and period ended November 2019 are reported in "Net revenues" in the income statement.

- The net losses on level 3 financial liabilities of $1.76 billion for the period ended December 2020 included losses of $1.68 billion reported in "Net revenues" in the income statement and losses of $81 million reported in "Debt valuation adjustment" in the statement of comprehensive income. The net losses on level 3 financial liabilities of $1.75 billion for the period ended November 2019 included losses of $1.63 billion reported in "Net revenues" in the income statement and losses of $120 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.

	Period Ended	
	December	November
$ in millions	2020	2019
Trading assets		
Beginning balance	$ 5,058	$ 4,950
Gains/(losses)	2,096	942
Purchases	632	631
Sales	(170)	(243)
Settlements	(1,407)	(1,002)
Transfers into level 3	266	414
Transfers out of level 3	(353)	(634)
Ending balance	$ 6,122	$ 5,058
Investments		
Beginning balance	$ 145	$ 239
Gains/(losses)	2	6
Purchases	–	7
Sales	–	(6)
Settlements	(6)	(33)
Transfers into level 3	85	31
Transfers out of level 3	(94)	(99)
Ending balance	$ 132	$ 145
Loans		
Beginning balance	$ 122	$ 125
Gains/(losses)	1	(6)
Purchases	3	21
Settlements	(15)	(4)
Transfers out of level 3	–	(14)
Ending balance	$ 111	$ 122

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

	Period Ended	
	December	November
$ in millions	2020	2019
Trading liabilities		
Beginning balance	$ (3,014)	$(2,385)
Gains/(losses)	(1,340)	(918)
Purchases	17	7
Sales	(340)	(418)
Settlements	1,033	645
Transfers into level 3	(368)	(294)
Transfers out of level 3	454	349
Ending balance	$ (3,558)	$(3,014)
Collateralised financings		
Beginning balance	$ (1,111)	$ (936)
Gains/(losses)	42	68
Issuances	–	(263)
Settlements	829	1
Transfers out of level 3	–	19
Ending balance	$ (240)	$(1,111)
Unsecured borrowings		
Beginning balance	$ (8,181)	$(9,553)
Gains/(losses)	(459)	(895)
Issuances	(12,362)	(6,089)
Settlements	10,815	8,064
Transfers into level 3	(545)	(558)
Transfers out of level 3	1,080	850
Ending balance	$ (9,652)	$(8,181)

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.

Period Ended December 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 cash instruments from level 2, principally due to decreased transparency of certain yield products.

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

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

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

Period Ended November 2019

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

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

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

Financial Liabilities.

Period Ended December 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 d primarily reflected transfers of certain credit 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.

Period Ended November 2019

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 $183.57 billion as of December 2020, $160.43 billion as of November 2019 and $144.68 billion as of December 1, 2018 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.

	As of		
$ in millions	**December 2020**	November 2019	December 1 2018
Current	**$128,900**	$139,760	$132,043
Non-current	**43,047**	28,755	15,983
Total	**$171,947**	$168,515	$148,026

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.
- Current financial liabilities as of November 2019 has been decreased by $777 million. See Note 30 for further details.

Note 32.

Financial Risk Management and Capital Management

Certain disclosures in relation to financial risk management and capital management have been presented alongside other risk management and regulatory information in Part I of this annual report and are identified as audited, where relevant.

Maturity of Financial Liabilities

The tables below present an analysis of the cash flows of financial liabilities by contractual maturity except for trading liabilities, which are classified as trading/on demand, reflecting the company's role as a market maker.

In the table below:

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

$ in millions	Trading/ on demand	Less than 1 month	1-3 months	3 months - 1 year	1 - 5 years	Greater than 5 years	Total
As of December 2020							
Collateralised financings	**$ 20,588**	**$ 60,064**	**$ 7,779**	**$ 20,857**	**$ 1,976**	**$ 1,875**	**$ 113,139**
Customer and other payables	**100,519**	**–**	**–**	**–**	**–**	**–**	**100,519**
Trading liabilities	**932,414**	**–**	**–**	**–**	**–**	**–**	**932,414**
Unsecured borrowings	**3,205**	**2,139**	**6,645**	**8,803**	**46,846**	**15,429**	**83,067**
Other liabilities	**2,006**	**1,437**	**14**	**13**	**996**	**14**	**4,480**
Total – on balance sheet	**1,058,732**	**63,640**	**14,438**	**29,673**	**49,818**	**17,318**	**1,233,619**
Collateralised agreements commitments	**451**	**58,612**	**82**	**2,837**	**–**	**–**	**61,982**
Other	**3,007**	**–**	**614**	**627**	**690**	**4**	**4,942**
Total – off balance sheet	**3,458**	**58,612**	**696**	**3,464**	**690**	**4**	**66,924**
Total	**$1,062,190**	**$122,252**	**$15,134**	**$ 33,137**	**$50,508**	**$17,322**	**$1,300,543**
As of November 2019							
Collateralised financings	$ 32,197	$ 36,404	$25,351	$16,652	$ 3,608	$ 1,739	$ 115,951
Customer and other payables	84,968	–	–	–	–	–	84,968
Trading liabilities	714,640	–	–	–	–	–	714,640
Unsecured borrowings	3,644	938	2,180	14,896	54,160	16,088	91,906
Other liabilities	484	482	872	74	831	19	2,762
Total – on balance sheet	835,933	37,824	28,403	31,622	58,599	17,846	1,010,227
Collateralised agreements commitments	–	58,253	2,285	2,258	496	–	63,292
Other	2,750	–	121	35	–	–	2,906
Total – off balance sheet	2,750	58,253	2,406	2,293	496	–	66,198
Total	$ 838,683	$ 96,077	$30,809	$33,915	$59,095	$17,846	$1,076,425
As of December 1, 2018							
Collateralised financings	$ 33,044	$ 50,017	$23,778	$22,974	$ 8,026	$ 2,281	$ 140,120
Customer and other payables	76,150	–	–	–	–	–	76,150
Trading liabilities	545,987	–	–	–	–	–	545,987
Unsecured borrowings	4,322	985	2,399	24,247	41,525	18,186	91,664
Other liabilities	577	755	563	72	755	15	2,737
Total – on balance sheet	660,080	51,757	26,740	47,293	50,306	20,482	856,658
Collateralised agreements commitments	–	60,332	198	–	–	–	60,530
Other	2,299	–	–	–	101	–	2,400
Total – off balance sheet	2,299	60,332	198	–	101	–	62,930
Total	$ 662,379	$112,089	$26,938	$47,293	$50,407	$20,482	$ 919,588

Note 33.

Transferred Assets

Assets Continued to be Recognised in Full. During the period ended December 2020, the company transferred certain financial assets where the transfers failed to meet the derecognition criteria, as contained in IFRS 9, and as a result of which the company continues to recognise these assets in full in the balance sheet.

The company transfers assets owned to counterparties in the ordinary course of business to collateralise repurchase agreements and other securities lending transactions. In these transactions the transferred assets continue to be recognised by the company for accounting purposes because the transactions require the financial instruments to be repurchased at maturity of the agreement and the company remains exposed to the price, credit and interest rate risk of these instruments. When the company receives cash proceeds from the transfer of the asset, a financial liability is recognised in respect of the consideration received and recorded in collateralised financings. When the company receives non cash collateral (in the form of securities) no liability is initially recognised. If collateral received is subsequently sold, the obligation to return the collateral is recognised as a liability in trading liabilities.

In addition to repurchase agreements and securities lending agreements, the company obtains funding through the use of other arrangements that fail to meet the derecognition criteria. For example, sales of securities with related derivatives, such as total return swaps, through which the company retains substantially all of the risk and reward of the transferred assets. A financial liability is recognised in such cases for the proceeds received.

Other financial assets transferred that continue to be recognised on balance sheet for accounting purposes relate to pledges of securities as collateral, primarily for derivative transactions. The obligations under such derivatives are recorded in trading liabilities.

The table below presents financial assets which have been transferred but which remain on balance sheet for accounting purposes.

	As of		
$ in millions	**December 2020**	November 2019	December 1 2018
Money market instruments	**$ –**	$ 2	$ –
Government and agency obligations	**16,340**	27,609	22,938
Mortgage and other asset-backed loans and securities	**347**	147	–
Corporate debt instruments	**7,660**	8,328	6,549
Equity securities	**32,454**	32,443	20,387
Trading cash instruments	**56,801**	68,529	49,874
Government and agency obligations	**–**	17	13
Corporate debt instruments	**399**	852	767
Equity securities	**9**	10	73
Investments	**408**	879	853
Total	**$57,209**	$69,408	$50,727

In the table above, the carrying value of the associated financial liabilities generally approximate the carrying value of the assets transferred.

Derecognised Assets With Ongoing Exposure. The company has continuing involvement in the form of derivative transactions and guarantees with certain unconsolidated structured entities to which the company had transferred financial assets. These derivatives may be credit-linked to the asset transferred and result in the company retaining specific risks in the transferred asset or require the company to make payments to the structured entity to compensate losses on the asset if certain contingent events occur.

In addition, the company transfers financial assets to securitisation vehicles. The company generally receives cash in exchange for the transferred assets but may have continuing involvement with the transferred assets, including ownership of beneficial interests in the securitised financial assets, primarily in the form of debt instruments. The company may also purchase senior or subordinated securities issued by securitisation vehicles in connection with secondary market-making activities.

Where the company's continuing involvement in transferred assets is through derivatives or guarantees, the maximum exposure to loss is the notional amounts of the derivative or guarantee. For retained or purchased interests in securitised assets, the company's risk of loss is limited to the fair value of these interests. In all cases these retained interests are carried at fair value.

The company accounts for assets pending transfer at fair value and therefore does not typically recognise significant gains or losses upon the transfer of assets. The company does not have continuing involvement that could require the company to repurchase derecognised financial assets.

The tables below present information about exposure through continuing involvement and the gains or losses related to those transactions.

$ in millions	Carrying value	Maximum exposure to loss
As of December 2020		
Assets		
Trading cash instruments	**$ –**	**$ –**
Derivatives	**76**	**619**
Trading assets	**76**	**619**
Total	**$ 76**	**$619**
Liabilities		
Derivatives	**$(13)**	**$299**
Trading liabilities	**(13)**	**299**
Total	**$(13)**	**$299**
As of November 2019		
Assets		
Trading cash instruments	$ 1	$ 46
Derivatives	85	693
Trading assets	86	739
Total	$ 86	$739
Liabilities		
Derivatives	$(20)	$245
Trading liabilities	(20)	245
Total	$(20)	$245
As of December 1, 2018		
Assets		
Trading cash instruments	$ –	$ –
Derivatives	63	802
Trading assets	63	802
Total	$ 63	$802
Liabilities		
Derivatives	$ (1)	$111
Trading liabilities	(1)	111
Total	$ (1)	$111

$ in millions	Income/ (expense) in the period	Cumulative income/ (expense)
As of December 2020		
Assets		
Trading cash instruments	**$ –**	**$133**
Derivatives	**22**	**211**
Trading assets	**22**	**344**
Total	**$22**	**$344**
Liabilities		
Derivatives	**$(3)**	**$ (4)**
Trading liabilities	**(3)**	**(4)**
Customer and other payables	**–**	**(1)**
Total	**$(3)**	**$ (5)**
As of November 2019		
Assets		
Trading cash instruments	$ 1	$133
Derivatives	68	189
Trading assets	69	322
Total	$69	$322
Liabilities		
Derivatives	$34	$ (1)
Trading liabilities	34	(1)
Customer and other payables	–	(1)
Total	$34	$ (2)