Annual Report
December 31, 2020

Goldman Sachs International Bank (unlimited company)

Company Number: 01122503

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Introduction

Goldman Sachs International Bank (GSIB or the bank) is involved in lending and deposit-taking activities, securities lending and acts as a primary dealer for U.K. government bonds.

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

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

The bank's principal office is in the U.K., and the bank has branches in Germany (the Frankfurt branch), which is involved in lending activities, and South Africa (the Johannesburg branch), which is involved in client execution activities.

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 bank 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 bank 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 bank changed its accounting reference date from November 30 to December 31 to conform to the period used by the bank 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.

Executive Overview

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

Income Statement

The income statement is set out on page 30 of this annual report. The bank's profit for the period ended December 2020 was $142 million, an increase of 20% compared with the period ended November 2019.

Net interest income was $322 million for the period ended December 2020, compared with $267 million for the period ended November 2019. This increase reflects the bank's continued focus on the expansion of its lending and deposit-taking activities.

Non-interest income was $173 million for the period ended December 2020, compared with $96 million for the period ended November 2019. This increase reflects higher gains associated with lending activities.

Impairments on financial instruments were $147 million for the period ended December 2020 reflecting an increase in the allowance for impairment associated with lending activities following a deteriorating macroeconomic environment resulting from COVID-19.

Operating expenses were $149 million for the period ended December 2020, compared with $200 million for the period ended November 2019. This decrease reflects lower transaction based expenses associated with lending activities.

Balance Sheet

The balance sheet is set out on page 31 of this annual report.

As of December 2020, total assets were $59.77 billion, an increase of $14.36 billion from November 2019, reflecting increases in collateralised agreements of $5.06 billion, cash and cash equivalents of $4.25 billion and loans of $2.51 billion primarily due to an increase in deposit-taking activities.

As of December 2020, total liabilities were $56.41 billion, an increase of $14.22 billion from November 2019, reflecting an increase in deposits of $13.30 billion due to an increase in deposit-taking activities. Deposits increased from $39.50 billion as of November 2019 to $52.80 billion as of December 2020 primarily due to an increase in deposits from the bank's digital deposit platform (*Marcus by Goldman Sachs*).

The bank's CET1 capital was $3.32 billion as of December 2020 and $3.11 billion as of November 2019.

Future Outlook

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

- **Brexit.** As a result of the Brexit transition period ending on December 31, 2020, the bank 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, and 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 bank have been transitioned to other E.U. subsidiaries of Group Inc. which may impact the bank’s net revenues and profitability.
- **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 bank 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 bank’s operational and financial performance, will depend on future developments including the duration and continued spread of the outbreak.

Business Environment

In the beginning of 2020, the spread of COVID-19 across the globe and the accompanying temporary closures of nonessential 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 the market. 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. subsequently 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 virus resurgence, vaccine distribution, further fiscal stimulus and geopolitical risks.

Principal Risks and Uncertainties

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

The principal risks and uncertainties that the bank 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 bank's businesses have been and may in the future be adversely affected by conditions in the global financial markets and broader economic conditions.
- Changes in market interest rates could adversely affect the bank's revenues and expenses, the value of assets and obligations, and the availability and cost of funding.

Liquidity

- The bank's liquidity, profitability and businesses may be adversely affected by an inability to access the debt capital markets or to sell assets.
- Loss of deposits could increase the bank's funding costs and adversely affect the bank's liquidity and ability to grow its business.

Credit

- The bank'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 bank's underwriting, investing and financing activities.
- Derivative transactions and delayed documentation or settlements may expose the bank to credit risk, unexpected risks and potential losses.
- The bank might underestimate the credit losses inherent in its loan portfolio and have credit losses in excess of the amount reserved.

Operational

- A failure in the bank's operational systems or infrastructure, or those of third parties, as well as human error, malfeasance or other misconduct, could impair the bank's liquidity, disrupt its businesses, result in the disclosure of confidential information, damage its reputation and cause losses.
- A failure to protect the bank'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 bank may incur losses as a result of ineffective risk management processes and strategies.
- The bank 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 bank's businesses, adversely affect client activity levels, adversely affect the creditworthiness of its counterparties and damage the bank's reputation.
- The bank is reliant on Group Inc. and other GS Group affiliates for client business, various services and capital.

Legal and Regulatory

- The bank'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 bank's businesses.
- The bank may be adversely affected by increased governmental and regulatory scrutiny or negative publicity.

Market Developments and General Business Environment

- The bank'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 bank's strategy with respect to Brexit may not be effective.
- Certain of the bank's businesses, its funding instruments and financial products may be adversely affected by changes in or the discontinuance of Interbank Offered Rates (IBORs), in particular LIBOR.
- The bank 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 financial services industry is highly competitive.

The following are detailed descriptions of the bank's Principal Risks and Uncertainties summarised above.

Market

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

The bank'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. In addition, a significant portion of the bank's business involves transactions with, through, arising from, involving, or otherwise related to other GS Group affiliates, and any adverse change in the businesses or activity levels of GS Group more broadly can have an adverse impact on the bank. These conditions can change suddenly and negatively.

Changes in market interest rates could adversely affect the bank's revenues and expenses, the value of assets and obligations, and the availability and cost of funding.

As a result of the bank's lending and deposit-taking activities, the bank has exposure to market interest rate movements. In addition to the impact on the general economy, changes in interest rates could directly impact the bank in one or more of the following ways:

- The yield on interest-earning assets, primarily on lending activities, and rates paid on interest-bearing liabilities, primarily deposit-taking activities, may change in disproportionate ways;
- The value of certain balance sheet and off-balance sheet financial instruments could decline; or
- The cost of funding from GS Group affiliates or third parties may increase and the ability to raise funding could become more difficult.

The bank's profitability depends to an extent on net interest income. Accordingly, the bank's results depend on movements in market interest rates and its ability to manage interest-rate-sensitive assets and liabilities in response to these movements. Factors such as inflation, recession and instability in financial markets, among other factors beyond the bank's control, may affect interest rates.

Any substantial, unexpected, prolonged change in market interest rates could have an adverse effect on the bank's balance sheet, liquidity and profits. Changes in the level of interest rates also may negatively affect the bank's ability to originate loans, the value of assets and the bank's ability to realise gains from the sale of assets, all of which ultimately affect earnings.

Liquidity

The bank'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 bank's businesses. It is of critical importance to the bank, as most of the failures of financial institutions have occurred in large part due to insufficient liquidity. The bank'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 or unforeseen outflows of cash or collateral. This situation may arise due to circumstances that the bank may be unable to control, such as a general market disruption or an operational problem that affects third parties or the bank or GS Group affiliates or even by the perception among market participants that the bank, or other market participants, are experiencing greater liquidity risk.

Further, the bank'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 bank interacts may exercise set-off rights or the right to require additional collateral, including in difficult market conditions, which could further impair the bank's liquidity.

Loss of deposits could increase the bank's funding costs and adversely affect the bank's liquidity and ability to grow its business.

The bank relies primarily on deposits to be a low-cost and stable source of funding for the loans made and the financial transactions in which the bank engages. The bank accepts demand and time deposits from U.K. consumers. Certain deposit accounts do not have significant restrictions on withdrawal, and depositors can generally withdraw some or all of the funds in their accounts with little or no notice. Furthermore, the bank competes with banks and other financial services companies for deposits. Competitors may raise the rates they pay on deposits and the bank may be required to raise rates to avoid losing deposits. If the bank experiences significant withdrawals, for any reason, the funding costs may increase as the bank may be required to rely on more expensive sources of funding. If the bank is required to fund its operations at a higher cost, these conditions may require the bank to curtail its activities, which also could reduce profitability.

Credit

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

The bank 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 bank 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 bank.

The bank 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 bank, including a deterioration in the value of collateral posted by third parties to secure their obligations to the bank under derivative contracts and loan agreements, could result in losses and/or adversely affect the bank's ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes.

A significant downgrade in the credit ratings of the bank's counterparties could also have a negative impact on the bank's results. While in many cases the bank is permitted to require additional collateral from counterparties that experience financial difficulty, disputes may arise as to the amount of collateral the bank is entitled to receive and the value of pledged assets. The termination of contracts and the foreclosure on collateral may subject the bank 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 bank'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 may affect the bank's results of operations in a given period. Moreover, because of concentrated risk, the bank 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.

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

The bank is party to a 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 bank deliver to the counterparty the underlying security, loan or other obligation in order to receive payment. In a number of cases, the bank 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 bank 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 bank.

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 bank 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 bank'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 over-the-counter (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 bank's ability to develop derivatives that best suit the needs of clients and to hedge its own risks, and could adversely affect the bank's profitability and increase credit exposure to central clearing platforms.

The bank might underestimate the credit losses inherent in its loan portfolio and have credit losses in excess of the amount reserved.

The credit quality of the bank's loan portfolio can have a significant impact on its earnings. Banks must consider all relevant information when estimating expected credit losses, including details about past events, current conditions, and reasonable and supportable forecasts. This process requires difficult, subjective and complex judgements by management in order to estimate credit losses over the life of the financial assets. As is the case with any such assessments, there is always the chance that the bank will fail to identify the proper factors or that the bank will fail to accurately estimate the impacts of factors that are identified. In addition, the accuracy of management's estimations of expected credit losses may be affected by macroeconomic factors. Through the process of estimating credit losses over the life of the loans, the bank might underestimate the credit losses inherent in the loan portfolio and have credit losses in excess of the amount reserved. While management uses the best information available to determine this estimate, the bank has made and may make future adjustments to the allowance based on, among other things, changes in the economic environment, the quality of the loan portfolio or the values of the underlying collateral.

Operational

A failure in the bank'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 bank'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 bank's obligations to report transactions and other information to regulators, exchanges and investors. Compliance with these legal and reporting requirements can be challenging, and GS Group 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.

As the bank's client base, including through the consumer businesses, expands, and the volume, speed, frequency and complexity of transactions, especially electronic transactions (as well as the requirements to report such transactions on a real-time basis to clients, regulators and exchanges) increase, developing and maintaining the bank's operational systems and infrastructure becomes more challenging, and the risk of systems or human error in connection with such transactions increases, as well as the potential consequences of such errors due to the speed and volume of transactions involved and the potential difficulty associated with discovering such errors quickly enough to limit the resulting consequences.

The use of computing devices and phones is critical to the work done by the bank's employees and the operation of the bank'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 bank's systems and platforms and the bank'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 bank's businesses and may hinder the bank's clients' access to the bank'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 bank may be, or may become, exposed to risks related to distributed ledger technology, including through the bank's facilitation of clients' activities involving financial products linked to distributed ledger technology, such as blockchain or cryptocurrencies, and the use of distributed ledger technology by third-party vendors, clients, counterparties, clearing houses and other financial intermediaries.

In addition, the bank 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 bank will increasingly face the risk of operational failure or significant operational delay with respect to clients' systems.

Despite the bank'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 bank is located. This may include a disruption involving electrical, satellite, undersea cable or other communications, internet, transportation or other facilities used by the bank, its employees or third parties with which the bank conducts business, including cloud service providers. These disruptions may occur as a result of events that affect only the bank'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 bank seeks to diversify its third-party vendors to increase its resiliency, the bank is also exposed to the risk that a disruption or other information technology event at a common service provider to the bank's vendors could impede their ability to provide products or services to the bank. The bank may not be able to effectively monitor or mitigate operational risks relating to its vendors' use of common service providers.

Furthermore, the bank relies upon certain GS Group affiliates for various support services, including, but not limited to, trade execution, relationship management, loan origination, settlement and clearing, loan servicing, risk management and other administrative services. Such services are provided to the bank pursuant to a Master 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. If GS Group affiliates were to cease to provide such services, the bank would be required to seek alternative sources, which could be difficult to obtain on the same terms or could result in increased costs.

A failure to protect the bank'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 bank 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 bank's communication from devices the bank 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 bank 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 bank's businesses.

Despite the bank'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 bank's office or induce employees, clients or other users of the bank's systems to disclose sensitive information or provide access to the bank's data or that of its clients, and these types of risks may be difficult to detect or prevent.

Although the bank 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 bank's vendors and other events that could have a security impact. Due to the complexity and interconnectedness of the bank'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 bank 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 bank or its clients' or counterparties' confidential and other information processed, stored in or transmitted through the bank's computer systems and networks, or otherwise cause interruptions or malfunctions in the bank's operations or those of its clients', its counterparties' or third parties', which could impact their ability to transact with the bank 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 bank to obtain full and reliable information about the extent, amount and type of information compromised. During the course of an investigation, the bank 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 bank's business, results of operations and reputation.

The bank 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 bank 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 bank'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 bank'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 bank's control, and the failure by mobile technology and cloud service providers to adequately safeguard their systems and prevent cyber attacks could disrupt the bank'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 bank routinely transmits and receives personal, confidential and proprietary information by email and other electronic means. The bank 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 bank may incur losses as a result of ineffective risk management processes and strategies.

The bank 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, as well as activities conducted through third-party relationships. In doing so, the bank uses and benefits from the risk management processes of GS Group. The bank's risk management process seeks to balance its ability to profit from financial transactions in which it engages with its exposure to potential losses. Whilst the bank 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, the bank may, in the course of its activities, incur losses. Market conditions in recent years have involved unprecedented dislocations and highlight the limitations inherent in using historical data to manage risk.

The bank 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 bank's offices) that could impair the bank's ability to manage its businesses and result in losses.

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

Climate change concerns could disrupt the bank's business, adversely affect client activity levels, adversely affect the creditworthiness of its counterparties and damage the bank's reputation. Climate change may cause extreme weather events that disrupt operations at one or more of the bank'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 bank'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 bank 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 and other stakeholders regarding climate change, may affect whether and on what terms and condition the bank can engage in certain activities or offer certain products.

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

The bank is a wholly-owned subsidiary of Group Inc. As a wholly-owned subsidiary, the bank 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 bank's ultimate parent, Group Inc., as well as the liquidity of Funding IHC. Although the bank 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 bank'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 bank.

Furthermore, the bank 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 bank'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 bank's net revenues may decline, the cost of operating and funding its business may increase and the bank's business, financial condition and profitability may be materially and adversely affected.

Furthermore, the bank 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 bank, its growth could be constrained and/or its cost of funding could increase.

Legal and Regulatory

The bank'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 bank 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 bank 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 bank's activities may 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 bank's compliance with laws and regulations, the bank or its employees 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 bank's profitability.

If there are new laws or regulations or changes in the enforcement of existing laws or regulations applicable to the bank's businesses or those of the bank's clients, including capital, liquidity, leverage, long-term debt, total loss-absorbing capacity (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 bank or GS Group, compliance with these new laws and regulations, or changes in the enforcement of existing laws or regulations, could adversely affect the bank'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 financial transactions, could adversely impact levels of market activity more broadly, and thus impact the bank's businesses. Changes to laws and regulations, such as tax laws, could also have a disproportionate impact on the bank, 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 bank'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 bank 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 bank's funding costs or otherwise adversely affects its shareholders 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 by the provisions of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) referred to as the "Volcker Rule" may continue to adversely affect the bank's profitability and competitive position, particularly if these requirements do not apply, or do not apply equally, to the bank's competitors or are not implemented uniformly across jurisdictions. The bank 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 bank 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 bank to liability and/or reputational damage. As new privacy-related laws and regulations are implemented, the time and resources needed for the bank to comply with such laws and regulations, as well as the bank's potential liability for non-compliance and reporting obligations in the case of data breaches, may significantly increase.

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

The bank has entered into a consumer-oriented deposit-taking business and the bank expects to expand the product scope of its offerings. This expansion subjects the bank to numerous additional regulations. Not only are these regulations extensive, but they involve types of regulations and supervision, as well as regulatory compliance risks, that the bank has not previously encountered. The level of regulatory scrutiny and the scope of regulations affecting financial interactions with consumers is often much greater than that associated with doing business with institutions and high-net-worth individuals. Complying with these regulations is time-consuming, costly and presents new and increased risks.

Increasingly, regulators and courts have sought to hold financial institutions liable for the misconduct of their clients where such regulators and courts 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, investing and other similar activities could increase significantly. To the extent that the bank 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.

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

Due to the broad scope of GS Group's businesses and client base, the bank 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 bank's reputation, which is one of its most important assets, could be damaged and the willingness of clients to enter into transactions with the bank may be 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.

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

The financial services industry generally and the bank's businesses in particular have been subject to negative publicity. The bank'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. The speed and pervasiveness with which information can be disseminated through these channels, in particular social media, may magnify risks relating to negative publicity.

Market Developments and General Business Environment

The bank'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 bank's business, financial condition, liquidity and results of operations. The extent to which the COVID-19 pandemic will negatively affect the bank'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 bank's liquidity as it meets client needs. Likewise, these adverse developments have in the past and may in the future affect the bank'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 bank 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 bank may experience increased client defaults. Even after the pandemic subsides, most major economies may continue to experience a recession, and the bank anticipates its businesses would be materially and adversely affected by a prolonged recession in major markets.

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

On January 31, 2020, the U.K. left the E.U. The bank expects considerable change in the regulatory framework that will govern transactions and business undertaken by the bank 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 bank faces numerous risks that could adversely affect the conduct of its businesses, its profitability and liquidity. In addition, as a result of establishing a third country branch in anticipation of a "hard" Brexit, the bank is and will be subject to additional regulation and supervision in those jurisdictions.

The bank 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 not withstanding 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 bank, 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 bank have be transitioned to other E.U. subsidiaries of Group Inc., which may result in a decline in the bank's net revenues and profitability, and could adversely affect its businesses and liquidity.

Certain of the bank'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 bank 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 bank'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 bank) 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 bank's IBOR-based contracts and financial instruments. Although the bank 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 bank, amounts paid on securities the bank has issued, amounts received and paid on derivative instruments the bank 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 bank's ability to effectively use derivative instruments to manage risk, or the availability or cost of the bank's floating-rate funding and its exposure to fluctuations in interest rates.

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.

GS Group, including the bank, is facilitating an orderly transition from IBORs to alternative risk-free reference rates for itself and its clients.

The bank 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.

The bank faces enhanced risks as new business initiatives lead it to transact with a broader array of clients and counterparties and expose it to new asset classes and new markets. A number of the bank's recent and planned business initiatives, such as the client execution activities undertaken by the Johannesburg branch, and expansion of existing businesses, such as the bank's consumer-oriented activities, may bring it into contact, directly or indirectly, with individuals and entities that are not within the bank's traditional client and counterparty base and/or expose it to new asset classes, new regions and new markets including emerging and growth markets.

As a result of the bank's consumer-oriented activities, the bank could face additional compliance, legal and regulatory risk, increased reputational risk and increased operational risk due to, among other things, higher transaction volumes, greater reliance on third-party vendors, increased volume of customer complaints, significantly increased retention requirements and transmission of customer and client information and increased regulatory compliance obligations.

The bank has developed and pursued new business and strategic initiatives, and expects to continue to do so. If and to the extent the bank is unable to successfully execute those initiatives, it may incur unanticipated costs and losses, and face other adverse consequences, such as negative reputational effects. In addition, the actual effects of pursuing those initiatives may differ, possibly materially, from the benefits that the bank expects to realise from them, such as generating additional revenues, achieving expense savings, reducing operational risk exposures or using capital and funding more efficiently. Engaging in new activities exposes the bank to a variety of risks, including that it may be unable to successfully develop new, competitive, efficient and effective systems and processes, and hire and retain the necessary personnel.

In order to develop and be able to offer competitive consumer financial products that compete effectively, the bank has made and expects to continue to make significant investments in technology and human capital resources in connection with its consumer-oriented activities.

New business initiatives expose the bank 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 bank interacts with these counterparties. 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.

Competition

The financial services industry is highly competitive.

To the extent the bank 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 bank'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 bank's competitors, could impact its ability to compete effectively.

Pricing and other competitive pressures in the bank's businesses have continued to increase, particularly in situations where some competitors may seek to increase market share by reducing prices.

Credit Ratings

The table below presents the unsecured credit ratings and outlook of the bank.

	As of December 2020		
	Fitch	Moody's	S&P
Short-term bank deposits	**F1**	**P-1**	**N/A**
Short-term debt	**F1**	**P-1**	**A-1**
Long-term bank deposits	**A+**	**A1**	**N/A**
Long-term debt	**A+**	**A1**	**A+**
Ratings outlook	**Negative**	**Stable**	**Stable**

Section 172(1) Statement

The directors have included the section 172(1) statement in the directors' report.

Date of Authorisation of Issue

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

By order of the Board
D. M. Bicarregui
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 bank's businesses and a description of the principal risks and uncertainties facing the bank. The directors have chosen to make reference to the future outlook of the bank in the strategic report in accordance with section 414C(11) of the Companies Act 2006. The bank's risk management objectives and policies, including exposures to market risk, liquidity risk and credit risk, are described in Note 30 to the financial statements.

Corporate Governance

The bank 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 bank and as appropriate for its business and shareholding structure. As a wholly-owned subsidiary within GS Group, the bank also aligns its corporate governance code with that of GS Group. The bank's governance arrangements are broadly consistent with the Financial Reporting Council (FRC) Wates Corporate Governance Principles for Large Private Companies, however the bank did not formally apply any single corporate governance code during the period ended December 2020.

Role of the Board. The Board of Directors (the Board) has overall responsibility for the management of the bank. As part of this role, the Board approves and oversees implementation of the bank's strategic objectives, risk strategy and internal governance. The Board ensures the integrity of the bank'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 bank'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 bank is aligned to this purpose.

The bank strives to maintain a work environment that fosters professionalism, excellence, diversity, cooperation among employees and high standards of business ethics. The bank 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 bank, and do so by setting the 'tone from the top' and overseeing how culture and values are fostered by the management of the bank. 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 more 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 bank's strategy, aligned with that of GS Group, is implemented by the executive management of the bank with Board oversight. The Chief Executive Officer of the bank updates the Board on the bank'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 bank'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 bank. As of December 2020, the Board is comprised of nine directors, five of whom are independent. The bank 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 includes 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 chairs of the committee oversee 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 each 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 bank'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.

Opportunity and Risk. The bank 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 bank's businesses are identified, assessed, monitored and managed. The bank'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 GSIB Board Risk Committee and the GSIB Risk Committee, oversee the bank'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 bank'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 bank's strategy set out above is aligned with that of GS Group and the Board is ultimate responsible for overseeing and providing direction about the bank's strategic business plan and risk appetite.

The Chief Risk Officer reports to the Chief Executive Officer and to the GSIB Board Risk Committee. As part of the review of the firmwide risk portfolio, the Chief Risk Officer regularly advises the GSIB Board Risk Committee of relevant risk metrics and material exposures, including risk limits and thresholds established in the bank's risk appetite statement.

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 bank 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 GSIB Board Remuneration Committee oversees the development and implementation of these remuneration policies and practices.

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

Engagement with Shareholder

The bank 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.

Engagement with Employees

The bank considers its employees as its greatest asset and the Board is responsible for overseeing the bank'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; employee feedback surveys; 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 bank. A sophisticated firmwide intranet further enables employees to be engaged.

The bank 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 bank in the U.K. and the bank is a signatory to the "U.K. Women in Finance Charter" and the "U.K. Race at Work Charter".

The bank 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 bank'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 bank's management of the pandemic to inform its decisions around the type of support to make available.

Engagement with Other Stakeholders

Clients – 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 it 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. 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 bank 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.

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 bank. 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 bank supports its communities in many ways, with global initiatives coordinated through GS Group's 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 bank'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 bank is responsible for establishing and maintaining adequate internal control over financial reporting. The bank's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the bank's financial statements for external reporting purposes in accordance with IFRS.

The bank'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 bank; and provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the bank's assets that could have a material effect on the bank's financial statements.

Section 172(1) Statement

Under section 172 of the Companies Act 2006, the directors of the bank are required to act in the way they consider, in good faith, would be most likely to promote the success of the bank 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 bank's employees; the need to foster the bank's business relationships with clients, suppliers and others; the impact of the bank's operations on the community and the environment; the desirability of the bank for maintaining a reputation for high standards of business conduct; and the need to act fairly with stakeholders of the bank.

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 bank 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 bank's stakeholders. They recognise that building strong relationships with these stakeholders will help the bank 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. The Board receives regular updates from the Chief Executive Officer of the bank and from the bank'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 bank's stakeholders. The Board is further supported by the GSIB Board Audit Committee, the GSIB Board Risk Committee and the GSIB Board Remuneration Committee who consider in more detail the systems and controls in place in relation to engagement with stakeholders.

Carbon, Energy and Business Travel Consumption and Reporting

The bank'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 bank 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 bank'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 bank based on the bank's U.K. headcount, as a proportion of GS Group's total U.K. headcount.

The table below presents the bank's energy consumption.

	Twelve Months Ended December 31	
MWh	**2020**	2019
Energy consumption	**1,570**	2,060

The table below presents the bank's GHG emissions.

	Twelve Months Ended December 31	
tCO_2e	**2020**	2019
Scope 1		
Direct	**57**	65
Scope 2		
Location - indirect	**300**	445
Market - indirect	**–**	–
Scope 3 Business travel		
Commercial air	**12**	42
Ground transportation	**1**	1
Totals		
Scope 1, 2 (location)	**357**	510
Scope 1, 2 (location) and 3 business travel	**370**	553
Scope 1, 2 (market) and 3 business travel	**70**	108

The table below presents the bank's normalisation metrics.

	Twelve Months Ended December 31	
tCO2e/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 the GS Group's GHG Emissions Reporting Operating Procedure. GS Group ensure 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 bank'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 bank'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 bank'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.

Dividends

The directors do not recommend the payment of an ordinary dividend for the period ended December 2020. No dividends were paid in the period ended November 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 bank 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 bank'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 bank's auditors are aware of that information.

Independent Auditors

The GSIB Board Audit Committee has approved the appointment of Mazars LLP as the bank's statutory auditor for financial periods commencing on or after January 1, 2021.

Statement of Directors' Responsibilities in Respect of the Financial Statements

The directors are responsible for preparing the strategic report, the directors' report and the consolidated 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 bank and of the profit or loss of the bank 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 bank will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the bank's transactions and which disclose with reasonable accuracy at any time the financial position of the bank 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 bank 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 bank'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 bank; and
- The strategic report includes a fair review of the development and performance of the business and the position of the bank, together with a description of the principal risks and uncertainties that the bank faces.

Directors

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

Name
D. M. Bicarregui
C. Cripps
Lord Grabiner QC
S. P. Gyimah (appointed November 5, 2020)
N. Harman
D. W. McDonogh, Chief executive officer
T. L. Miller OBE
E. E. Stecher, Chair
D. D. Wildermuth

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 of Directors on March 11, 2021.

By order of the Board
D. M. Bicarregui
Director
March 24, 2021

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the bank'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 bank, 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 bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in the U.K., 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 'Operating Expenses' to the financial statements, we have provided no non-audit services to the bank in the period under audit.

Our audit approach

Overview

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

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

Key audit matters.

- Valuation of the allowance for impairment on loans held at amortised cost under IFRS 9.
- Impact of COVID-19 on the financial statements.

Materiality.

- Overall materiality: $24.9 million (2019: $23.3 million) based on 0.75% of total Tier 1 capital resources.
- Performance materiality: $18.7 million (2019: $17.5 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 bank 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 allowance for impairment on loans held at amortised cost and 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 bank'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 judgements made by management in their significant accounting estimates, in particular in relation to the valuation of the allowance for impairment on loans held at amortised cost; 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 the allowance for impairment on loans held at amortised cost under IFRS 9 As set out in Note 5 'Critical Accounting Estimates and Judgements', the measurement of expected credit losses ("ECL") for financial assets classified at amortised cost requires the use of a complex model and significant assumptions about future economic conditions and credit behaviour. This is a key audit matter as estimating impairment provisions under IFRS 9 requires a high level of judgement. The COVID-19 pandemic has created uncertainty in the ability of certain businesses and sectors to operate normally in the future. Unemployment has increased and GDP has contracted. Although there have been few defaults in the period, the stressed macroeconomic environment increased the bank's allowance for expected credit losses. The judgement required by management in determining these allowances has also increased. We performed a risk assessment of the key assumptions and judgements made by the bank in calculating the ECL charge, using our industry experience and knowledge of the bank's loan book. We used this analysis to identify areas of greater judgement and to focus our testing on the following areas: • The application of forward looking economic assumptions and scenarios used in the ECL model, including the appropriateness of macroeconomic variables ("MEVs") and the relative weightings applied in the ECL calculation; and • The appropriateness of the qualitative components of management's ECL model, used to reflect the uncertain nature of economic forecasting, capture uncertainty regarding model inputs, and account for model imprecision and concentration risk.	We understood and critically assessed the appropriateness of management's impairment policy including how management considered the impact of COVID-19 in its determination of ECL provisions. We engaged credit risk specialists and economists to support the audit team in the performance of the following audit procedures. We tested the design and operating effectiveness of the controls over model validation and approval. These controls included: • The independent validation and approval of models for use, including an annual review and revalidation of existing models; and • The review of the ECL model, including model and non-model code changes. We tested the design and operating effectiveness of the controls over key assumptions, critical model inputs and calculations used by management in the ECL provisioning process. These controls included: • The assignment and review of applicable loan attributes feed into the ECL model; • The assignment and review of internal credit ratings ("ICR") and the ongoing monitoring of the credit quality and performance of the loans by an independent function; • The governance over the impairment processes, including the approval of changes in assumptions, methodologies, qualitative adjustments and management's review of the provision for impairment; and • The governance over calculation of the impairment provisions and the reconciliation of model output to the general ledger. 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 relating to the two areas of significant judgement: **The application of forward looking economic assumptions and scenarios** • Together with our credit risk specialists, we critically assessed the choice of significant MEVs and the reasonableness of the probability weightings of the macroeconomic scenarios. This included an assessment of whether the choice and weighting of MEVs and scenarios had been appropriately updated for the current environment and whether the MEVs were sufficiently tailored for the nature and geography of the bank's loan book. • We evaluated management's sensitivity analysis to identify macroeconomic assumptions to which the model was materially sensitive.

Key audit matter	*How our audit addressed the key audit matter*
	• Together with our economic specialists, we evaluated the reasonableness of the MEVs under each scenario. • We evaluated the appropriateness of historical macroeconomic data used as part of the generation or calibration of the forward looking economic scenarios. **The appropriateness of the qualitative components of management's ECL model** • We critically assessed the modelling methodology, assumptions, appropriateness of data used in model development and we also validated the implementation of the model. • We assessed the reasonableness of management's framework for determining the qualitative components of the model, including assessment of qualitative factor adjustments considering industry practices. • We tested the application of the factors utilised by the quantitative models, this included the completeness and accuracy, and the suitability of data used in the calculations. Based on the evidence obtained, we consider the provision for impairment of loans held at amortised cost appropriate at December 31, 2020.

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 bank's operations and the conduct of our audit, this represents a key audit matter. As described in Note 30 'Financial Risk Management and Capital Management', the Directors have considered the impact of the COVID-19 pandemic on economic conditions which has resulted in higher modelled expected losses and lower recoveries in relation to the allowance for impairment recorded for the period. Refer to the Key Audit Matter 'Valuation of the allowance for impairment on loans held at amortised cost under IFRS 9' for our assessment and our audit work performed over expected credit losses. As described in the Strategic report, the Directors have assessed that the bank'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 bank'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 bank 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 bank 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 allowance for impairment on loans held at amortised cost and 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 bank'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.

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 bank, the accounting processes and controls, and the industry in which it operates.

The bank undertakes lending and deposit-taking activities and securities lending. The bank also operates branches in Europe and Africa to provide financial services to clients in those regions. We consider the bank and its branches to represent a single audit component.

Traders based in overseas group locations enter into transactions on behalf of the bank. 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 bank. 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	$24.9 million (2019: $23.3 million).
How we determined it	0.75% of total Tier 1 capital resources (2019: 0.75% of total Tier 1 capital resources)
Rationale for benchmark applied	The immediate and ultimate parent companies, management, certain creditors (e.g. note holders) and the bank'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 $18.7 million for the bank's 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 $1.1 million (2019: $1.1 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 bank'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 bank'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.

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 bank 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 bank'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 bank 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 bank'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.

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

Other required reporting

Companies Act 2006 exception reporting

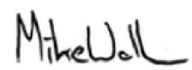
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the bank, 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 August 10, 1982 to audit the financial statements for the year ended November 25, 1983 and subsequent financial periods. The period of total uninterrupted engagement is 38 years, covering the years ended November 25, 1983 to December 31, 2020.



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

Income Statement

		Period Ended	
$ in millions	**Note**	**December 2020**	November 2019
Interest income from financial instruments measured at fair value through profit or loss		**$538**	$778
Interest income from financial instruments measured at fair value through other comprehensive income		**1**	–
Interest income from financial instruments measured at amortised cost		**381**	257
Interest expense from financial instruments measured at fair value through profit or loss		**(180)**	(352)
Interest expense from financial instruments measured at amortised cost		**(418)**	(416)
Net interest income		**322**	267
Gains or losses from financial instruments at fair value through profit or loss		**111**	48
Fees and commissions		**62**	48
Non-interest income		**173**	96
Net revenues	6	**495**	363
Impairments on financial instruments	30	**(147)**	–
Operating expenses	7	**(149)**	(200)
Profit before taxation		**199**	163
Income tax expense	10	**(57)**	(45)
Profit for the financial period		**$142**	$118

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

Statement of Comprehensive Income

		Period Ended	
$ in millions	**Note**	**December 2020**	November 2019
Profit for the financial period		**$142**	$118
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Debt valuation adjustment	20	**(19)**	(8)
U.K. deferred tax attributable to the components of other comprehensive income		**5**	2
Total items that will not be reclassified subsequently to profit or loss		**(14)**	(6)
Items that will be reclassified subsequently to profit or loss			
Translation losses and net investment hedges		**(1)**	–
Gains from financial instruments measured at fair value through other comprehensive income		**9**	–
U.K. deferred tax attributable to the components of other comprehensive income		**(2)**	–
Total items that will be reclassified subsequently to profit or loss		**6**	–
Other comprehensive loss for the financial period, net of tax		**(8)**	(6)
Total comprehensive income for the financial period		**$134**	$112

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	24	**$10,082**	$5,833	$6,984
Collateralised agreements	11	**32,889**	27,828	24,073
Customer and other receivables	12	**720**	378	1,315
Trading assets	13	**1,689**	1,628	647
Loans	14	**10,463**	7,954	4,300
Investments	15	**2,970**	963	629
Other assets	16	**960**	832	806
Total assets		**59,773**	45,416	38,754
Liabilities				
Collateralised financings	18	**$219**	$–	$8
Customer and other payables	19	**459**	460	333
Trading liabilities	13	**1,221**	761	1,030
Deposits	20	**52,799**	39,495	32,499
Unsecured borrowings	21	**1,555**	1,384	1,647
Other liabilities	22	**159**	89	122
Total liabilities		**56,412**	42,189	35,639
Shareholder's equity				
Share capital	23	**63**	63	63
Share premium account		**2,094**	2,094	2,094
Retained earnings		**1,219**	1,077	959
Accumulated other comprehensive income		**(15)**	(7)	(1)
Total shareholder's equity		**3,361**	3,227	3,115
Total liabilities and shareholder's equity		**$59,773**	$45,416	$38,754

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

D. M. Bicarregui
Director

The accompanying notes are an integral part of these financial statements.
Company number: 01122503

Statement of Changes in Equity

	Period Ended	
$ in millions	**December 2020**	November 2019
Share capital		
Beginning balance	**$63**	$63
Ending balance	**63**	63
Share premium account		
Beginning balance	**2,094**	2,094
Ending balance	**2,094**	2,094
Retained earnings		
Beginning balance	**1,077**	959
Profit for the financial period	**142**	118
Share-based payments	**1**	–
Management recharge related to share-based payments	**(1)**	–
Ending balance	**1,219**	1,077
Accumulated other comprehensive income		
Beginning balance	**(7)**	(1)
Other comprehensive loss	**(8)**	(6)
Ending balance	**(15)**	(7)
Total shareholder's equity	**$3,361**	$3,227

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	24	**$5,112**	$(855)
Taxation paid		**(31)**	(2)
Net cash from/(used in) operating activities		**5,081**	(857)
Cash flows from investing activities			
Capital expenditure for intangible assets		**(6)**	–
Purchase of investments		**(1,968)**	(286)
Net cash used in investing activities		**(1,974)**	(286)
Cash flows from financing activities			
Interest paid on financing activities		**(64)**	(34)
Payments for lease liabilities		**(1)**	–
Net cash used in financing activities		**(65)**	(34)
Net increase/(decrease) in cash and cash equivalents		**3,042**	(1,177)
Cash and cash equivalents, beginning balance	24	**5,833**	6,984
Foreign exchange gains on cash and cash equivalents		**1,207**	26
Cash and cash equivalents, ending balance	24	**$10,082**	$5,833

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

Note 1.

General Information

The bank 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 bank'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 bank 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 bank 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.

Branch Information

The Frankfurt branch had total assets of $176 million (€144 million) as of December 2020 and $23 million (€21 million) as of November 2019.

The Johannesburg branch had total assets of $51 million (R752 million) as of December 2020 and $23 million (R337 million) as of November 2019.

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 bank prepared financial statements under U.K. GAAP, in accordance with FRS 101 'Reduced Disclosure Framework' (FRS 101). As such, the bank has prepared IFRS transition disclosures required by IFRS 1 'First-time adoption of International Financial Reporting Standards'. The impact on the bank'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" below).

Consolidation

The bank 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.

The bank has an interest in the below special purpose entity that is fully funded by the bank through profit participating loan arrangements. The activities of this special purpose entity consists of the origination of mortgage-backed loans with intention to subsequently securitise or sell as a portfolio of whole loans at a future date. This special purpose entity is consolidated in the financial statements of Group Inc.

- Elan Woninghypotheken B.V. (incorporated in The Netherlands).

These financial statements are individual financial statements.

Accounting Reference Date

During the period ended December 2020, the bank changed its accounting reference date from November 30 to December 31 to conform to the period used by the bank 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 bank has changed the format of its balance sheet from one that was based on Schedule 2 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 bank's balance sheets under U.K. GAAP as of November 30, 2019 and December 1, 2018 have been presented below in order of liquidity. The tables below provide a reconciliation of the bank's balance sheets between U.K. GAAP and IFRS.

$ in millions		As of November 2019			
Previous presentation	Note	U.K. GAAP	Adjustments	IFRS	Current presentation
Assets					**Assets**
Cash at bank and in hand		$5,833	$–	$5,833	Cash and cash equivalents
Collateralised agreements with GS Group affiliates	A	28,227	(399)	27,828	Collateralised agreements
Customer accounts receivable	A	8,224	(7,846)	378	Customer and other receivables
Financial instruments owned	A	1,738	(110)	1,628	Trading assets
	A	–	7,954	7,954	Loans
Debt securities	A	562	401	963	Investments
Other assets	B	828	4	832	Other assets
Total assets		$45,412	$4	$45,416	**Total assets**
Liabilities					**Liabilities**
Collateralised financings with GS Group affiliates		$–	$–	$–	Collateralised financings
Customer accounts payable	C	37,619	(37,159)	460	Customer and other payables
Financial instruments sold, but not yet purchased	D	773	(12)	761	Trading liabilities
Deposits by banks	C	2,336	37,159	39,495	Deposits
	E	–	1,384	1,384	Unsecured borrowings
Other liabilities	B, D, E	631	(542)	89	Other liabilities
Long-term subordinated loans from GS Group affiliates	E	826	(826)	–	
Total liabilities		42,185	4	42,189	**Total liabilities**
					Shareholder's equity
Called up share capital		63	–	63	Share capital
Share premium account		2,094	–	2,094	Share premium account
Profit and loss account		1,077	–	1,077	Retained earnings
Accumulated other comprehensive income		(7)	–	(7)	Accumulated other comprehensive income
Total shareholder's funds		3,227	–	3,227	Total shareholder's equity
Total liabilities and shareholder's funds		$45,412	$4	$45,416	**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		$6,984	$–	$6,984	Cash and cash equivalents
Collateralised agreements with GS Group affiliates		24,073	–	24,073	Collateralised agreements
Customer accounts receivable	A	5,536	(4,221)	1,315	Customer and other receivables
Financial instruments owned	A	751	(104)	647	Trading assets
	A	–	4,300	4,300	Loans
Debt securities	A	604	25	629	Investments
Other assets	B	802	4	806	Other assets
Total assets		$38,750	$4	$38,754	**Total assets**
Liabilities					**Liabilities**
Collateralised financings with GS Group affiliates		$8	$–	$8	Collateralised financings
Customer accounts payable	C	32,445	(32,112)	333	Customer and other payables
Financial instruments sold, but not yet purchased	D	1,094	(64)	1,030	Trading liabilities
Deposits by banks	C	387	32,112	32,499	Deposits
	E	–	1,647	1,647	Unsecured borrowings
Other liabilities	B, D, E	875	(753)	122	Other liabilities
Long-term subordinated loans from GS Group affiliates	E	826	(826)	–	
Total liabilities		35,635	4	35,639	**Total liabilities**
					Shareholder's equity
Called up share capital		63	–	63	Share capital
Share premium account		2,094	–	2,094	Share premium account
Profit and loss account		959	–	959	Retained earnings
Accumulated other comprehensive income		(1)	–	(1)	Accumulated other comprehensive income
Total shareholder's funds		3,115	–	3,115	Total shareholder's equity
Total liabilities and shareholder's funds		$38,750	$4	$38,754	**Total liabilities and shareholder's equity**

Reconciliation Notes

A. Loans and Investments. The bank has reclassified the following balances held in connection with its lending and investing activities:

- As of November 2019, $7.63 billion of bank loans and $212 million of mortgage-backed loans have been reclassified from customer accounts receivable to loans, and $87 million of bank loans and $21 million of mortgage-backed loans have been reclassified from financial instruments owned to loans.

  In addition, the bank reclassified $399 million of debt instruments classified in debt securities from collateralised agreements with GS Group affiliates to investments, and $2 million of debt instruments classified in corporate debt instruments from financial instruments owned to investments.

- As of December 1, 2018, $4.07 billion of bank loans and $148 million of mortgage-backed loans have been reclassified from customer accounts receivable to loans, and $79 million of bank loans have been reclassified from financial instruments owned to loans.

  In addition, the bank reclassified $25 million of debt instruments classified in mortgage-backed securities from financial instruments owned to investments.

The remaining customer accounts receivable have been renamed as customer and other receivables and the remaining financial instruments owned have been renamed as trading assets.

B. Leases. The bank has retrospectively adopted IFRS 16 'Leases' (IFRS 16) in accordance with IFRS 1. The impact of this change is:

- As of November 2019, the bank has grossed up other assets and other liabilities by $4 million. The impact to the bank's net equity was not material.

- As of December 1, 2018, the bank has grossed up other assets and other liabilities by $4 million. The impact to the bank's net equity was not material.

C. Deposits. The bank has reclassified the following balances:

- As of November 2019, $37.16 billion of deposits from customer accounts payable to deposits.

- As of December 1, 2018, $32.11 billion of deposits from customer accounts payable to deposits.

The remaining customer accounts payable have been renamed as customer and other payables.

D. Financial Guarantee Contracts. The bank has reclassified the following balances:

- As of November 2019, $12 million of financial guarantee contracts from financial instruments sold, but not yet purchased to other liabilities.

- As of December 1, 2018, $64 million of financial guarantee contracts from financial instruments sold, but not yet purchased to other liabilities.

The remaining financial instruments old, but not yet purchased have been renamed as trading liabilities.

E. Unsecured Borrowings. The bank has reclassified the following balances:

- As of November 2019, $501 million of unsecured borrowings and $57 million of accrued interest on unsecured borrowings from other liabilities to unsecured borrowings, and $826 million of unsecured borrowings from long-term subordinated loans from GS Group affiliates to unsecured borrowings.

- As of December 1, 2018, $821 million of unsecured borrowings from other liabilities to unsecured borrowings, and $826 million of unsecured borrowings from long-term subordinated loans from GS Group affiliates to unsecured borrowings.

Reconciliation of Total Comprehensive Income

The format of the bank's total comprehensive income is unchanged between U.K. GAAP and IFRS.

Reconciliation of Cash Flows

The bank has not previously prepared a statement of cash flows.

Note 4.

Summary of Significant Accounting Policies

Accounting Policies

Revenue Recognition. Net revenues consists of revenues from lending and deposit-taking activities, securities lending and from primary dealer activities in European government bonds.

Non-derivative financial assets mandatorily at fair value through profit or loss and non-derivative financial liabilities held for trading or designated at fair value through profit or loss are recognised at fair value with realised and unrealised gains and losses included in gains or losses from financial instruments at fair value through profit or loss, 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. Associated interest and expenses are included within net interest income.

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 gains or losses from financial instruments at fair value through profit or loss or other comprehensive income in the case of DVA.

Derivative financial assets and liabilities are recognised at fair value with realised and unrealised gains and losses included in gains or losses from financial instruments at fair value through profit or loss, with the exception of exchange of interest in currency derivative instruments related to funding products, which is included in net interest income. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs.

Financial assets and liabilities measured at amortised cost are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method. Finance revenue is recorded in interest income from financial instruments measured at amortised cost. Finance costs, including discounts allowed on issue, are recorded in interest expense from financial instruments measured at amortised cost.

Financial instruments at fair value through other comprehensive income are measured at fair value with gains or losses recognised in other comprehensive income. On derecognition, gains or losses accumulated in other comprehensive income are reclassified to the income statement. Finance income, foreign exchange gains and losses and impairment are recognised in the income statement.

Fees from the bank's lending and securities lending activities are included in fees and commissions.

Revenue from Contracts with Clients

Revenues earned from contracts with clients are recognised when the performance obligations related to the underlying transactions are completed.

If the bank is principal to the transaction, the bank recognises revenue on contracts with clients, gross of expenses incurred to satisfy some or all of its performance obligations. The bank is principal to the transaction if it has the primary obligation to provide the service to the client. The bank 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 operating expenses.

Segment Reporting. The directors manage the bank'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 bank. Provision is made for discretionary year-end compensation whether to be paid in cash or share-based awards where, as a result of bank 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) to the bank'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 bank 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 bank 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.

Dividends. Final equity dividends are recognised as a liability and deducted from equity in the period in which the dividends are approved by the bank'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 bank's financial statements are presented in U.S. dollars, which is also the bank's functional currency.

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

The results of branches and representative offices with non-U.S. dollar functional currencies are translated at the average rates of exchange during the period and their statement of position at the rates ruling at the statement of position date. Exchange differences arising from the retranslation of their statement of position and results are reported in other comprehensive income.

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 bank 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 bank transfers the financial asset and the transfer qualifies for derecognition. A transferred financial asset qualifies for derecognition if the bank transfers substantially all the risks and rewards of ownership of the financial asset or if the bank 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 bank classifies financial assets as subsequently measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income on the basis of both the bank's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. The business model reflects how the bank manages particular groups of assets in order to generate future cash flows. Where the bank's business model is to hold the assets to collect contractual cash flows, the bank subsequently assesses whether the financial assets' cash flows represent solely payments of principal and interest.

- **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 bank 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 bank estimates cash flows considering all contractual terms of the financial asset but does not consider future credit losses. Finance revenue is recorded in interest income from financial assets at amortised cost. Financial assets measured at amortised cost include:

  - Cash and cash equivalents;
  - Certain collateralised agreements, which consists of certain intercompany loans;
  - Customer and other receivables;
  - Certain loans and investments; and
  - Certain other assets, which consists of certain intercompany loans and 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 gains or losses from financial instruments at fair value through profit or loss. Financial assets mandatorily measured at fair value include:

  - Certain collateralised agreements, which consists of all resale agreements and securities borrowed and certain intercompany loans;
  - Trading assets, which consists of trading cash instruments and derivative instruments; and
  - Certain loans and investments.

- **Financial assets measured at fair value through other comprehensive income.** Financial assets that are held for the collection of contractual cash flows and sale and have cash flows that represent solely payments of principal and interest are measured at fair value through other comprehensive income. Financial assets measured at fair value through other comprehensive income 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 other comprehensive income. On derecognition, gains or losses accumulated in other comprehensive income are reclassified to the income statement. Finance income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the income statement. Financial assets measured at fair value through other comprehensive income include government and agency obligations within investments.

Classification and Measurement: Financial Liabilities

The bank 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 gains or losses from financial instruments at fair value through profit or loss. 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 bank 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 gains or losses from financial instruments at fair value through profit or loss. Amounts recognised in other comprehensive income attributable to own credit spreads are not subsequently transferred to the income statement, even upon derecognition of the financial liability. Gains or losses exclude contractual interest, which is included in net interest income, for all instruments other than hybrid financial instruments. The primary reasons for designating such financial liabilities at fair value through profit or loss are:

- To eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; and
- The group of financial liabilities, or financial assets and liabilities, is managed and its performance evaluated on a fair value basis.

Financial liabilities designated at fair value through profit or loss include:

- Collateralised financings;
- Certain deposits, which consists of certain time deposits;
- Certain unsecured borrowings, which consists of certain intercompany loans; and
- Certain other liabilities, which consists of financial guarantee contracts written.

- **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 interest expense on financial instruments measured at amortised cost. Financial liabilities measured at amortised cost include:
  - Customer and other payables;
  - Certain deposits, which consists of all overnight deposits and certain time deposits;
  - Certain unsecured borrowings that have not been designated at fair value through profit or loss; and
  - Certain other liabilities, which primarily consists of compensation and benefits and accrued expenses and other.

Impairment

The bank 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 impairments on financial instruments.

The bank'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 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 bank 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 bank's credit risk management process, including a back-stop consideration of 30 days past due. The bank considers a financial asset to be credit-impaired when it meets Credit Risk's definition of default, which is either when the bank considers that the obligor is unlikely to pay its credit obligations to the bank in full, without recourse by the bank 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 bank'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 bank expects to be owed at the time the financial obligation defaults. The bank uses internal credit risk ratings that reflect the assessment of the probability of default of individual counterparties. The bank 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. For 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 bank 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 allowance for impairment losses also includes qualitative components which allow management to reflect the uncertain nature of economic forecasting and account for model imprecision and concentration risk.

The bank 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 bank concludes this to be an indicator that there is no reasonable expectation of recovery. The bank 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 investment 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 29 for details about the fair value measurement of the bank's financial assets and liabilities.

Fair Value Hedges

The bank applies hedge accounting under IAS 39 'Financial Instruments: Recognition and Measurement' for certain interest rate swaps used to manage the interest rate exposure of certain fixed-rate deposits. To qualify for hedge accounting, the derivative hedge must be highly effective at reducing the risk from the exposure being hedged. Additionally, the bank 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.

Net Investment Hedging. Where net investment hedging is employed, all gains and losses on the effective portion of the hedging instrument, together with any gains and losses on the foreign currency translation of the hedge investment, are taken directly to other comprehensive income. Any gains or losses on the ineffective portion are recognised immediately in the income statement. The cumulative gains and losses on the hedging instrument and gains and losses on the translation of the hedged investment are recognised in the income statement only on substantial liquidation of the investment.

Collateralised Agreements and Collateralised Financings. Collateralised agreements include resale agreements, securities borrowed and intercompany loans. Collateralised financings include repurchase agreements, securities loaned 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 bank 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 the balance sheet.

Pension Arrangements. The bank is a participating employer of a defined contribution pension plan. The contributions payable for the period are charged to operating expenses. Differences between contributions payable for the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Property, Leasehold Improvements and Equipment. Property, Plant & 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. Depreciation is included in operating expenses.

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 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 operating expenses and the amortisation policies are reviewed on an annual basis.

Intangible fixed 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 3.9%.

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 bank has chosen not to revalue its right-of-use buildings.

Extension and termination options are included in the office premises lease entered into by the bank. These are used to maximise operational flexibility in terms of managing the assets used in the bank's operations. The extension and termination options held are exercisable only by the bank 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 bank 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 bank.

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 'Financial Instruments: Recognition and Measurement', 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 bank has not elected to early apply the reliefs available, which are otherwise effective for periods beginning on or after January 1, 2021. The bank 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:

Allowance for Impairment

The allowance for impairment (see Notes 14, 22 and 30) is determined by an ECL model internally developed to meet the impairment requirements of IFRS 9. The measurement of ECL requires the use of a complex model and significant assumptions about future economic conditions and credit behaviour. Significant judgements are also required in applying the accounting requirements for measuring ECL including determining criteria for significant increases in credit risk and establishing the number and weighting of forward looking scenarios.

Management's estimates of credit losses entails judgement about loan collectability at the reporting dates, and there are uncertainties inherent in those judgements. The allowance for impairment is subject to a governance process that involves review and approval by senior management within the bank's independent risk oversight and control functions. Personnel within the bank's independent risk oversight and control functions are responsible for forecasting the economic variables that underlie the economic scenarios that are used in the modelling of ECL. While management uses the best information to determine this estimate, future adjustments to the allowance for impairment may be necessary based on, among other things, changes in the economic environment or variances between actual results and the original assumptions used.

Deferred Tax

The bank has recognised a deferred tax asset (see Note 17) which requires judgement for determining the extent of its recoverability at each reporting date. The bank assesses recoverability with reference to forecasts of future taxable profits. These forecasts require the use of assumptions and estimates. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

Fair Value Measurement

Certain of the bank's financial assets and liabilities include significant unobservable inputs (i.e., level 3). See Note 29 for information about the carrying value, valuation techniques and significant inputs of these instruments.

Note 6.

Net Revenues

Net revenues include net interest income and non-interest income. Net interest income includes interest 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 and trading liabilities, and certain collateralised agreements, loans and investments.
- Gains and losses on financial instruments designated at fair value through profit or loss, which primarily relate to non-interest gains and losses on collateralised financings and certain deposits, unsecured borrowings and other liabilities.
- Fees and commissions, which primarily relates to lending and securities lending activities.

The table below presents net revenues.

	Period Ended	
	December	November
$ in millions	**2020**	2019
Interest income		
Interest income from financial instruments measured at fair value through profit or loss	**$538**	$778
Interest income from financial instruments measured at fair value through other comprehensive income	**1**	–
Interest income from financial instruments measured at amortised cost	**381**	257
Total interest income	**920**	1,035
Interest expense		
Interest expense from financial instruments measured at fair value through profit or loss	**(180)**	(352)
Interest expense from financial instruments measured at amortised cost	**(418)**	(416)
Total interest expense	**(598)**	(768)
Net interest income	**322**	267
Non-interest income		
Financial instruments mandatorily at fair value through profit or loss	**146**	(15)
Financial instruments designated at fair value through profit or loss	**(35)**	63
Fees and commissions	**62**	48
Total non-interest income	**173**	96
Net revenues	**$495**	$363

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.

Interest Income and Interest Expense

The table below presents sources of interest income and interest expense.

	Period Ended	
	December	November
$ in millions	**2020**	2019
Interest income		
Cash and cash equivalents	**$11**	$19
Collateralised agreements	**346**	461
Trading assets	**10**	3
Loans	**323**	233
Investments	**12**	13
Derivative instruments	**180**	278
Negative interest on financial liabilities	**18**	1
Other assets	**20**	27
Total interest income	**920**	1,035
Interest expense		
Collateralised financings	**(1)**	–
Trading liabilities	**(2)**	(4)
Deposits	**(476)**	(470)
Unsecured borrowings	**(49)**	(98)
Derivative instruments	**(8)**	(153)
Negative interest on financial assets	**(62)**	(43)
Total interest expense	**(598)**	(768)
Net interest income	**$322**	$267

In the table above, interest on derivative instruments consists of exchange of interest in currency derivative instruments related to funding products.

Note 7.

Operating Expenses

The table below presents operating expenses.

	Period Ended	
	December	November
$ in millions	**2020**	2019
Management charges from GS Group affiliates	**$70**	$76
Transaction based expenses	**30**	82
Compensation and benefits	**16**	12
Market development	**12**	8
Depreciation and amortisation	**1**	–
Professional fees	**5**	7
Occupancy	**1**	2
Other expenses	**14**	13
Operating expenses	**$149**	$200

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 bank is principal to a transaction as required by IFRS 15 'Revenue from Contracts with Customers' (IFRS 15). Such expenses were $25 million for the period ended December 2020 and $78 million for the period ended November 2019.
- Management charges includes charges relating to operational and administrative support and management services, received from GS Group affiliates.

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

	Period Ended	
	December	November
$ in millions	**2020**	2019
Audit fees	**$0.6**	$0.9
Audit related assurance services	**0.4**	0.5
Other assurance services	**0.1**	0.2
Total	**$1.1**	$1.6

In the table above:

- The fees for the bank's audit for the period ended December 2020 decreased by $0.3 million compared with the period ended November 2019 and fees for audit related assurance services for the period ended December 2020 decreased by $0.1 million compared with the period ended November 2019, primarily due to the bank changing its accounting reference date.
- Audit related assurance services for the period ended November 2019 included fees in connection with the audit of the bank'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 bank and GS Group in the prior period.
- Other assurance services included the bank's share of fees related to certain services provided by a network firm of the bank's auditor to various GS Group affiliates. These fees were apportioned to the various GS Group affiliates, including the bank, 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

A portion of the persons involved in the bank's operations are employed by GS Group affiliates. The charges made by these GS Group affiliates, including share-based payments, for all the services provided (personnel and other) to the bank are included in the management charges from GS Group affiliates (see Note 7).

Total average headcount was 128 for the period ended December 2020 and 96 for the period ended November 2019. Total headcount was 133 as of December 2020 and 112 as of November 2019. Additionally, 53 persons as of December 2020 and 63 persons as of November 2019 who were employed by GS Group affiliates were assigned to the bank through employee arrangements. Services are also provided to the bank by employees of other GS Group affiliates under a Master Services Agreement supplemented by Service Level Agreements.

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

	Period Ended	
	December	November
$ in millions	**2020**	2019
Wages and salaries	**$13**	$10
Social security costs	**2**	1
Pension costs defined contribution plan	**1**	1
Total	**$16**	$12

In the table above, total compensation and benefits included a charge of $240,000 for the period ended December 2020 and a charge of $47,000 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 bank recorded share-based compensation in respect of the amortisation of granted equity awards, net of forfeitures, of $639,000 for the period ended December 2020 and $280,000 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 bank 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 bank'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 table below presents 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	**5,220**	**50**	**$204.27**	**$216.93**
Granted	**1,395**	**812**	**218.46**	**240.36**
Forfeited	**–**	**–**	**–**	**–**
Delivered	**–**	**(1,457)**	**–**	**204.03**
Vested	**(3,512)**	**3,512**	**203.69**	**203.69**
Transfers	**6**	**–**	**225.87**	**–**
Ending balance	**3,109**	**2,917**	**$211.35**	**$213.94**
Period Ended December 2019				
Beginning balance	1,602	146	$210.14	$180.77
Granted	2,481	6	202.45	199.09
Forfeited	–	–	–	–
Delivered	–	(769)	–	194.06
Vested	(665)	665	198.72	198.72
Transfers	1,802	2	199.51	171.81
Ending balance	5,220	50	$204.27	$216.93

In the table above:

- The weighted average grant-date fair value of RSUs granted was $226.52 during the period ended December 2020 and $202.45 during the period ended November 2019. The fair value of the RSUs granted included a liquidity discount of 7.90% during the period ended December 2020 and 4.14% 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 $986,000 during the period ended December 2020 and $118,000 during the period ended November 2019.

Note 10.

Income Tax Expense

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

	Period Ended	
	December	November
$ in millions	**2020**	2019
Current tax		
U.K. taxation	**$29**	$43
Adjustments in respect of prior periods	**5**	–
Overseas taxation	**2**	1
Total current tax	**36**	44
Deferred tax		
Origination and reversal of temporary differences	**22**	1
Adjustments in respect of prior periods	**3**	–
Effect of increased U.K. corporation tax rate	**(4)**	–
Total deferred tax	**21**	1
Income tax expense	**$57**	$45

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 bank for the period ended December 2020 of 27.0% (period ended November 2019: 27.0%) to the profit before taxation.

	Period Ended	
	December	November
$ in millions	**2020**	2019
Profit before taxation	**$199**	$163
Profit multiplied by U.K. corporation tax rate of 27.0% (period ended November 2019: 27.0%)	**54**	44
Changes in recognition and measurement of deferred tax assets	**–**	1
Permanent differences	**(4)**	–
Exchange differences and other	**3**	–
Adjustments in respect of prior periods	**8**	–
Effect of increased U.K. corporate tax rate	**(4)**	–
Income tax expense	**$57**	$45

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 bank for the period ended December 2020 was 27.0%, consistent with the period ended November 2019. This change resulted in the bank recognising a gain of $4 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 bank is under review. The bank will remeasure its deferred tax assets on substantive enactment of this change.

Note 11.

Collateralised Agreements

The table below presents collateralised agreements.

	As of		
	December	November	December 1
$ in millions	**2020**	2019	2018
Resale agreements	**$30,039**	$25,062	$22,879
Securities borrowed	**4**	1	1,194
Intercompany loans	**2,846**	2,765	–
Total	**$32,889**	$27,828	$24,073

Note 12.

Customer and Other Receivables

The table below presents customer and other receivables.

	As of		
	December	November	December 1
$ in millions	**2020**	2019	2018
Receivables from broker/dealers and clearing organisations	**$54**	$74	$166
Receivables from customers and counterparties	**666**	304	1,149
Total	**$720**	$378	$1,315

Note 13.

Trading Assets and Liabilities

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

The table below presents trading assets.

	As of		
	December	November	December 1
$ in millions	**2020**	2019	2018
Trading cash instruments			
Bank loans	**$12**	$–	$–
Government and agency obligations	**–**	25	26
Mortgage-backed loans	**155**	831	2
Corporate debt instruments	**–**	3	–
Total trading cash instruments	**167**	859	28
Derivatives			
Interest rates	**386**	291	258
Credit	**44**	84	116
Currencies	**957**	342	222
Commodities	**4**	3	3
Equities	**131**	49	20
Total derivatives	**1,522**	769	619
Total	**$1,689**	$1,628	$647

The table below presents trading liabilities.

	As of		
	December	November	December 1
$ in millions	**2020**	2019	2018
Trading cash instruments			
Government and agency obligations	**$–**	$1	$11
Total trading cash instruments	**–**	1	11
Derivatives			
Interest rates	**311**	241	245
Credit	**219**	238	199
Currencies	**663**	278	569
Commodities	**4**	3	3
Equities	**24**	–	3
Total derivatives	**1,221**	760	1,019
Total	**$1,221**	$761	$1,030

Note 14.

Loans

The table below presents loans.

	As of		
	December	November	December 1
$ in millions	**2020**	2019	2018
Bank loans	**$9,641**	$7,721	$4,152
Mortgage-backed loans	**822**	233	148
Total	**$10,463**	$7,954	$4,300

In the table above, total loans included an allowance for impairment of $130 million as of December 2020, $27 million as of November 2019 and $25 million as of December 1, 2018.

Note 15.

Investments

Investments are generally held by the bank in connection with its long-term investing activities.

The table below presents investments.

	As of		
	December	November	December 1
$ in millions	**2020**	2019	2018
Government and agency obligations	**$2,101**	$–	$–
Debt instruments	**869**	963	629
Total	**$2,970**	$963	$629

In the table above, government and agency obligations were held for the purposes of managing the bank's fixed interest rate risk from deposit-taking activities.

Note 16.

Other Assets

The table below presents other assets by type.

	As of		
$ in millions	**December 2020**	November 2019	December 1 2018
Financial assets			
Intercompany loans	**$767**	$723	$725
Miscellaneous receivables and other	**147**	57	26
Total financial assets	**914**	780	751
Non-financial assets			
Intangible assets	**5**	–	–
Right-of-use assets	**3**	4	4
Deferred tax assets (see Note 17)	**28**	46	45
Prepayments and accrued income	**2**	1	1
Tax-related assets	**8**	1	5
Total non-financial assets	**46**	52	55
Total	**$960**	$832	$806

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.
- Total other assets includes receivables from contracts with clients of $1 million as of December 2020, $nil as of November 2019 and $nil as of December 1, 2018.

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	$–	$–	$–
Additions/Transfers	–	–	–
Disposals	–	–	–
As of November 2019	**–**	**–**	**–**
Additions/Transfers	**4**	**1**	**5**
Disposals	**–**	**–**	**–**
As of December 2020	**4**	**1**	**5**
Accumulated amortisation			
As of December 1, 2018	–	–	–
Charge for the period	–	–	–
Disposals	–	–	–
As of November 2019	**–**	**–**	**–**
Charge for the period	**–**	**–**	**–**
Disposals	**–**	**–**	**–**
As of December 2020	**–**	**–**	**–**
Net book value			
As of December 2020	**$4**	**$1**	**$5**
As of November 2019	$–	$–	$–
As of December 1, 2018	$–	$–	$–

Right-of-Use Assets and Lease Liabilities

The bank 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 bank pays all insurance, maintenance and repairs of these properties.

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

	As of		
$ in millions	**December 2020**	November 2019	December 1 2018
Right-of-use-assets	**$3**	$4	$4
Lease liabilities	**$(4)**	$(4)	$(4)

During the period ended December 2020 and period ended November 2019, there were no significant additions to the bank's right-of-use assets.

The table below presents the undiscounted cash flows of the bank's lease liabilities by contractual maturity. These amounts are included in other liabilities in the maturity of financial liabilities disclosure in Note 30.

	As of		
$ in millions	**December 2020**	November 2019	December 1 2018
Between three months and one year	**$1**	$1	$–
Between one and five years	**1**	2	3
Over five years	**1**	1	2
Total	**$3**	$4	$5

The bank's total cash outflow for leases was $803,000 for the period ended December 2020 and $84,000 for the period ended November 2019.

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

	Period Ended	
$ in millions	**December 2020**	November 2019
Depreciation of right-of-use asset	**$1**	$–
Interest expense	**–**	–
Total	**$1**	$–

Note 17.

Deferred Tax Assets

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

	As of		
	December	November	December 1
$ in millions	**2020**	2019	2018
Unused tax losses	**$46**	$49	$50
Unrealised gains on intercompany loans	**(18)**	–	–
Debt valuation adjustment	**7**	2	–
Government and agency obligations measured at fair value through other comprehensive income	**(2)**	–	–
Other temporary differences	**(5)**	(5)	(5)
Total	**$28**	$46	$45

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

	Period Ended	
	December	November
$ in millions	**2020**	2019
Unused tax losses		
Beginning balance	**$49**	$50
Transfer to the income statement	**(3)**	(1)
Ending balance	**$46**	$49
Unrealised gains on intercompany loans		
Beginning balance	**$–**	$–
Transfer to the income statement	**(18)**	–
Ending balance	**$(18)**	$–
Debt valuation adjustment		
Beginning balance	**$2**	$–
Transfer to other comprehensive income	**5**	2
Ending balance	**$7**	$2
Government and agency obligations measured at fair value through other comprehensive income		
Beginning balance	**$–**	$–
Transfer to other comprehensive income	**(2)**	–
Ending balance	**$(2)**	$–
Other temporary differences		
Beginning balance	**$(5)**	$(5)
Transfer to the income statement	**–**	–
Ending balance	**$(5)**	$(5)
Total		
Beginning balance	**$46**	$45
Transfer to the income statement (see Note 10)	**(21)**	(1)
Transfer to other comprehensive income	**3**	2
Ending balance	**$28**	$46

The deferred tax asset is recognised on the basis of estimated future taxable profits over the bank's planning horizon. Having considered the expected performance of the business, the directors are of the opinion that these projections support the recognition of the deferred tax asset.

Note 18.

Collateralised Financings

The table below presents collateralised financings.

	As of		
	December	November	December 1
$ in millions	**2020**	2019	2018
Repurchase agreements	**$4**	$–	$8
Other borrowings	**215**	–	–
Total	**$219**	$–	$8

Note 19.

Customer and Other Payables

The table below presents customer and other payables.

	As of		
	December	November	December 1
$ in millions	**2020**	2019	2018
Payables to broker/dealers and clearing organisations	**$81**	$42	$108
Payables to customers and counterparties	**378**	418	225
Total	**$459**	$460	$333

Note 20.

Deposits

The table below presents deposits.

	As of		
	December	November	December 1
$ in millions	**2020**	2019	2018
Customer deposits	**$51,548**	$38,483	$31,378
Intercompany deposits	**1,251**	1,012	1,121
Total	**$52,799**	$39,495	$32,499

In the table above, customer deposits included deposits from institutional clients, private wealth management clients and consumer clients through the digital deposit platform.

Debt Valuation Adjustment

The bank calculates the fair value of deposits 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 net DVA losses (pre-tax) on such financial liabilities, which is included in other comprehensive income.

	Period Ended	
	December	November
$ in millions	**2020**	2019
DVA losses (pre-tax)	**$(19)**	$(8)

The table below presents information about the cumulative net DVA losses included in accumulated other comprehensive income.

	As of		
	December	November	December 1
$ in millions	**2020**	2019	2018
DVA losses (pre-tax)	**$(28)**	$(9)	$(1)

Hedge Accounting

The bank designates certain interest rate swaps as fair value hedges that are used to manage the interest rate exposure of certain fixed-rate deposits. These interest rate swaps hedge changes in fair value attributable to the relevant benchmark interest rate, effectively converting fixed-rate obligations into floating-rate obligations.

The bank 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.

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

	As of		
	December	November	December 1
$ in millions	**2020**	2019	2018
Asset carrying value	**$50**	$43	$16
Liability carrying value	**$–**	$–	$1

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

	As of		
	December	November	December 1
$ in millions	**2020**	2019	2018
Between three months and one year	**$42**	$–	$–
Between one and five years	**218**	175	171
Over five years	**453**	467	488
Total	**$713**	$642	$659

The average fixed rate of the bank's hedging instruments was 1.25% for the period ended December 2020 and 1.21% 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 amount	Cumulative hedging adjustment
As of December 2020		
Deposits	**$742**	**$40**
As of November 2019		
Deposits	$691	$33
As of December 1, 2018		
Deposits	$681	$5

The table below presents the bank'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	**$5**	$28
Hedged deposits	**(6)**	(28)
Hedge ineffectiveness	**$(1)**	$–

Note 21.

Unsecured Borrowings

The table below presents unsecured borrowings.

	As of		
	December	November	December 1
$ in millions	2020	2019	2018
Intercompany loans	**$726**	$527	$803
Subordinated loans	**829**	857	844
Total	**$1,555**	$1,384	$1,647

In the table above, subordinated loans consist of a long-term loan from other GS Group affiliates of $826 million and accrued interest on this loan. The loan is unsecured and carries interest at a margin over the U.S. Federal Reserve's Federal Funds rate and constitutes regulatory capital as approved by the PRA. The loan is repayable on September 8, 2030. Any repayment prior to this maturity date requires PRA approval.

Note 22.

Other Liabilities

The table below presents other liabilities by type.

	As of		
	December	November	December 1
$ in millions	2020	2019	2018
Financial liabilities			
Allowance for impairment on unfunded lending commitments measured at amortised cost	**$21**	$4	$6
Compensation and benefits	**3**	3	1
Financial guarantee contracts	**–**	12	64
Lease liabilities (see Note 16)	**4**	4	4
Accrued expenses and other	**79**	26	47
Total financial liabilities	**107**	49	122
Non-financial liabilities			
Income tax-related liabilities	**51**	39	–
Other taxes and social security costs	**1**	1	–
Total non-financial liabilities	**52**	40	–
Total	**$159**	$89	$122

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	40,169,994	$63
As of November 2019	40,169,994	$63
As of December 2020	**40,169,994**	**$63**

Note 24.

Statement of Cash Flows Reconciliations

The table below presents cash and cash equivalents for the purpose of the statement of cash flows.

	As of		
	December	November	December 1
$ in millions	2020	2019	2018
Cash and cash equivalents	**$10,082**	$5,833	$6,984

Reconciliation of Cash Flows From Operating Activities

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

	Period Ended	
	December	November
$ in millions	2020	2019
Profit before taxation	**$199**	$163
Adjustments for		
Depreciation and amortisation (see Notes 7 and 16)	**1**	–
Foreign exchange gains	**(1,210)**	(18)
Share-based compensation expense	**1**	1
Operating lease	**–**	(1)
Change in value of investing activities	**(33)**	(48)
Interest expense on financing activity	**35**	47
Cash generated before changes in operating assets and liabilities	**(1,007)**	144
Changes in operating assets		
Increase in collateralised agreements	**(5,061)**	(3,755)
Increase)/decrease in customer and other receivables	**(342)**	937
Increase in trading assets	**(61)**	(981)
Increase in loans	**(2,509)**	(3,654)
Increase in other assets	**(134)**	(29)
Changes in operating assets	**(8,107)**	(7,482)
Changes in operating liabilities		
Increase/(decrease) in collateralised financings	**219**	(8)
(Decrease)/increase in customer and other payables	**(1)**	127
Increase/(decrease) in trading liabilities	**460**	(269)
Increase in deposits	**13,304**	6,996
Increase/(decrease) in unsecured borrowings	**200**	(277)
Increase/(decrease) in other liabilities	**44**	(86)
Changes in operating liabilities	**14,226**	6,483
Cash generated from/(used in) operations	**$5,112**	$(855)

In the table above, cash generated from operations included interest paid of $670 million for the period ended December 2020 and $644 million for the period ended November 2019, and interest received of $943 million for the period ended December 2020 and $997 million for the period ended November 2019.

Both the principal and interest related to subordinated loans is classified as financing activity.

Note 25.

Commitments and Contingencies

Commitments

The table below presents commitments.

	As of		
$ in millions	**December 2020**	November 2019	December 1 2018
Unfunded lending commitments			
Principal risk	**$6,702**	$6,382	$4,441
Sub-participated	**1,975**	1,342	1,803
Total unfunded lending commitments	**8,677**	7,724	6,244
Other commitments			
Investment commitments	**38**	–	26
Forward starting resale agreements	**217**	16	786
Forward starting repurchase agreements	**–**	–	421
Collateral commitments	**–**	21	–
Total other commitments	**255**	37	1,233
Total	**$8,932**	$7,761	$7,477

The bank originates a number of bank loans and mortgage-backed loans which are held as principal risk. The bank also holds bank loans and mortgage-backed loans which are sub-participated to GS Group affiliates and third party institutions. The unfunded portion of these agreements, where cash has not been deposited with the bank to collateralise the undrawn commitment is presented above.

The bank enters into repurchase and resale agreements that settle at a future date, generally within three business days. The bank's funding of these commitments depends on the satisfaction of all contractual conditions to the resale agreement and these commitments can expire unused.

Contingent Liabilities and Financial Guarantee Contracts

The bank, in its capacity as an agent in securities lending, indemnifies most of its securities lending customers against losses incurred in the event that borrowers do not return securities. The maximum exposure to loss under guarantees was $809 million as of December 2020, $792 million as of November 2019 and $2.08 billion as of December 1, 2018. The market value of the collateral held to cover the loss was $897 million as of December 2020, $874 million as of November 2019 and $2.36 billion as of December 1, 2018.

The bank has contingent liabilities in relation to financial guarantee contracts written of $45 million as of December 2020, $679 million as of November 2019 and $1.05 billion as of December 1, 2018. This represents the maximum exposure in excess of the amount recorded in the balance sheet as financial guarantee contracts (see Note 22).

Note 26.

Maturity of Assets and Liabilities

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

$ in millions	Non-current	Current	Total
As of December 2020			
Assets			
Cash and cash equivalents	**$–**	**$10,082**	**$10,082**
Collateralised agreements	**11,650**	**21,239**	**32,889**
Customer and other receivables	**–**	**720**	**720**
Trading assets	**–**	**1,689**	**1,689**
Loans	**6,358**	**4,105**	**10,463**
Investments	**2,668**	**302**	**2,970**
Other assets	**723**	**237**	**960**
Total assets	**$21,399**	**$38,374**	**$59,773**
Liabilities			
Collateralised financings	**$215**	**$4**	**$219**
Customer and other payables	**–**	**459**	**459**
Trading liabilities	**–**	**1,221**	**1,221**
Deposits	**2,051**	**50,748**	**52,799**
Unsecured borrowings	**1,534**	**21**	**1,555**
Other liabilities	**–**	**159**	**159**
Total liabilities	**$3,800**	**$52,612**	**$56,412**
As of November 2019			
Assets			
Cash and cash equivalents	$–	$5,833	$5,833
Collateralised agreements	5,478	22,350	27,828
Customer and other receivables	–	378	378
Trading assets	–	1,628	1,628
Loans	4,352	3,602	7,954
Investments	561	402	963
Other assets	711	121	832
Total assets	$11,102	$34,314	$45,416
Liabilities			
Collateralised financings	$–	$–	$–
Customer and other payables	–	460	460
Trading liabilities	–	761	761
Deposits	1,552	37,943	39,495
Unsecured borrowings	1,323	61	1,384
Other liabilities	–	89	89
Total liabilities	$2,875	$39,314	$42,189
As of December 1, 2018			
Assets			
Cash and cash equivalents	$–	$6,984	$6,984
Collateralised agreements	1,154	22,919	24,073
Customer and other receivables	–	1,315	1,315
Trading assets	–	647	647
Loans	1,945	2,355	4,300
Investments	604	25	629
Other assets	724	82	806
Total assets	$4,427	$34,327	$38,754
Liabilities			
Collateralised financings	$–	$8	$8
Customer and other payables	–	333	333
Trading liabilities	–	1,030	1,030
Deposits	2,431	30,068	32,499
Unsecured borrowings	1,604	43	1,647
Other liabilities	–	122	122
Total liabilities	$4,035	$31,604	$35,639

In the table above:

- Current assets and liabilities include amounts that the bank 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 and liabilities are amounts that the bank expects to be recovered or settled after more than twelve months and includes the bank's deferred tax asset and assets and liabilities with contractual maturities greater than one year.

Note 27.

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 bank's related parties include:

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

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

Key Management Compensation

Key management personnel are employed by GS Group affiliates. Compensation is included in the management charges from GS Group affiliates (see Note 7).

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 bank's directors' emoluments.

	Period Ended	
	December	November
$ in millions	**2020**	2019
Aggregate emoluments	**$1.6**	$1.4
Company pension contributions to money purchase schemes	**–**	–
Total	**$1.6**	$1.4

The table below presents emoluments for the highest paid director.

	Period Ended	
	December	November
$ in millions	**2020**	2019
Aggregate emoluments	**$0.4**	$0.3
Company pension contributions to money purchase schemes	**–**	**–**
Accrued annual pension at end of the period	**$–**	**$–**

Two directors were members of a defined contribution scheme for both the period ended December 2020 and November 2019. Two 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 seven non-executive directors who were members of the Board for all or part of the period ended December 2020 was approximately $900,000.

Transactions with Related Parties

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

Risk Management and Market-Making Activity

The bank 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 sells of securities and loans	**$51**	$825

The bank also holds securities in, and makes loans to other GS Group affiliates. The bank 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 bank received security collateral from other GS Group affiliates of $31.14 billion as of December 2020 and $25.56 billion as of November 2019, primarily on collateralised agreements, and posted security collateral to related parties of $nil as of December 2020 and November 2019.

Funding Activity

The bank routinely enters into collateralised agreements and collateralised financings with GS Group affiliates to source securities and fund inventory on a secured basis.

In addition, the bank's unsecured borrowings is from GS Group affiliates, see Note 21 for further details. The bank has received deposits, and has also made loans, to certain GS Group affiliates. See Notes 20 and 16, respectively, for further details.

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

Commitments and Guarantees

The table below presents financial commitments with other GS Group affiliates.

	As of		
$ in millions	**December 2020**	November 2019	December 1 2018
Sub-participated loans	**$822**	$1,149	$1,262
Forward starting resale agreements	**217**	16	786
Forward starting repurchase agreements	**–**	–	421
Total	**$1,039**	$1,165	$2,469

Transfer Pricing and Management Charges

The bank participates in the allocation of net revenues among GS Group affiliates for their involvement in GS Group's business activities. In addition, the bank incurs management charges from GS Group affiliates relating to operational and administrative support and management services.

Taxation

The bank both receives and passes group relief from other GS Group affiliates. The bank received tax-effected losses from GS Group affiliates of $32 million for the period ended December 2020 and $31 million for the period ended November 2019 for which it paid consideration. The bank transferred tax-effected losses to other GS Group affiliates of $6 million for the period ended December 2020 and $nil for the period ended November 2019.

Share-Based Payments

The bank has entered into a chargeback agreement with Group Inc. under which it is committed to pay 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. See Note 9 for further information.

Related Party Assets and Liabilities

The table below presents assets and liabilities with related parties.

$ in millions	Parent entities	Other GS Group affiliates	Total
As of December 2020			
Assets			
Cash and cash equivalents	**$–**	**$–**	**$–**
Collateralised agreements	**–**	**32,889**	**32,889**
Customer and other receivables	**–**	**533**	**533**
Trading assets	**–**	**1,218**	**1,218**
Loans	**–**	**–**	**–**
Investments	**–**	**300**	**300**
Other assets	**–**	**794**	**794**
Total assets	**$–**	**$35,734**	**$35,734**
Liabilities			
Collateralised financings	**$–**	**$219**	**$219**
Customer and other payables	**–**	**211**	**211**
Trading liabilities	**–**	**1,155**	**1,155**
Deposits	**–**	**1,251**	**1,251**
Unsecured borrowings	**1,006**	**549**	**1,555**
Other liabilities	**34**	**45**	**79**
Total liabilities	**$1,040**	**$3,430**	**$4,470**
As of November 2019			
Assets			
Cash and cash equivalents	$–	$–	$–
Collateralised agreements	–	27,828	27,828
Customer and other receivables	–	272	272
Trading assets	–	1,228	1,228
Loans	–	–	–
Investments	–	399	399
Other assets	–	741	741
Total assets	$–	$30,468	$30,468
Liabilities			
Collateralised financings	$–	$–	$–
Customer and other payables	–	46	46
Trading liabilities	–	662	662
Deposits	–	1,012	1,012
Unsecured borrowings	946	438	1,384
Other liabilities	–	40	40
Total liabilities	$946	$2,198	$3,144
As of December 1, 2018			
Assets			
Cash and cash equivalents	$–	$–	$–
Collateralised agreements	–	24,073	24,073
Customer and other receivables	–	1,189	1,189
Trading assets	–	287	287
Loans	–	–	–
Investments	–	–	–
Other assets	1	732	733
Total assets	$1	$26,281	$26,282
Liabilities			
Collateralised financings	$–	$8	$8
Customer and other payables	–	124	124
Trading liabilities	–	912	912
Deposits	–	1,121	1,121
Unsecured borrowings	908	739	1,647
Other liabilities	–	33	33
Total liabilities	$908	$2,937	$3,845

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	Total
Period Ended December 2020			
Net revenues			
Interest income	**$–**	**$382**	**$382**
Interest expense	**(37)**	**(49)**	**(86)**
Transfer pricing revenues	**–**	**108**	**108**
Total net revenues	**$(37)**	**$441**	**$404**
Operating expenses			
Management charges from GS Group affiliates	**$–**	**$70**	**$70**
Transaction based expenses	**–**	**19**	**19**
Total operating expenses	**$–**	**$89**	**$89**
Period Ended November 2019			
Net revenues			
Interest income	$–	$490	$490
Interest expense	(49)	(92)	(141)
Transfer pricing revenues	–	(17)	(17)
Total net revenues	$(49)	$381	$332
Operating expenses			
Management charges from GS Group affiliates	$–	$76	$76
Transaction based expenses	–	78	78
Total operating expenses	$–	$154	$154

In the table above:

- Transaction based expenses primarily include expenses for activity where the bank 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 28.

Financial Instruments

Financial Assets and Liabilities by Category

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

	Financial Assets			
$ in millions	Mandatorily at fair value	Amortised cost	Fair value through OCI	Total
As of December 2020				
Cash and cash equivalents	**$–**	**$10,082**	**$–**	**$10,082**
Collateralised agreements	**31,876**	**1,013**	**–**	**32,889**
Customer and other receivables	**–**	**720**	**–**	**720**
Trading assets	**1,689**	**–**	**–**	**1,689**
Loans	**1,402**	**9,061**	**–**	**10,463**
Investments	**382**	**487**	**2,101**	**2,970**
Other assets	**–**	**914**	**–**	**914**
Total	**$35,349**	**$22,277**	**$2,101**	**$59,727**
As of November 2019				
Cash and cash equivalents	$–	$5,833	$–	$5,833
Collateralised agreements	26,812	1,016	–	27,828
Customer and other receivables	–	378	–	378
Trading assets	1,628	–	–	1,628
Loans	1,476	6,478	–	7,954
Investments	471	492	–	963
Other assets	–	780	–	780
Total	$30,387	$14,977	$–	$45,364
As of December 1, 2018				
Cash and cash equivalents	$–	$6,984	$–	$6,984
Collateralised agreements	24,073	–	–	24,073
Customer and other receivables	–	1,315	–	1,315
Trading assets	647	–	–	647
Loans	195	4,105	–	4,300
Investments	94	535	–	629
Other assets	–	751	–	751
Total	$25,009	$13,690	$–	$38,699

	Financial Liabilities			
$ in millions	Held for trading	Designated at fair value	Amortised cost	Total
As of December 2020				
Collateralised financings	**$–**	**$219**	**$–**	**$219**
Customer and other payables	**–**	**–**	**459**	**459**
Trading liabilities	**1,221**	**–**	**–**	**1,221**
Deposits	**–**	**10,504**	**42,295**	**52,799**
Unsecured borrowings	**–**	**327**	**1,228**	**1,555**
Other liabilities	**–**	**–**	**107**	**107**
Total	**$1,221**	**$11,050**	**$44,089**	**$56,360**
As of November 2019				
Collateralised financings	$–	$–	$–	$–
Customer and other payables	–	–	460	460
Trading liabilities	761	–	–	761
Deposits	–	13,276	26,219	39,495
Unsecured borrowings	–	137	1,247	1,384
Other liabilities	–	12	37	49
Total	$761	$13,425	$27,963	$42,149
As of December 1, 2018				
Collateralised financings	$–	$8	$–	$8
Customer and other payables	–	–	333	333
Trading liabilities	1,030	–	–	1,030
Deposits	–	17,210	15,289	32,499
Unsecured borrowings	–	294	1,353	1,647
Other liabilities	–	64	58	122
Total	$1,030	$17,576	$17,033	$35,639

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 bank 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 bank'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 bank 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 included derivative assets of $128 million as of December 2020, $147 million as of November 2019 and $174 million as of December 1, 2018, and derivative liabilities of $17 million as of December 2020, $241 million as of November 2019 and $310 million as of December 1, 2018, which are not subject to an enforceable netting agreement or are subject to a netting agreement that the bank has not yet determined to be enforceable.
- All collateralised agreements and collateralised financings are subject to enforceable netting agreements as of December 2020, November 2019 and December 1, 2018.

	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	**$30,043**	**$–**	**$30,043**	**$(4)**	**$–**	**$(30,004)**	**$35**
Customer and other receivables	**373**	**–**	**373**	**–**	**(256)**	**–**	**117**
Derivatives	**1,522**	**–**	**1,522**	**(1,155)**	**(196)**	**(115)**	**56**
Trading assets	**1,522**	**–**	**1,522**	**(1,155)**	**(196)**	**(115)**	**56**
Loans	**5,433**	**–**	**5,433**	**–**	**–**	**(5,433)**	**–**
Investments	**569**	**–**	**569**	**–**	**–**	**(569)**	**–**
Financial assets subject to enforceable netting agreements	**37,940**	**–**	**37,940**	**(1,159)**	**(452)**	**(36,121)**	**208**
Financial assets not subject to enforceable netting agreements	**21,787**	**–**	**21,787**	**–**	**–**	**–**	**21,787**
Total financial assets	**$59,727**	**$–**	**$59,727**	**$(1,159)**	**$(452)**	**$(36,121)**	**$21,995**
Financial liabilities							
Collateralised financings	**$219**	**$–**	**$219**	**$(219)**	**$–**	**$–**	**$–**
Customer and other payables	**219**	**–**	**219**	**–**	**(196)**	**–**	**23**
Derivatives	**1,221**	**–**	**1,221**	**(940)**	**(256)**	**–**	**25**
Trading liabilities	**1,221**	**–**	**1,221**	**(940)**	**(256)**	**–**	**25**
Unsecured borrowings	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Financial liabilities subject to enforceable netting agreements	**1,659**	**–**	**1,659**	**(1,159)**	**(452)**	**–**	**48**
Financial liabilities not subject to enforceable netting agreements	**54,701**	**–**	**54,701**	**–**	**–**	**–**	**54,701**
Total financial liabilities	**$56,360**	**$–**	**$56,360**	**$(1,159)**	**$(452)**	**$–**	**$54,749**

	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	$25,063	$–	$25,063	$–	$–	$(24,912)	$151
Customer and other receivables	236	–	236	–	(236)	–	–
Derivatives	769	–	769	(424)	(90)	(158)	97
Trading assets	769	–	769	(424)	(90)	(158)	97
Loans	3,757	–	3,757	–	–	(3,757)	–
Investments	562	–	562	–	–	(562)	–
Financial assets subject to enforceable netting agreements	30,387	–	30,387	(424)	(326)	(29,389)	248
Financial assets not subject to enforceable netting agreements	14,977	–	14,977	–	–	–	14,977
Total financial assets	$45,364	$–	$45,364	$(424)	$(326)	$(29,389)	$15,225
Financial liabilities							
Collateralised financings	$–	$–	$–	$–	$–	$–	$–
Customer and other payables	189	–	189	–	(90)	–	99
Derivatives	760	–	760	(424)	(236)	(4)	96
Trading liabilities	760	–	760	(424)	(236)	(4)	96
Unsecured borrowings	2	–	2	–	–	–	2
Financial liabilities subject to enforceable netting agreements	951	–	951	(424)	(326)	(4)	197
Financial liabilities not subject to enforceable netting agreements	41,198	–	41,198	–	–	–	41,198
Total financial liabilities	$42,149	$–	$42,149	$(424)	$(326)	$(4)	$41,395

	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	$24,446	$(373)	$24,073	$(8)	$–	$(23,962)	$103
Customer and other receivables	688	–	688	–	(684)	–	4
Derivatives	619	–	619	(220)	(154)	(86)	159
Trading assets	619	–	619	(220)	(154)	(86)	159
Loans	2,885	–	2,885	–	–	(2,885)	–
Investments	604	–	604	–	–	(604)	–
Financial assets subject to enforceable netting agreements	29,242	(373)	28,869	(228)	(838)	(27,537)	266
Financial assets not subject to enforceable netting agreements	9,830	–	9,830	–	–	–	9,830
Total financial assets	$39,072	$(373)	$38,699	$(228)	$(838)	$(27,537)	$10,096
Financial liabilities							
Collateralised financings	$381	$(373)	$8	$(8)	$–	$–	$–
Customer and other payables	158	–	158	–	(154)	–	4
Derivatives	1,019	–	1,019	(220)	(684)	–	115
Trading liabilities	1,019	–	1,019	(220)	(684)	–	115
Unsecured borrowings	17	–	17	–	–	–	17
Financial liabilities subject to enforceable netting agreements	1,575	(373)	1,202	(228)	(838)	–	136
Financial liabilities not subject to enforceable netting agreements	34,437	–	34,437	–	–	–	34,437
Total financial liabilities	$36,012	$(373)	$35,639	$(228)	$(838)	$–	$34,573

Collateral Received and Pledged

The bank 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 loans. The bank 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 bank is permitted to deliver or repledge financial instruments received as collateral in connection with collateralised derivative transactions and meeting bank settlement requirements.

The bank also pledges certain trading assets in connection with repurchase agreements to counterparties who may or may not have the right to deliver or repledge.

The table below presents financial instruments received as collateral that were available to be delivered or repledged; and that were delivered or repledged by the bank.

	As of		
$ in millions	**December 2020**	November 2019	December 1 2018
Collateral available to be delivered or repledged	**$31,135**	$25,556	$23,988
Collateral that was delivered or repledged	**$627**	$38	$1,495

The table below presents information about assets pledged.

	As of		
$ in millions	**December 2020**	November 2019	December 1 2018
Trading assets pledged to counterparties that:			
Had the right to deliver or repledge	**$–**	$1	$1
Did not have the right to deliver or repledge	**$–**	$–	$–

The bank has received cash collateral of $219 million as of December 2020, $189 million as of November 2019 and $158 million as of December 1, 2018 and posted cash collateral of $373 million as of December 2020, $236 million as of November 2019 and $688 million as of December 1, 2018. Amounts received and posted are equivalent to trading assets and trading liabilities.

Note 29.

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 bank 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 bank 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 bank'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 bank'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 bank 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 bank 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 bank 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.

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 bank’s OTC derivatives are cleared and settled through central clearing counterparties (OTC-cleared), while others are bilateral contracts between two counterparties (bilateral OTC).

The bank’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 bank 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 bank 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 bank 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 bank also makes funding valuation adjustments to collateralised derivatives where the terms of the agreement do not permit the bank 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 bank 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 Secured Financings.** The significant inputs to the valuation of secured intercompany loans and other borrowings 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 bank (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.
- **Deposits.** The significant inputs to the valuation of deposits measured at fair value are interest rates and the amount and timing of future cash flows.
- **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 and the credit spreads of GS Group. The inputs used to value the embedded derivative component of hybrid financial instruments are consistent with the inputs used to value the bank's other derivative instruments.
- **Other Liabilities.** Other liabilities included financial guarantee contracts measured at fair value. The significant inputs to the valuation of financial guarantee contracts measured at fair value are consistent with the inputs used to value the bank'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	**$–**	**$31,876**	**$–**	**$31,876**
Trading cash instruments	**–**	**97**	**70**	**167**
Derivatives	**–**	**1,416**	**106**	**1,522**
Trading assets	**–**	**1,513**	**176**	**1,689**
Loans	**–**	**766**	**636**	**1,402**
Investments	**2,101**	**301**	**81**	**2,483**
Total financial assets	**$2,101**	**$34,456**	**$893**	**$37,450**
Financial liabilities				
Collateralised financings	**$–**	**$219**	**$–**	**$219**
Trading cash instruments	**–**	**–**	**–**	**–**
Derivatives	**–**	**1,138**	**83**	**1,221**
Trading liabilities	**–**	**1,138**	**83**	**1,221**
Deposits	**–**	**10,504**	**–**	**10,504**
Unsecured borrowings	**–**	**327**	**–**	**327**
Other liabilities	**–**	**–**	**–**	**–**
Total financial liabilities	**$–**	**$12,188**	**$83**	**$12,271**
Net derivatives	**$–**	**$278**	**$23**	**$301**
As of November 2019				
Financial assets				
Collateralised agreements	$–	$26,812	$–	$26,812
Trading cash instruments	–	859	–	859
Derivatives	–	760	9	769
Trading assets	–	1,619	9	1,628
Loans	–	1,101	375	1,476
Investments	–	420	51	471
Total financial assets	$–	$29,952	$435	$30,387
Financial liabilities				
Collateralised financings	$–	$–	$–	$–
Trading cash instruments	–	1	–	1
Derivatives	–	687	73	760
Trading liabilities	–	688	73	761
Deposits	–	13,276	–	13,276
Unsecured borrowings	–	137	–	137
Other liabilities	–	12	–	12
Total financial liabilities	$–	$14,113	$73	$14,186
Net derivatives	$–	$73	$(64)	$9
As of December 1, 2018				
Financial assets				
Collateralised agreements	$–	$24,073	$–	$24,073
Trading cash instruments	2	26	–	28
Derivatives	29	587	3	619
Trading assets	31	613	3	647
Loans	–	142	53	195
Investments	–	20	74	94
Total financial assets	$31	$24,848	$130	$25,009
Financial liabilities				
Collateralised financings	$–	$8	$–	$8
Trading cash instruments	2	9	–	11
Derivatives	29	911	79	1,019
Trading liabilities	31	920	79	1,030
Deposits	–	17,210	–	17,210
Unsecured borrowings	–	294	–	294
Other liabilities	–	64	–	64
Total financial liabilities	$31	$18,496	$79	$18,606
Net derivatives	$–	$(324)	$(76)	$(400)

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
Bank loans, mortgage-backed loans and debt instruments	**$787**	$426	$127
Yield	**2% to 29.9% (6.0%)**	1.1% to 13.7% (6.6%)	2.2% to 17.0% (6.8%)
Recovery rate	**57.8% to 57.8% (57.8%)**	70.0% to 70.0% (70.0%)	70.0% to 70.0% (70.0%)
Duration (years)	**0.6 to 9.1 (3.7)**	1.1 to 8.0 (3.8)	2.5 to 9.0 (3.2)

In the table above:

- Ranges represent the significant unobservable inputs that were used in the valuation of each type of 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 instrument. For example, the highest yield for mortgage-backed loans 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 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.
- Instruments are valued using discounted cash flows.

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
Credit, net	**$(79)**	$(73)	$(76)
Credit spreads (bps)	**900 to 900 (900/900)**	900 to 900 (900/900)	900 to 900 (900/900)
Equities, net	**$102**	$8	$–
Correlation	**32% to 32% (32%/32%)**	56% to 56% (56%/56%)	–
Volatility	**17% to 17% (17%/17%)**	13% to 13% (13%/13%)	–

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

During both the periods ended December 2020 and 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.

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	
$ in millions	**December 2020**	November 2019
Financial assets		
Beginning balance	**$435**	$130
Gains/(losses)	**66**	11
Purchases	**687**	353
Sales	**(296)**	(48)
Settlements	**(84)**	(15)
Transfers into level 3	**86**	6
Transfers out of level 3	**(1)**	(2)
Ending balance	**$893**	$435
Financial liabilities		
Beginning balance	**$(73)**	$(79)
(Gains)/losses	**(16)**	(3)
Purchases	**–**	–
Sales	**–**	1
Settlements	**6**	6
Transfers into level 3	**–**	–
Transfers out of level 3	**–**	2
Ending balance	**$(83)**	$(73)

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 bank's results of operations, liquidity or capital resources.
- The net gains on level 3 financial assets for the period ended December 2020 and period ended November 2019 are reported in "Gains or losses from financial instruments at fair value through profit or loss" in the income statement.

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

During both the periods ended December 2020 and November 2019, there were no significant transfers between level 2 and level 3 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 $25 million as of December 2020, for favourable changes, and $22 million as of December 2020, for unfavourable changes.

In determining reasonably possible alternative 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.

The potential impact of using reasonable possible alternative assumptions for the valuations, including significant unobservable inputs was not material as of both November 2019 and December 1, 2018.

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

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

	As of		
$ in millions	**December 2020**	November 2019	December 1 2018
Financial assets			
Current	**$11,635**	$7,155	$8,744
Non-current	**10,642**	7,822	4,946
Total financial assets	**$22,277**	$14,977	$13,690
Financial liabilities			
Current	**$42,117**	$26,080	$14,991
Non-current	**1,972**	1,883	$2,042
Total financial liabilities	**$44,089**	$27,963	$17,033

In the table above:

- Current financial assets and 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 assets are primarily related to loans. The fair value of these loans was higher than the carrying value by approximately $68 million as of December 2020 and $36 million as of November 2019.
- Non-current financial liabilities are primarily related to intercompany loans and subordinated loans. The interest rates of these 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.

Hedge Accounting

Net Investment Hedging. The bank seeks to reduce the impact of fluctuations in foreign exchange rates on its foreign operations through the use of foreign currency forward contracts. For foreign currency forward contracts designated as hedges, the effectiveness of the hedge is assessed based on the overall changes in the fair value of the forward contracts (i.e., based on changes in forward rates).

For qualifying net investment hedges, the gains or losses on the hedging instruments, to the extent effective, are included in the statement of comprehensive income.

The table below presents the fair value of asset and liability derivative instruments designated as hedges.

	As of			
	December 2020		November 2019	
$ in millions	**Derivative assets**	**Derivative liabilities**	Derivative assets	Derivative liabilities
Derivative instruments designated as hedges	**$–**	**$3**	$–	$–

Unconsolidated Structured Entities

The bank has interests in structured entities that it does not control (unconsolidated structured entities), which primarily includes senior and subordinated debt in residential and commercial mortgage-backed securitisation entities.

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 bank's involvement with structured entities primarily includes securitisation of financial assets.

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

	As of		
$ in millions	**December 2020**	November 2019	December 1 2018
Assets in structured entities	**$11,830**	$11,516	$12,346
Carrying value of interests - assets	**596**	566	629
Maximum exposure to loss	**$596**	$566	$629

The carrying values of the bank's interests are included in the balance sheet in "Investments".

Note 30.

Financial Risk Management and Capital Management

Equity Capital Management and Regulatory Capital

Overview

The bank determines the appropriate amount and composition of its equity capital by considering multiple factors including the bank's current and future regulatory capital requirements, the results of the bank'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 table below presents information about the bank's risk-based capital.

	As of		
	December	November	December 1
$ in millions	**2020**	2019	2018
Share capital	**$63**	$63	$63
Share premium account	**2,094**	2,094	2,094
Retained earnings	**1,219**	1,077	959
Accumulated other comprehensive income	**(15)**	(7)	(1)
Deductions	**(41)**	(119)	(76)
CET1 and Tier 1 capital	**3,320**	3,108	3,039
Subordinated loans	**826**	826	826
Tier 2 capital	**826**	826	826
Total capital	**$4,146**	$3,934	$3,865

During the period ended December 2020 and period ended November 2019, the bank was in compliance with the capital requirements set by the PRA.

Liquidity Risk Management

Overview

Liquidity risk is the risk that the bank will be unable to fund itself or meet its liquidity needs in the event of bank-specific, broader industry or market liquidity stress events. The bank has in place a comprehensive and conservative set of liquidity and funding policies. The bank'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 bank's framework for managing liquidity risk is consistent with, and part of, the GS Group framework.

Liquidity Risk Management Principles

The bank manages liquidity risk according to three principles: (i) hold sufficient excess liquidity in the form of Global Core Liquid Assets (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 bank 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 its 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 bank 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.

Asset-Liability Management. The bank's liquidity risk management policies are designed to ensure the bank has a sufficient amount of financing, even when funding markets experience persistent stress. The bank 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 bank'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 bank would first use its GCLA in order to avoid reliance on asset sales (other than its GCLA). However, the bank 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 Goldman Sachs International Bank-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 bank's potential responses if assessments indicate that the bank has entered a liquidity crisis, which include pre-funding for what the bank 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.

Maturity of Financial Liabilities

The table below presents the cash flows of the bank's financial liabilities by contractual maturity including interest that will accrue, except for financial instruments sold, but not yet purchased. Financial instruments sold, but not yet purchased are classified as trading/on demand. Financial liabilities, with the exception of those that are held for trading or designated at fair value through profit and 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 and 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.

$ in millions	Trading/ on demand	Less than one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	Total
As of December 2020							
Collateralised financings	**$–**	**$4**	**$–**	**$–**	**$215**	**$–**	**$219**
Customer and other payables	**–**	**459**	**–**	**–**	**–**	**–**	**459**
Trading liabilities	**1,221**	**–**	**–**	**–**	**–**	**–**	**1,221**
Deposits	**37,549**	**836**	**5,046**	**7,358**	**1,083**	**1,017**	**52,889**
Unsecured borrowings	**–**	**18**	**10**	**41**	**914**	**967**	**1,950**
Other liabilities	**–**	**103**	**–**	**–**	**2**	**2**	**107**
Total – on balance sheet	**38,770**	**1,420**	**5,056**	**7,399**	**2,214**	**1,986**	**56,845**
Off balance sheet	**–**	**8,932**	**–**	**–**	**–**	**–**	**8,932**
Total	**$38,770**	**$10,352**	**$5,056**	**$7,399**	**$2,214**	**$1,986**	**$65,777**
As of November 2019							
Collateralised financings	$–	$–	$–	$–	$–	$–	$–
Customer and other payables	–	460	–	–	–	–	460
Trading liabilities	761	–	–	–	–	–	761
Deposits	24,549	3,319	4,468	5,660	534	1,054	39,584
Unsecured borrowings	–	61	–	14	661	885	1,621
Other liabilities	12	33	–	–	2	2	49
Total – on balance sheet	25,322	3,873	4,468	5,674	1,197	1,941	42,475
Off balance sheet	–	7,761	–	–	–	–	7,761
Total	$25,322	$11,634	$4,468	$5,674	$1,197	$1,941	$50,236
As of December 1, 2018							
Collateralised financings	$8	$–	$–	$–	$–	$–	$8
Customer and other payables	–	333	–	–	–	–	333
Trading liabilities	1,030	–	–	–	–	–	1,030
Deposits	13,496	2,812	3,719	10,052	1,549	953	32,581
Unsecured borrowings	–	–	–	15	1,006	939	1,960
Other liabilities	64	31	23	–	2	2	122
Total – on balance sheet	14,598	3,176	3,742	10,067	2,557	1,894	36,034
Off balance sheet	–	7,477	–	–	–	–	7,477
Total	$14,598	$10,653	$3,742	$10,067	$2,557	$1,894	$43,511

Market Risk Management

Overview

Market risk is the risk of loss in the value of the bank's instruments accounted for at fair value due to changes in market conditions. The bank employs a variety of risk measures 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 bank level.

Market Risk Management Process

The bank's process for managing market risk includes:

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

The bank'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 bank level.

Risk Measures

The bank 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 bank-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 bank'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 bank.

Metrics

The table below presents average daily VaR and period-end VaR, as well as the high and low VaR for the period.

	As of or for the Period Ended		
	December	November	December 1
$ in millions	**2020**	2019	2018
Average daily VaR	**$4**	$4	$2
Period-end VaR	**6**	5	2
High VaR	**9**	10	9
Low VaR	**$2**	$2	$1

Credit Risk Management

Overview

Credit risk represents the potential for loss due to the default or deterioration in credit quality of a counterparty (e.g., an OTC derivatives counterparty or a borrower) or an issuer of securities or other instruments the bank holds. The bank's exposure to credit risk comes mostly from lending activities and 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) and customer and other receivables. In addition, the bank 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 bank'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

The process for managing credit risk includes:

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

As part of the risk assessment process, Credit Risk performs credit reviews, which include initial and ongoing analyses of the bank'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 within Credit Risk Management, with expertise in specific industries, inspect and approve credit reviews and internal credit ratings.

Maximum Exposure to Credit Risk – Financial Assets Subject to Impairment

The table below presents an analysis of the credit risk exposure for loans for which an allowance for impairment is recognised. The gross carrying value of financial assets below also represents the bank's maximum exposure to credit risk on these financial assets.

$ in millions	Stage 1	Stage 2	Stage 3	Total
As of December 2020				
Credit rating equivalent				
Investment grade	**$5,073**	**$–**	**$–**	**$5,073**
Non-investment grade	**3,680**	**436**	**2**	**4,118**
Gross carrying value	**8,753**	**436**	**2**	**9,191**
Allowance for impairment	**(93)**	**(36)**	**(1)**	**(130)**
Carrying value	**$8,660**	**$400**	**$1**	**$9,061**
As of November 2019				
Credit rating equivalent				
Investment grade	$3,515	$–	$–	$3,515
Non-investment grade	2,866	121	3	2,990
Gross carrying value	6,381	121	3	6,505
Allowance for impairment	(22)	(4)	(1)	(27)
Carrying value	$6,359	$117	$2	$6,478

The allowance for impairment ratio increased to 1.4% at December 2020 compared with 0.4% as of November 2019.

The table below presents an analysis of the credit risk exposure for unfunded commitments for which an allowance for impairment is recognised.

$ in millions	Stage 1	Stage 2	Stage 3	Total
As of December 2020				
Credit rating equivalent				
Investment grade	**$4,101**	**$–**	**$–**	**$4,101**
Non-investment grade	**2,188**	**299**	**–**	**2,487**
Unfunded commitments	**$6,289**	**$299**	**$–**	**$6,588**
Allowance for impairment	**$(14)**	**$(7)**	**$–**	**$(21)**
As of November 2019				
Credit rating equivalent				
Investment grade	$3,608	$–	$–	$3,608
Non-investment grade	2,273	60	–	2,333
Unfunded commitments	$5,881	$60	$–	$5,941
Allowance for impairment	$(3)	$(1)	$–	$(4)

The allowance for impairment also includes qualitative components which allow management to reflect the uncertain nature of economic forecasting, capture uncertainty regarding model inputs, and account for model imprecision and concentration risk. While the assessment is qualitative in nature, the quantification and implementation of these assessments are systematic and model based and considered a core component of the bank's modelled loan losses.

The bank also has credit risk exposure to the following financial assets where the allowance for impairment is not material:

- Cash and cash equivalents of $10.08 billion as of December 2020 and $5.83 billion as of November 2019;

- Collateralised agreements of $1.01 billion as of December 2020 and $1.02 billion as of November 2019; and
- Customer and other receivables of $720 million as of December 2020 and $378 million as of November 2019;
- Investments of $2.59 billion as of December 2020 and $492 million as of November 2019;
- Other assets of $914 million as of December 2020 and $780 million as of November 2019.

The total amount of undiscounted expected credit losses at initial recognition for purchased or originated credit-impaired financial assets recognised was $nil for both the periods ended December 2020 and November 2019.

The allowance for impairment recorded in the period reflected the impact of the COVID-19 pandemic on economic conditions which resulted in higher modelled expected losses and lower recoveries.

Collateral and Other Credit Enhancements

The bank employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The bank has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. The bank prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically.

The bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the bank will take possession of collateral to mitigate potential credit losses. Credit-impaired financial assets were $2 million as of December 2020 and $3 million as of November 2019 and the allowance for impairment on these credit-impaired financial assets was $1 million as of December 2020 and $1 million as of November 2019.

Allowance for Impairment

The allowance for impairment recorded in the period is impacted by a variety of factors including transfers between stages as a result of financial instruments experiencing significant increases in credit risk or becoming credit-impaired, new financial instruments recognised during the period and changes in modelling assumptions such as PDs, LGDs and EADs based on updated macroeconomic assumptions. Other factors include foreign exchange revaluations and derecognition of financial instruments.

The table below presents changes in the allowance for impairment for loans.

$ in millions	Stage 1	Stage 2	Stage 3	Total
Period Ended December 2020				
Beginning balance	**$22**	**$4**	**$1**	**$27**
Items with profit or loss impact				
Transfers:				
– Stage 1 to stage 2	**(2)**	**2**	**–**	**–**
New financial assets originated or purchased	**38**	**14**	**1**	**53**
Financial assets de-recognised during the period	**(9)**	**(3)**	**(1)**	**(13)**
Changes in PDs/LGDs/EADs	**40**	**18**	**26**	**84**
Translation losses	**4**	**1**	**1**	**6**
Total items with profit or loss impact	**71**	**32**	**27**	**130**
Charge-offs	**–**	**–**	**(27)**	**(27)**
Ending balance	**$93**	**$36**	**$1**	**$130**
Period Ended November 2019				
Beginning balance	$17	$8	$–	$25
Items with profit or loss impact				
Transfers:				
– Stage 2 to stage 1	4	(4)	–	–
– Stage 2 to stage 3	–	(1)	1	–
New financial assets originated or purchased	17	1	–	18
Financial assets de-recognised during the period	(7)	–	–	(7)
Changes in PDs/LGDs/EADs	(10)	–	–	(10)
Translation losses	1	–	–	1
Total items with profit or loss impact	5	(4)	1	2
Ending balance	$22	$4	$1	$27

The allowance for impairment for other financial assets where the bank has credit risk exposure did not change significantly during both the periods ended December 2020 and November 2019.

The table below presents changes in the allowance for impairment for unfunded commitments.

$ in millions	Stage 1	Stage 2	Stage 3	Total
Period Ended December 2020				
Beginning balance	**$3**	**$1**	**$–**	**$4**
Items with profit or loss impact				
New financial assets originated or purchased	**8**	**4**	**–**	**12**
Financial assets de-recognised during the period	**(3)**	**–**	**–**	**(3)**
Changes in PDs/LGDs/EADs	**4**	**2**	**–**	**6**
Translation losses	**2**	**–**	**–**	**2**
Total items with profit or loss impact	**11**	**6**	**–**	**17**
Ending balance	**$14**	**$7**	**$–**	**$21**

The bank's allowance for impairment in respect of unfunded lending commitments was $4 million as of November 2019 and $6 million as of December 1, 2018.

Forward Looking Information

As of December 2020, the forecasted economic scenarios were most heavily weighted towards the baseline and adverse scenarios. The forecast model incorporated adjustments to reflect the impact of COVID-19-related concession programmes on delinquency rates and also considered the impact of economic support programs provided by national governments.

The bank's allowance for impairment primarily related to corporate loans to borrowers in the U.K. and E.U.

The table below presents the forecasted range (across the baseline, adverse and favourable scenarios) of the U.K. and E.U. unemployment and GDP growth rates used in the forecast model as of December 2020.

	U.K. unemployment rate	**Growth/(decline) in U.K. GDP**
Forecast for the quarter ended		
June 2021	**7.3% to 10.0%**	**(6.5)% to (15.9)%**
December 2021	**6.6% to 9.1%**	**(2.1)% to (12.5)%**
June 2022	**6.0% to 8.3%**	**(0.3)% to (10.8)%**

	E.U. unemployment rate	**Growth/(decline) in E.U. GDP**
Forecast for the quarter ended		
June 2021	**9.7% to 12.0%**	**(1.7)% to (11.9)%**
December 2021	**9.1% to 10.8%**	**0.9% to (8.0)%**
June 2022	**8.5% to 9.7%**	**2.3% to (6.0)%**

In addition, the provision was impacted by asset-specific provisions and downgrades primarily related to borrowers in the diversified industrials, technology, media & communications and natural resources industries.

Sensitivity of Expected Credit Losses

The ECL is sensitive to assumptions about future economic conditions, including the macro-economic variables used and the respective probability weightings assigned to the scenarios used to determine the probability-weighted ECL, as well as to assumptions of credit behaviour.

The following table presents the probability-weighted ECL (actual) compared to the ECL arising when 100% weighting is applied to the adverse scenario. The sensitivity analysis is applied to the stage 1 and stage 2 positions. Stage 3 provisions are not subject to the same level of measurement uncertainty as default has been observed at the balance sheet date. Stage 3 positions have therefore been excluded from the analysis.

	As of			
	December 2020		November 2019	
$ in millions	**Actual**	**Adverse**	Actual	Adverse
Stage 1	**$107**	**$113**	$25	$51
Stage 2	**43**	**152**	5	22
Total	**$150**	**$265**	$30	$73

Transfers between stage 1 and stage 2 are based on the assessment of significant increases in credit risk relative to initial recognition. The impact of moving from 12 months expected credit losses to lifetime expected losses, or vice versa, can have a significant impact on expected credit losses.

The following table illustrates the impact of staging on the ECL by comparing, the allowance if all performing loans were in stage 2, to the actual ECL on these positions based on their stage allocation at the balance sheet date.

	As of	
$ in millions	**December 2020**	November 2019
Aggregate stage 1 and stage 2 based on actual staging	**$150**	$30
All performing loans using lifetime ECL	**211**	96
Difference	**$61**	$66

Gross Carrying Value

The table below presents changes in the gross carrying value of bank loans and mortgage-backed loans.

$ in millions	Stage 1	Stage 2	Stage 3	Total
Period Ended December 2020				
Beginning balance	**$6,381**	**$121**	**$3**	**$6,505**
Transfers:				
– Stage 1 to stage 2	**(200)**	**200**	**–**	**–**
New financial assets originated or purchased	**6,159**	**193**	**2**	**6,354**
Financial assets de-recognised during the period	**(3,587)**	**(78)**	**(3)**	**(3,668)**
Ending balance	**$8,753**	**$436**	**$2**	**$9,191**
Period Ended November 2019				
Beginning balance	$4,058	$72	$–	$4,130
Transfers:				
– Stage 1 to stage 2	(78)	78	–	–
– Stage 2 to stage 1	49	(49)	–	–
– Stage 2 to stage 3	–	(5)	5	–
New financial assets originated or purchased	3,977	39	–	4,016
Financial assets de-recognised during the period	(1,625)	(14)	(2)	(1,641)
Ending balance	$6,381	$121	$3	$6,505

Maximum Exposure to Credit Risk – Financial Instruments Not Subject to Impairment

The table below contains an analysis of the credit risk exposure for financial assets not subject to impairment (i.e., mandatorily at fair value). This presents the bank's gross credit exposure to and net credit exposure after taking account of assets captured by market risk in the bank'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 under credit support agreements, which management considers when determining credit risk.

$ in millions	Collateralised agreements	Trading assets	Loans	Investments	Total
As of December 2020					
Gross credit exposure	**$31,876**	**$1,689**	**$1,402**	**$382**	**$35,349**
Assets captured by market risk	**–**	**–**	**–**	**–**	**–**
Counterparty netting	**(4)**	**(1,155)**	**–**	**–**	**(1,159)**
Cash collateral	**–**	**(196)**	**–**	**–**	**(196)**
Security collateral received	**(31,838)**	**(270)**	**–**	**(379)**	**(32,487)**
Net credit exposure	**$34**	**$68**	**$1,402**	**$3**	**$1,507**
As of November 2019					
Gross credit exposure	$26,812	$1,628	$1,476	$471	$30,387
Assets captured by market risk	–	(25)	–	–	(25)
Counterparty netting	–	(433)	–	–	(433)
Cash collateral	–	(158)	–	–	(158)
Security collateral received	(26,661)	(900)	–	(469)	(28,030)
Net credit exposure	$151	$112	$1,476	$2	$1,741
As of December 1, 2018					
Gross credit exposure	$24,073	$647	$195	$94	$25,009
Assets captured by market risk	–	(26)	–	–	(26)
Counterparty netting	(8)	(220)	–	–	(228)
Cash collateral	–	(154)	–	–	(154)
Security collateral received	(23,961)	(86)	–	(69)	(24,116)
Net credit exposure	$104	$161	$195	$25	$485

The table below present the bank's gross credit exposure to financial instruments 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	**$6**	$7	$7
AA	**–**	–	–
A	**21,524**	22,970	23,747
BBB	**12,532**	5,062	902
BB or lower	**1,218**	2,291	313
Unrated	**69**	57	40
Total	**$35,349**	$30,387	$25,009

In the table above, the bank's unrated gross credit exposure includes assets captured by market risk. The bank's unrated gross credit exposure excluding assets captured by market risk was $69 million as of December 2020, $57 million as of November 2019 and $40 million as of December 1, 2018, which are financial assets for which the bank has not assigned an internally determined public rating agency equivalent.

In addition to credit risk on financial assets, the bank also has credit exposure in respect of contingent and forward starting resale agreements, financial guarantee contracts written and in its capacity as an agent in securities lending.

The bank's gross credit exposure related to contingent and forward starting resale agreements was $217 million as of December 2020, $16 million as of November 2019 and $786 million as of December 1, 2018. However, this is fully mitigated by collateral if these commitments are fulfilled. The bank's gross credit exposure related to financial guarantee contracts written was $45 million as of December 2020, $691 million as of November 2019 and $1.12 billion as of December 1, 2018. However, this is primarily mitigated by derivative instruments with affiliated GS Group affiliates. The maximum exposure to the bank as an agent in securities lending was $809 million as of December 2020, $792 million as of November 2019 and $1.05 billion as of December 1, 2018. However, this is fully mitigated by the market value of the collateral held to cover the loss.

Note 31.

Transferred Assets

Assets Continued to be Recognised in Full. During the period, the bank 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 bank continues to recognise these assets in full in the balance sheet.

The bank 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 bank for accounting purposes because the transactions require the financial instruments to be repurchased at maturity of the agreement and the bank remains exposed to the price, credit and interest rate risk of these instruments. When the bank 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 bank 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.

Other financial assets transferred that continue to be recognised on the 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.

Financial assets which have been transferred but which remain on the balance sheet for accounting purposes of $nil as of December 2020, $1 million as of November 2019 and $1 million as of December 1, 2018, consist of government and agency obligations. The carrying value of the associated financial liabilities generally approximate the carrying value of the assets transferred.

Derecognised Assets With Ongoing Exposure. The bank transfers financial assets to securitisation vehicles. The bank 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.

Where the bank's continuing involvement in transferred assets is through retained or purchased interests in securitised assets, the bank's risk of loss is limited to the carrying value of these interests.

The bank accounts for assets pending transfer at fair value and therefore does not typically recognise significant gains or losses upon the transfer of assets. The bank does not have continuing involvement that could require the bank to repurchase derecognised financial assets.

The tables below present information about the bank's exposure through continuing involvement and the gains or losses related to those transactions.

$ in millions	Carrying amount	Maximum exposure to loss
As of December 2020		
Investments	**$91**	**$91**
As of November 2019		
Investments	$60	$60
As of December 1,2018		
Investments	$59	$59

$ in millions	Income in the period	Cumulative income
As of December 2020		
Investments	**$26**	**$29**
As of November 2019		
Investments	$2	$3