



Annual Financial Statements
and Management Report
December 31, 2019

Goldman Sachs Bank Europe SE

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Management Report

Introduction

Goldman Sachs Bank Europe SE (GSBE or the bank) provides a wide range of financial services to a diversified client base that includes corporations, financial institutions, and ultra-high-net-worth individuals, from its registered office in Frankfurt am Main and branches in Dublin, Copenhagen, London, Madrid and Paris.

GSBE is primarily supervised by the European Central Bank (ECB) within the context of the European Single Supervisory Mechanism, the Federal Financial Supervisory Authority (BaFin) and the Deutsche Bundesbank.

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, "group undertaking" means Group Inc. or any of its subsidiaries. Group Inc., together with its consolidated subsidiaries, form "GS Group". GS Group is a leading global investment banking, securities and investment management firm that provides a wide range of financial services to a substantial and diversified client base that includes corporations, financial institutions, governments and individuals. GS Group's purpose is to advance sustainable economic growth and financial opportunity. GS Group's goal, reflected in the *One Goldman Sachs* initiative, is to deliver its full range of services and expertise to support its clients in a more accessible, comprehensive and efficient manner, across business and product areas. GS Group has a presence in Europe, Middle East and Africa (EMEA) through a number of subsidiaries, including GSBE. The shareholders of GSBE are Goldman, Sachs & Co. Finanz GmbH with its registered office in Frankfurt am Main (1%), and Goldman Sachs (Cayman) Holding Company with its registered office in George Town, Cayman Islands (99%). The bank is registered with the register number HRB 114190.

The bank seeks to be the advisor of choice for its clients and a leading participant in global financial markets. As part of GS Group, the bank also enters into transactions with affiliates in the normal course of business as part of its market-making activities and general operations. The bank reports its results in three business activities: Investment Banking, Global Markets and Investment Management. As a result of the U.K.'s withdrawal from the E.U. (Brexit) and in connection with GS Group's plan to manage Brexit, GSBE has started to commence certain additional activities and increase the number of employees. This has resulted in a significant increase in the bank's Balance Sheet in comparison to prior year.

All references to 2019 and 2018 refer to the years ended, or the dates, as the context requires, December 31, 2019 and December 31, 2018, respectively. Any reference to a future year refers to a year ending on December 31 of that year. Any statements relating to future periods are subject to a high degree of uncertainties.

Executive Overview

Income Statement

The Income Statement is set out on page 22 of this annual report. The bank's profit for the reporting period was €54.3 million, an increase of 23% compared with the prior period.

GSBE uses certain key performance indicators (KPIs) to manage the development of its business and capital strength. The primary KPI for the development of the business is the net revenues, defined as the sum of interest, commission, net trading result and other operating income. Net revenues for 2019 were € 206.8 million, 40% higher than the prior period. GSBE had expected a reasonable increase in net revenues for 2019 which was exceeded due to expanded activities in Investment Banking and Global Markets.

Total expenses were €121.8 million for the reporting period, 43% higher than the prior period, primarily due to higher administration expenses due to an increase in the average number of employees from 150 for 2018 to 197 for 2019. See "Results of Operations" below for information about the bank's net revenues and administrative expenses.

Capital Ratios

The primary KPI to manage the bank's capital strength is the total capital ratio. The total capital ratio as of year-end 2019 was 57.8% (prior year: 95.0%) reflecting Risk Weighted Assets of €1,221.8 million (prior year: €362.6 million) and total regulatory capital of €706.7 million (prior year: €381.7 million). This was in line with the bank's expectation that the total capital ratio will remain sufficiently above minimum requirements. A contribution of €300 million to the free capital reserves was made by the shareholders of GSBE following the end of the reporting period on March 25, 2020.

Balance Sheet

The balance sheet is set out on page 21 of this annual report. As of December 2019, total assets were €3.4 billion, an increase of €2.6 billion from December 2018, primarily reflecting the introduction of trading assets and liabilities as well as associated collateral balances, reported as other assets or other liabilities.

As of December 2019, total shareholders' equity was €741 million, an increase of €354 million from December 2018, reflecting the €300 million capital injection from the shareholders of GSBE in February 2019 and the bank's profit for the reporting period of €54 million.

Future Outlook

The Executive Board considers that the period end financial position of the bank was satisfactory. The impact of new activities in the bank as a result of Brexit began to show both on the balance sheet and the income statement. The Executive Board continues to assess the impact on the bank of Brexit and the global outbreak of a new coronavirus disease (COVID-19). See "Forecast and Opportunities Report" below for further information.

Management Report

Business Environment

Global

During 2019, global economic activity decreased relative to the previous year, reflecting decreased growth in both emerging markets and advanced economies, including in the U.S. Concerns about future global growth and a mixed macroeconomic environment led to accommodative monetary policies by global central banks, including three cuts to the federal funds rate by the U.S. Federal Reserve during the year to a target range of 1.5% to 1.75%. The market sentiment in 2019 was also impacted by geopolitical uncertainty, including ongoing trade concerns between the U.S. and China, and multiple extensions of the Brexit deadline.

Euro area

In the Euro area, real GDP slowed down in 2019 compared with 2018, while measures of inflation remained low. The decline in the Euro area growth coincided with slower global growth implying the weakest pace of growth since 2013. In September, the ECB decided to ease further its monetary policy stance via a policy rate cut of 10 basis points and a reactivation of its asset purchase programme (at the monthly pace of €20 billion), the horizon of which is contingent on the convergence of inflation towards the ECB's target. The Euro depreciated further by 2.3% against the U.S. dollar compared with the end of 2018 amid increased volatility (after a decline of 4.5% during 2018).

Although political uncertainty remained high in Italy following the formation of a fragile coalition government in May 2018, the yield on Italian 10-year government bonds decreased significantly since its peak of November 2018 (from 3.6% to 1.4% in December 2019), strengthened by the easing measures adopted by the ECB in September 2019. Yields on other Euro area 10-year government bonds also decreased, with German and French 10-year government yields moving to negative territory from March and June 2019 respectively.

Results of Operations

Net Revenues

Net revenues are defined as the sum of interest, commission, net trading result and other operating income. Net revenues arise from transactions with both third parties and affiliates. The table below presents the net revenues of the bank's business activities.

<i>€ in thousands</i>	Year Ended December	
	2019	2018
Investment Banking	€ 92,639	€ 56,767
Global Markets	59,722	19,810
Investment Management	48,571	50,805
Other	5,820	19,859
Net revenues	€206,752	€147,241

The bank's main business activities as well as the results of the reporting period compared to the prior reporting period are described in the following paragraphs.

Investment Banking

Investment Banking consists of:

Financial Advisory. Includes strategic advisory engagements with respect to mergers and acquisitions, divestitures, corporate defence activities, restructurings, spin-offs, risk management and derivative transactions directly related to these client advisory engagements.

Underwriting. Includes equity and debt underwriting of public offerings and private placements, including local and cross-border transactions and acquisition financing, of a wide range of securities and other financial instruments, including loans, and derivative transactions directly related to these client underwriting activities.

All underwriting business relating to the German market is currently conducted by a group undertaking, Goldman Sachs International (GSI). For all financial advisory and underwriting engagements, GSBE receives or retains allocations of the total revenues in accordance with global transfer pricing agreements.

2019 versus 2018. Net revenues in Investment Banking were €92.6 million, 63% higher than in 2018, reflecting the increase of Investment Banking activities and number of employees in the bank.

General market activity in 2019 in mergers and acquisitions decreased compared to 2018. The volume of announced mergers and acquisitions transactions in Germany decreased from \$250 billion in 2018 to \$205 billion in 2019. The bank achieved a market share of approximately 28%. Issuance of equity in Germany decreased – in line with overall equity capital markets dynamics – from \$29.0 billion in 2018 to \$12.9 billion in 2019. The bank's market share increased from 9% in 2018 to 17% in 2019. Debt capital issuances from corporate bonds in the high yield area increased from \$6.1 billion to \$9.6 billion, while the bank achieved a market share of approximately 4%. The volume of debt capital issuances from corporate bonds in the investment grade business in Germany decreased slightly from \$443 billion in 2018 to \$434 billion in 2019 with a slightly decreased market share for the bank (source for all data relating to mergers and acquisitions and capital markets: Dealogic).

Management Report

Global Markets

Global Markets consists of:

Fixed Income, Currency and Commodities (FICC)

Client Execution. Includes client execution activities related to making markets in both cash and derivative instruments for interest rate products, credit products, mortgages, currencies and commodities.

- **Interest Rate Products.** Government bonds (including inflation-linked securities) across maturities, other government-backed securities, securities sold under agreements to repurchase (repurchase agreements), and interest rate swaps, options and other derivatives.
- **Credit Products.** Investment-grade corporate securities, high-yield securities, credit derivatives, exchange-traded funds (ETFs), bank and bridge loans, municipal securities, emerging market and distressed debt, and trade claims.
- **Mortgages.** Commercial mortgage-related securities, loans and derivatives, residential mortgage-related securities, loans and derivatives, and other asset-backed securities, loans and derivatives.
- **Currencies.** Currency options, spot/forwards and other derivatives on G-10 currencies and emerging market products.
- **Commodities.** Commodity derivatives and, to a lesser extent, precious and other metals, electricity, coal, agricultural and other commodity products.

Equities. Includes client execution activities in equity products and commissions and fees from executing and clearing institutional client transactions on major stock, options and futures exchanges worldwide, as well as over-the-counter (OTC) transactions. The bank also acts as an issuing and paying agent and provides the entire asset servicing for issuances for Goldman Sachs & Co. Wertpapier GmbH (GSWP).

2019 versus 2018. Net revenues in Global Markets were €59.7 million, which represented a more than threefold increase on the prior year. The bank expanded its Global Markets activities in the reporting period across other FICC and Equity products leading to additional net revenues of €29.7 million. Additionally, net revenues from the issuance of warrants, certificates and structured bonds increased by 54% to €30.0 million due to higher demand.

Investment Management

Investment Management consists of:

Private Wealth Management (PWM). PWM provides investment advisory services to ultra-high-net-worth clients, private investment offices and foundations. Key service offerings within PWM are discretionary asset management services for clients and investment advice for professional clients. Recommendations for strategic and tactical asset allocation by our investment strategy group, efficient implementation by our portfolio management team, and active risk management are key factors in achieving optimal risk-adjusted earnings for our clients.

Goldman Sachs Asset Management (GSAM). GSAM provides asset management services to institutional clients, primarily composed of insurance companies, pension funds, corporations, corporate pension funds, banks and public institutions, which either invest in existing GSAM funds or select an international GSAM group company to use as an outsourced investment manager.

The retail business works together with distribution partners, who sell GSAM mutual funds to end customers. The retail team is not in direct contact with the investors.

The advisory business involves cooperation with private banks, German local savings banks (Sparkassen) and German credit unions (Genossenschaftsbanken). In the asset allocator business, the team serves the largest umbrella funds and independent asset allocators in the region.

2019 versus 2018. Investment Management net revenues decreased by 4% to €48.6 million.

PWM net revenues decreased slightly by 3% to €18.9 million, as a result of lower management fees from clients, which decreased by 43% to €6.5 million, mostly offset by private banking commission income which increased by 52% to €12.4 million.

GSAM net revenues decreased by 6% to €29.7 million driven by lower revenue allocations from global transfer pricing. Assets under supervision (AuS) are up 19% versus prior year and have continuously increased throughout the year.

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Expenses

Total expenses relate to general administrative expenses, depreciation and amortization and other operating expenses. Expenses are primarily driven by compensation (including the impact of Group Inc. share price on share-based compensation), headcount and levels of business activity.

The table below presents the bank's total expenses and headcount.

€ in thousands	Year Ended December	
	2019	2018
Salaries and wages	€75,645	€52,666
Social security contributions	4,237	3,025
Other administrative expenses	31,773	21,791
Depreciation, amortization	1,527	359
Other operating expenses	8,617	7,203
Total expenses	€121,799	€85,044
Headcount in FTE at year-end	212	165

2019 versus 2018. Total expenses of €121.8 million for 2019 were 43% higher than 2018.

Salaries and wages are up 44% to €75.6 million. The higher costs reflect an increase in the average headcount throughout the reporting period, as well as the mark-to-market of share-based compensation due to the increase in the share price of Group Inc.

Other administrative expenses were up €10.0 million to €31.8 million mainly due to higher cost recharges from affiliated entities, increased professional fees and higher occupancy expenses.

Tax on Profit

The effective tax rate for 2019 was 36.1%. The effective tax rate represents the bank's tax on profit divided by its profit before taxation.

Net Earnings

Overall net earnings were above expectations due to an increased footprint in Germany in Investment Banking and commencement of wider Global Markets activities in 2019. Net income for the reporting period was €54.3 million and increased by 23% compared to prior year. The return on assets, calculated as a ratio of net income to total assets, was 2% for 2019 and decreased from 6% in the prior year due to the expansion of the balance sheet in the reporting period.

Balance Sheet and Funding Sources

The table below presents the bank's balance sheet on an aggregated level.

€ in thousands	As of December	
	2019	2018
Cash	€1,010,296	€336,113
Receivables from banks/customers	281,495	390,078
Trading assets	1,202,073	-
Remaining other assets	878,233	24,099
Total assets	€3,372,097	€750,290
Liabilities to banks/customers	€660,074	€212,763
Trading liabilities	902,478	-
Provisions	129,994	109,834
Remaining other liabilities	918,585	20,041
Equity and Sub-Debt	760,966	406,652
Total liabilities and shareholders' equity	€3,372,097	€750,290

In the table above:

- Cash increased by €674 million to €1,010 million due to increased balances with central banks.
- Trading assets and trading liabilities are the result of market making activities commenced in 2019 and do not show any balances in prior year.
- Remaining other assets primarily refer to collateral balances of €613 million and futures related balances of €128 million, and are the result of new activities commenced in 2019 and do not show any balances in prior year. Additionally, default fund contributions increased from €6 million to €82 million.
- Remaining other liabilities primarily refer to collateral balances of €614 million and futures related balances of €274 million and are the result of new activities commenced in 2019 and do not show any balances in prior year.
- Equity and subordinated debt increased by €354 million to €761 million due to a capital increase of €300 million and the profit for the period of €54.3 million.

As of the balance sheet date, there were €178 million of irrevocable loan commitments (prior year: -), which are reported off-balance sheet. Risks arising from these transactions are considered in the impairment calculations and corresponding provisions are recognized.

The liquidity management of the bank is designed to ensure sufficient liquidity is available at all times. As of December 2019, GSBE invested €1.0 billion of its excess free liquidity with the German central bank (prior year: €336 million).

The bank had sufficient liquidity to meet its payment obligations at all times during the financial year. The bank is an indirect subsidiary of Group Inc., whose shareholders' equity was \$90 billion as of December 2019 and \$90 billion as of December 2018. Group Inc. makes a comprehensive range of liquidity and financing possibilities available for the bank, allowing the greatest possible flexibility in refinancing.

Management Report

Forecast and Opportunities Report

Economy

Against initial expectations for a gradual pick-up in both global and European growth in 2020, the coronavirus pandemic has pushed the global economy into recession. Authorities around the world have responded to the virus spread with aggressive containment measures, such as lockdowns of entire countries, that are forcing large parts of the global economy into a standstill. While the services sector is particularly exposed, containment measures have also forced the industrial sector to drastically curtail production. The virus crisis is weighing on European growth through various channels. First, global supply chain disruptions are constraining domestic production. Second, external demand is weakening dramatically. Finally, and most importantly, domestic containment measures disrupt both domestic demand and supply.

We, therefore, estimate that the Euro area is in recession, with growth of -4% in the first and -11% in the second quarter. We still look for a significant rebound in growth starting in the second half of 2020 and into 2021 upon containment of the virus outbreak. But the growth contraction in the first half of the year lowers our 2020 forecast for the Euro area to -9%, which is about twice as large as the decline observed during the 2009 recession. Looking across the largest European economies, we expect a similar hit to activity in the second quarter, although we see a larger drag in Italy in the first quarter on account of the earlier virus outbreak. Looking further ahead, we expect a quicker normalisation of activity in Germany and France than in Italy in Spain. One reason is that Germany and France have announced significantly more fiscal support for the economy, including unlimited loan guarantees and labour support schemes. Another is the structure of the economy, as industrial activity (more important in Germany) is more likely to recover quickly than tourism (more important in Italy and Spain).

The uncertainty around our growth estimates is unusually large given uncertainty around the virus spread. That said, early labour market indicators, such as jobless claims in Spain or claims for short-time work in Germany point to a dramatic slowdown of economic activity as a result of containment policies. Risks to our baseline growth outlook are clearly tilted to the downside. First, the economic impact of containment measures is difficult to estimate and so the recession could be deeper than anticipated. Second, we assume that health policy will be successful in containing the virus spread roughly by mid-2020. But the virus outbreak could persist much longer if containment measures prove to be less effective in Europe than in some Asian economies or if another wave of the virus will hit the global economy later in the year. Finally, the economic costs associated with the virus crisis have re-ignited concerns about public debt sustainability in some European countries. If not contained, these could significantly curtail the capacity of fiscal authorities to support their economies and hence deepen the recession, with potentially long-lasting negative effects for growth.

Brexit

In March 2017, the U.K. government commenced the formal proceedings to withdraw from the E.U. The E.U. and the U.K. agreed to a withdrawal agreement (the Withdrawal Agreement), which became effective on January 31, 2020. The transition period under the Withdrawal Agreement will last until the end of December 2020 to allow the two sides to negotiate a future trade agreement. During the transition period, the U.K. will be treated as if it were a member state of the E.U. and therefore the existing arrangements between the U.K. and the E.U. will not change. The Withdrawal Agreement provides for the possibility of an extension of the transition period for either one or two more years. However, the U.K. has pledged not to extend the transition period beyond December 31, 2020.

Based upon the existing non-E.U. country equivalence regimes, the E.U. and the U.K. have agreed to complete their assessments of equivalence by the end of June 2020. There is significant uncertainty as to whether the outcome of those assessments will be published before the end of the transition period.

The bank continues to execute its Brexit strategy and is preparing for a scenario where the U.K. financial services firms will lose access to E.U. markets on December 31, 2020. As a result of Brexit, GSBE's role within the GS Group is changing in the following manner:

- GSBE will act as the main operating subsidiary in the E.U. and will assume certain functions that can no longer be efficiently and effectively performed by the U.K. operating subsidiaries of GS Group.
- GSBE has set up branches in a number of jurisdictions in the E.U. to enable Investment Banking, Global Markets and Investment Management personnel to be situated in the bank's offices in those E.U. countries.
- GSBE has opened accounts to enable GS Group's EU clients to transact directly with GSBE.
- The internal infrastructure build-out and external connectivity to financial market infrastructure required for the new E.U. entities is complete. GSBE is connected and operational with E.U. exchange, clearing and settlement platforms.

Further expansion in the scope of GSBE's activities is expected, as well as in its headcount, balance sheet, and capital and funding needs.

In addition, Brexit has created an uncertain political and economic environment in the U.K., and may create such environments in current E.U. member states. Political and economic uncertainty has in the past led to, and the impact of Brexit could lead to, declines in market liquidity and activity levels, volatile market conditions, a contraction of available credit, changes in interest rates or exchange rates, weaker economic growth and reduced business confidence all of which could adversely impact our business.

Management Report

Business Outlook

The Executive Board continues to be cautiously optimistic about the business outlook for 2020. For the overall result of GSBE, Investment Banking will remain of significant importance and will be supported by increased results in Global Markets due to wider activities. The effects of the increase in activities may slow down due to current market conditions but should lead to a significant increase in net revenues for 2020. A contribution of €300 million to the free capital reserves was conducted by the shareholders of GSBE following the end of the reporting period on March 25, 2020. We expect that the total capital ratio will decrease gradually in line with increasing business activity and remain sufficiently above the minimum requirements.

As at the time of preparation of this report, the COVID-19 pandemic has resulted in the bank activating its business continuity planning (BCP) strategies to safeguard the well-being of employees, the continued operation of business functions and support 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.

Investment Banking

In the context of the COVID-19 pandemic, the overall outlook for Investment Banking is characterized by a high degree of uncertainty. While currently, given the strong decline in overall economic activity, the market environment in the second quarter of 2020 is expected to continue to be weak, we anticipate an economic rebound once the worst of the pandemic has passed. This could lead to a stronger market environment for advisory services on mergers, acquisitions and capital market transactions and for underwriting activities in equity and debt capital markets, however this recovery and its timing remains uncertain. The bank plans to continue expanding its business with middle market/ small and medium sized (SME) clients. As a result of Brexit, the bank will also benefit from an expansion of our Investment Banking headcount, both in Germany and other E.U. countries, which should attract additional revenues to the bank. We therefore expect that net income in Investment Banking could reach the prior year's level, although that will depend on economic developments for the remainder of the year and any delay in our planned expansion.

Apart from the further spread of the pandemic and its economic implications, the development of our business may be subject to additional risks (which, in turn, may themselves partially be impacted by the COVID-19 pandemic): (i) the potential consequences of Brexit, (ii) escalation of trade conflicts, (iii) uncertainties about the central banks' monetary policy in the current environment and (iv), in general, a further worsening of key market factors, such as further interest rate, currency and commodity price developments and further political developments. Opportunities for the bank arise from a possible better development (or rebound) of macroeconomic factors beyond today's expectations, since the development of revenue for Investment Banking usually correlates with the development of the German GDP and the overall economic situation.

Global Markets

We expect client activity to be driven by developments relating to the COVID-19 impact on the global economy and financial markets, including monetary and fiscal policy responses. We plan to significantly expand the scope of activities conducted from the bank as a direct response to Brexit to support our EU-domiciled clients. Additionally, GSWP is targeting a continued significant increase in the issuance activity which would result in a higher profit for 2020 for the bank as the issuance and paying agent. We therefore expect a significant increase in net revenues.

Investment Management

In Investment Management we expect to remain in a strong market position with both PWM and GSAM keeping net revenues at a comparable level.

PWM. Within Europe, Germany is a core market for our business with wealthy private clients, family offices and foundations. PWM is providing asset management solutions, transactional and executions services as well as lending and deposit solutions for their ultra high-net-worth clients.

For PWM, we continue to view the medium term opportunities as positive. Increased demands of clients with regards to the qualification of their advisors and the access to global investment opportunities – including private assets – are positive prospects for the bank's PWM business to grow further in number of clients, assets under management and revenues. Recent significant corrections in public and private asset markets could lead to a lower asset base and as a consequence to lower fee based revenues in 2020 vs. 2019. However, revenues could be positively impacted by significantly higher transactional activity of clients as well as new mandates and new client relationships that continue to come in. Overall we expect for 2020 revenues to be in line with the previous year. Development of Assets under Management will be influenced by further development of capital markets.

GSAM. For 2020 we expect GSAM to grow its AuS moderately which should translate to an increase in revenues earned by transfer pricing. A potential shift of business activities to the bank in light of Brexit could trigger additional local growth. The growth of our business depends to a large extent on macroeconomic developments, overall investment behaviour and trends, client relationships, product range, and product performance. Asset managers with a wide range of products and outsourcing capabilities combined with consistent performance are likely to benefit from the positive momentum in the German mutual fund industry. Unexpected developments in the markets and their impact on investor's behaviour could pose a risk.

Management Report

Risk Report

Risks are inherent in the bank's businesses and include liquidity, market, credit, operational, model, legal, compliance, conduct, regulatory, business environment and strategic risks, and reputational risks. The bank's risks include the risks across its risk categories, regions or businesses, as well as those which have uncertain outcomes and have the potential to materially impact the bank's results, its liquidity and its reputation. For further information about the bank's risk management processes, see "Overview and Structure of Risk Management". For information about the bank's areas of risk and capital adequacy, see "Liquidity Risk Management", "Market Risk Management", "Credit Risk Management", "Operational Risk Management", "Compliance Risk Management", "Model Risk Management", "Strategic and Business Environment Risk" and "Capital Adequacy".

Changes in Risk Management

As a part of the firm's response to Brexit, the bank has further developed its risk management framework to establish appropriate governance committees, risk management policies and processes, and a sufficiently resourced and experienced independent control function to ensure an active and appropriate monitoring, evaluation and management of the risks associated with the bank's activities.

Overview and Structure of Risk Management

Overview

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

The implementation of the bank's risk governance structure and core risk management processes are overseen by the bank's Executive Board, which is responsible for ensuring that the bank's framework provides a consistent and integrated approach to managing the various risks in a manner consistent with the its risk appetite.

The bank has defined its Risk Strategy which together with its Risk Appetite Statement (RAS), and in conjunction with the GS Group RAS, lays out the primary risk management philosophy, objectives and principles on how risks are managed within appetite. For all material risks, the bank articulates its risk appetite and how it manages the risk profile within that appetite using qualitative, and where applicable, quantitative measures, thresholds and/or limits. The bank's material risks are categorized into credit and market risk, liquidity and funding risk, compliance and operational risk, and strategic and business environment risk.

Together with the bank's Executive Board, an adequate cross-divisional committee structure with representation from senior management of the bank is the key to the risk management culture throughout the bank. The bank's risk management structure, consistent with GS Group, is built around three core components: governance; processes; and people.

Governance. Risk management governance starts with the bank's Executive Board, which both directly and through established committees, including the GSBE Risk Committee, oversees the bank's risk management policies and practices implemented through the enterprise risk management framework.

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

The bank's independent risk oversight and control functions are considered as the second line of defence and provide independent assessment, oversight and challenge of the risks taken by the first line of defence, as well as lead and participate in risk-oriented committees. Independent risk oversight and control functions include Compliance, Tax and Controllers (Finance Division) that directly report to the bank's COO, Credit Risk, Liquidity Risk, Market Risk, Model Risk Management, Operational Risk Management, Risk Engineering that directly report to the bank's CRO, and Legal that directly report to the General Counsel of GSBE.

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

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

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

The bank has a comprehensive data collection process, including bank-wide policies and procedures that require all employees to report and escalate for risk events. The bank's approach for risk identification and assessment is comprehensive across all risk types, is dynamic and forward-looking to reflect and adapt to the bank's changing risk profile and business environment, leverages subject matter expertise, and allows for prioritisation of the bank's most critical tasks.

Management Report

The bank's approach leverages the firmwide identification process complemented by an entity level process by which all material risks are determined.

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

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

The bank has defined a comprehensive risk limit framework reflective of its risk profile and risk appetite which are embedded into the risk decision making of the bank. Limits are set with the aim to ensure GSBE maintains an adequate capital and liquidity position, and overall risk taking on an ongoing basis. Further details on the limit system at the overall entity and risk category level and the risk decision making are described in the following sections.

The bank's risk reporting and monitoring processes are designed to take into account information about both existing and emerging risks, thereby enabling the bank's risk committees and senior management to perform their responsibilities with the appropriate level of insight into risk exposures. A detailed quarterly risk reporting to management is complemented by more frequent regular (daily, weekly or monthly) and ad-hoc reporting on the bank's material risks. Furthermore, the bank's early warning indicators, and limit and threshold breach process provide means for timely escalation.

The bank evaluates changes in its risk profile and businesses, including changes in business mix and jurisdictions in which it operates, by monitoring risk factors at a bank-wide level.

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

Structure

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

GSBE Risk Committee. The GSBE Risk Committee is a management committee, which is responsible for the ongoing monitoring and control of all financial and non-financial risks associated with the bank's activities. This includes reviewing key financial and risk metrics, including but not limited to profit and loss, capital (including ICAAP), funding, liquidity (including ILAAP), credit risk, market risk, operational risk, price verification and stress tests. Within its mandate, the GSBE Risk Committee approves market risk, credit risk, liquidity and regulatory capital limits or articulate recommendations with regard to those risk limits which require Executive Board approval. Its membership includes senior managers from the revenue-producing divisions and independent control and support functions. The GSBE Risk Committee reports to the bank's Executive Board.

GSBE Operational Risk Committee. The GSBE Operational Risk Committee provides oversight of the ongoing development and implementation of operational risk policies, framework and methodologies, with oversight from the GSBE Risk Committee and monitors the effectiveness of operational risk management. The Committee is accountable for the implementation of business standards and practices, including reputational risk management, client service and conduct risk, within the scope of its mission.

GSBE Credit Risk Council. The GSBE Credit Risk Council is responsible for (i) ensuring that the bank has appropriate and effective credit risk management processes, and (ii) ongoing monitoring and review of counterparty credit risk exposure. The Council reports to the bank's Risk Committee.

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

Regional (EMEA) and Firmwide Risk Governance

As a subsidiary and integrated part of GS Group, the comprehensive regional and global risk governance framework in place forms an integral part for the strategy and risk management process of the bank. The integration into the firmwide risk management framework allows the bank to use the firm's methods and systems and a consistent implementation of firmwide structures and principles while considering the entity specificities and governance structure.

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GS Group has established a series of committees with specific risk management mandates. Committees with oversight of matters relevant to the bank include representation from bank's senior management, where relevant.

The primary regional risk and oversight committees are described below.

European Management Committee. The European Management Committee (EMC) oversees the activities of the Firm in the EMEA region. Its membership includes senior managers from the revenue-producing divisions and independent control and support functions, including representation from the bank's senior management.

EMEA Operational Risk Committee. The Committee provides oversight of the ongoing development and implementation of operational risk policies, framework and methodologies in EMEA, with oversight from the directors of entities of the Firm domiciled in EMEA, and monitors the effectiveness of operational risk management. Its membership includes representation from the bank's senior management.

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

EMEA Stress Test Committee. The EMEA Stress Test Committee (ESTC) is responsible for regulatory capital stress test related matters for the EMEA covered entities, including oversight of GSBE's ICAAP. The results of the review by the ESTC will then be reported and escalated, where appropriate, to the bank's Risk Committee. Its membership includes representation from the bank's senior management.

Further, the primary GS Group risk and oversight committees are described below. If necessary, senior executives of GSBE are represented in committees that monitor matters relevant to GSBE.

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

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

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

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

Risk Governance Committee. The Risk Governance Committee (RGC) assumes responsibility for the approval and monitoring of risk frameworks, limits, policies and parameters. The committee is chaired by the firm's Chief Risk Officer and membership consists of senior independent, control-side personnel, and includes representation from the bank's senior management.

Management Report

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. GSBE is subject to the LCR requirements according to Regulation 2015/61 (LCR Delegated Act) of the European Commission of October 1, 2015.

Treasury has primary responsibility for developing, managing and executing the bank's liquidity and funding strategy within its risk appetite. The bank's Treasury function is also integrated within the firmwide Treasury function. The Bank, as a wholly-owned subsidiary of GS Group, is currently financed primarily through Group funding and not dependent on any third-party financing sources.

Liquidity Risk, which is independent of the revenue-producing units and Treasury, and reports to the bank's CRO, has primary responsibility for assessing, monitoring and managing the bank's liquidity risk through oversight across the bank's 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 highest quality to cover outflows during a stressed period, (ii) maintain appropriate Asset-Liability Management and (iii) maintain a viable Contingency Funding Plan.

Liquidity Pool. The bank maintains a pool of high quality liquid assets 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 liquidity pool would be readily convertible to cash in a matter of days, through liquidation, by entering into repurchase agreements or from maturities of securities purchased under agreements to resell (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 it 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 liquidity pool in order to avoid reliance on asset sales. 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 GSBE-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 includes 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.

Stress Tests

In order to determine the appropriate size of the bank's liquidity pool, an internal liquidity model is used, referred to as the Modelled Liquidity Outflow, which captures and quantifies the bank's liquidity risks. Other factors are considered including, but not limited to, an assessment of potential intraday liquidity needs through an additional internal liquidity model, referred to as the Intraday Liquidity Model, other applicable regulatory requirements and a qualitative assessment of the condition of the bank, as well as the financial markets. The results of the Modelled Liquidity Outflow and the Intraday Liquidity Model are reported to the Executive Board and senior management on a regular basis.

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

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

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

- Liquidity needs over a 30-day scenario;
- A two-notch downgrade of the long-term senior unsecured credit ratings of Group Inc. and its rated subsidiaries;
- Changing conditions in funding markets, which limit the bank's access to unsecured and secured funding;
- A combination of contractual outflows, such as upcoming maturities of unsecured debt, and contingent outflows.

Intraday Liquidity Model

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

Intraday Liquidity Management

Operations Liquidity Management continuously monitors the intraday liquidity requirements based on projected demand in the relevant currencies and bank accounts. If additional liquidity is required, Operations in line with the Corporate Treasury governance framework and in close interaction with Liquidity Risk will ensure to meet liquidity need on the same day through existing facilities, e.g. covered through existing GS Group loan.

Limits

The bank uses liquidity limits at various levels and across liquidity risk types to manage the size of its liquidity exposures. Limits are measured relative to acceptable levels of risk given the liquidity risk tolerance of the bank. The purpose of these limits is to assist senior management in monitoring and controlling the bank's overall liquidity profile. The bank's Executive Board and Risk Committee approve the bank's Risk Appetite and limits. Limits derived from the Bank's Risk Appetite are reviewed frequently and amended, with required approvals, on a permanent and temporary basis, as appropriate, to reflect changing market or business conditions. Limits are monitored by Treasury and Liquidity Risk. Liquidity Risk is responsible for identifying and escalating to the Executive Board and/or the GSBE Risk Committee, on a timely basis, instances where limits have been exceeded.

Liquidity Regulatory Framework

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

The bank is subject to a minimum LCR of 100% under the LCR rule approved by the European Commission. The bank's average monthly LCR for the trailing twelve-month period ended December 2019 significantly exceeded the minimum requirement.

The NSFR is designed to promote medium- and long-term stable funding of the assets and off-balance-sheet activities over a one-year time horizon.

In June 2019, the European Commission published rules amending the CRR to implement the NSFR for certain E.U. Credit Institutions, including the bank. The NSFR is expected to become effective for the bank on June 28, 2021. The bank expects that it will be compliant with the NSFR requirement when it is effective.

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

Credit Ratings

The credit ratings of the bank and those of Group Inc. are both important to the bank's liquidity. The bank is an indirect, wholly-owned subsidiary of Group Inc. and relies on Group Inc. for capital and funding. Based on current activities of the bank, a reduction in the bank's credit rating standalone will not be expected to severely impact the bank's overall liquidity position as the bank does not currently rely on any third-party financing or long-term unsecured debt issuances and is funded primarily through Group Inc. A reduction in Group Inc.'s credit ratings could in theory adversely affect the bank's liquidity and competitive position, increase borrowing costs, limit access to the capital markets or funding from Group Inc. However, the bank also has the capabilities to find alternative sources of external financing to maintain adequate liquidity and funding positions.

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

	As of December 2019		
	Fitch	Moody's	S&P
GSBE			
Short-term debt	F1	P-1	A-1
Long-term debt	A	A1	A+
Ratings outlook	Stable	Stable	Stable
Group Inc.			
Short-term debt	F1	P-2	A-2
Long-term debt	A	A3	BBB+
Ratings outlook	Stable	Stable	Stable

Due to the COVID-19 uncertainty, Fitch revised the outlook for Group Inc. from stable to negative in April 2020.

Management Report

Market Risk Management

Overview

Market risk is the risk of loss in the value of GSBE's inventory in trading book and banking book, as well as certain other financial assets and liabilities, due to changes in market conditions. GSBE employs a variety of risk measures, each described in the respective sections below, to monitor market risk. Categories of market risk include the following:

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

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

Managers in revenue-producing units and Market Risk Management discuss market information, positions and estimated loss scenarios on an ongoing basis. Managers in revenue-producing units are accountable for managing risk within prescribed GSBE limits. GSBE Market Risk Management monitors this risk against GSBE limits, independently.

Market Risk Management Process

The bank's process for managing market risk is described in the "Overview and Structure of Risk Management" as well as the following:

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

GSBE'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 GSBE level.

Risk Measures

GSBE 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 legal entity 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-term and long-term time horizons. Primary risk measures are value-at-risk (VaR), which is used for shorter-term periods, and stress tests. The GSBE risk report details key risks, drivers and changes, and is distributed daily to the GSBE Executive Board.

Value-at-Risk. Since January 2019, GSBE calculates and monitors VaR for trading book positions, which 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 employed. The VaR model is a single model that captures risks including interest rates, equity prices, currency rates and commodity prices in trading book. As such, VaR facilitates comparison across portfolios of different risk characteristics. VaR also captures the diversification of aggregated risk across GSBE.

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

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

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

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

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The VaR model is applied consistently across GS Group, including GSBE. Daily backtesting of the VaR model is performed (i.e., comparing daily trading net revenues to the VaR measure calculated as of the prior business day) at the GS Group and GSBE level. The GSBE VaR in the entity was zero as of 31 December 2019 due to back to back hedging with GS affiliates. Hence, no risk concentration is identified in trading book as of 31 December 2019.

Stress Testing. Stress testing is a method of determining the effect on GSBE of various hypothetical stress scenarios. GSBE uses stress testing to examine risks of specific portfolios, as well as the potential impact of significant risk exposures across GSBE. A variety of stress testing techniques to calculate the potential loss from a wide range of market moves on the bank's portfolios are used, including firmwide stress tests which are considered to be appropriate for GSBE's positions, sensitivity analysis and scenario analysis. Where relevant, market liquidity considerations are incorporated. The results of the various stress tests are analysed together for risk management purposes.

Unlike VaR measures, which have an implied probability because they are calculated at a specified confidence level, there may not be an implied probability that GSBE stress test scenarios will occur. Instead, stress tests are used to model both moderate and more extreme moves in underlying market risk factors. When estimating potential loss, it is generally assumed that positions cannot be reduced or hedged (although experience demonstrates that some risk reduction or hedging is possible).

Interest Rate Risk in the Banking Book (IRRBB). GSBE's exposure to IRRBB arises from differences in interest earned or paid as interest rates change, due to the reset characteristics of our assets and liabilities. Among the banking book market risk in GSBE, IRRBB is the major concentrated risk in the banking book driven by GSBE pension liabilities. IRRBB is subject to stress testing and the results are monitored against appropriate GSBE limits.

The table below presents the change in Economic Value of Equity (EVE) for +/-200bps shocks (with flooring) across GSBE banking book positions as of December 31, 2019. IRRBB as measured by -200bp parallel shock in interest rates (with flooring) was -€18.8 million as of December 31, 2019, driven by GSBE unfunded pension liabilities. As in the previous year, the largest driver of IRRBB are the unfunded pension liabilities. The -200bps shock has reduced compared to December 31, 2018 as a result of the increasing application of the floor.

€ in millions	As of December 31, 2019	
	+200bps	-200bps with floor
ΔEVE ex Pension	-2.2	0.5
ΔEVE Pension	44.8	-19.3
ΔEVE	42.6	-18.8

Limits

GSBE uses market risk limits at various levels to manage the size of the GSBE market exposures. These limits are set based on VaR and stress tests relevant to the GSBE exposures and reported to the Executive Board, mainly daily.

The Market risk department of GSBE is responsible for monitoring these limits, and identifying and escalating to senior management and/or the GSBE Risk Committee in accordance with the delegation authority granted by the Executive Board, on a timely basis, instances where limits have been exceeded (e.g., due to positional changes or changes in market conditions, such as increased volatilities or changes in correlations). Such instances are remediated by an inventory reduction, hedging and/or a temporary or permanent increase to the limit.

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 further differentiates between trading counterparty risk, lending risk, deposit placement risk and settlement risk within its risk management approach.

The bank's exposure to credit risk comes mostly from client transactions in OTC derivatives and cash placements with banks. Credit risk also comes from securities financing transactions (i.e., resale and repurchase agreements and securities borrowing and lending activities) and debtors. In addition, the bank may hold other positions that give rise to credit risk (e.g., bonds held in inventory) — these credit risks are captured as a component of market risk measures, which are monitored and managed by Market Risk, consistent with other inventory positions.

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 the 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, with the bank's Credit Risk department being an integral part of the GS Group Credit Risk function and reporting to the bank's chief risk officer. In line with the Group set-up the Credit Risk function in GSBE reports to the GSBE chief risk officer.

The bank's credit risk strategy in the reporting year aimed to maintain a high credit quality standard, to mitigate credit exposure as appropriate through the use of collateral or other forms of risk mitigation, and to avoid excessive concentration risks. The majority of counterparts to which GSBE takes credit risk is expected to be of investment grade quality and domiciled in EU.

Management Report

Credit Risk Management Process

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

- Setting of credit limits and monitoring compliance with established credit risk limits;
- Regular reporting (daily, weekly, monthly, quarterly) on the bank's credit exposures and credit concentrations to the Chief Credit Officer, Chief Risk Officer, the Credit Risk Council and the Executive Board of GSBE;
- Assessing and determining internal credit ratings for counterparties and the associated likelihood that a counterparty will default on its payment obligations;
- Measuring the bank's current and potential credit exposure and losses resulting from a counterparty default;
- Using credit risk mitigants, including collateral and hedging; and
- Maximising recovery through active workout and restructuring of claims.

The bank 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. Personnel, with expertise in specific industries, inspect and approve credit reviews and internal credit ratings.

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

Risk Measures

Credit risk is measured based on the potential loss in the event of non-payment by a counterparty using current and potential exposure which are calculated using the firm's own models. For derivatives and securities financing transactions, current exposure represents the amount presently owed to the bank after taking into account applicable netting and collateral arrangements, while potential exposure represents the bank's estimate of the future exposure that could arise over the life of a transaction based on market movements within a specified confidence level (usually at the 95th-percentile). Potential exposure also takes into account netting and collateral arrangements.

Stress Tests

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

Limits

Credit limits are used at various levels (e.g., counterparty, economic group, industry and country) to control the size and nature of the bank's credit exposures. The bank's Executive Board and the GSBE Risk Committee approve credit risk limits at the bank-wide level, and where appropriate the business and product level, consistent with the bank's risk appetite. Furthermore, the GSBE Executive Board or Risk Committee (including the Credit Risk Council) approves the framework that governs the setting of credit risk sub-limits at the bank level, which is delegated to Credit Risk.

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

Risk Mitigants

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

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

Management Report

The table below presents a summary of the bank's gross credit exposure and net credit exposure by financial asset class as of December 2019.

<i>€ in millions</i>	Trading assets	Other receivables	Cash reserves	Total
Gross credit exposure	4,208	1,920	1,010	7,138
Counterparty netting	(2,550)	-	-	(2,550)
Cash collateral	(456)	(760)	-	(1,216)
Net credit exposure	1,202	1,160	1,010	3,372

The table below present the bank's gross credit exposure and net credit exposure by the bank's internally determined public rating agency equivalents as of December 2019.

<i>€ in millions</i>	Investment- Grade	Non-Investment- Grade / Unrated	Total
Gross credit exposure	6,868	270	7,138
Counterparty netting	(2,541)	(9)	(2,550)
Cash collateral	(1,178)	(38)	(1,216)
Net credit exposure	3,149	223	3,372

Credit Concentrations

The bank's concentrations to credit risk arise primarily from its client facilitation, underwriting, lending and collateralised transactions, and cash management activities, and may be impacted by changes in economic, industry or political factors. These activities expose the bank to many different industries and counterparties, and may also subject the bank to a concentration of credit risk to a particular central bank, counterparty, borrower or issuer, or to a particular clearing house or exchange. The bank seeks to mitigate credit risk including potential wrong way risk exposures (where the size of GSBE's credit exposure to a counterparty is considered adversely correlated to the counterparty's credit quality), by actively monitoring aggregate exposures against limits on individual entities and their consolidating groups, as well as countries and industries, and obtaining collateral from counterparties as deemed appropriate.

During the reporting year, the credit exposures of GSBE primarily resulted from counterparts domiciled in Germany, the United Kingdom and France, with more than 75% of the total net credit exposure, such that GSBE was not exposed to any notable country risks. The majority of exposure was thereby taken to mutual funds, banks (including central banks) and central counterparties with more than 80% of total net credit exposure.

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

Operational Risk Management

Overview

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

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

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

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

Operational Risk Management Process

The bank's process for managing operational risk includes the critical components of the bank's risk management framework described in the "Overview and Structure of Risk Management".

Top-down and bottom-up approaches are combined to manage and measure operational risk. From a top-down perspective, senior management assesses bank-wide and business-level operational risk profiles.

From a bottom-up perspective, the first and second lines of defence are responsible for risk identification and risk management on a day-to-day basis, including escalating operational risks to senior management.

The bank's framework for managing operational risk is fully integrated in GS Group's comprehensive control framework designed to provide a well-controlled environment to minimise operational risks. In the bank, the EMEA and the GSBE Operational Risk Committee provide oversight of the ongoing development and implementation of operational risk policies, framework and methodologies, with oversight from the directors of the bank, and monitors the effectiveness of operational risk management.

Management Report

The operational risk management framework is in part designed to comply with the operational risk measurement rules under Basel III and has evolved based on the changing needs of the bank's businesses and regulatory guidance. A comprehensive data collection process is in place, including policies and procedures, for operational risk events.

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

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

Risk Measurement

The bank's operational risk exposure is measured using both statistical modelling and scenario analyses, which involve qualitative and quantitative assessments of internal and external operational risk event data, business environment and internal control factors for each of the bank's businesses. Capital requirements for operational risk are based on a loss distribution approach and quantified using an Advanced Measurement Approach (AMA). The loss distribution approach is calculated based on a Monte Carlo simulation and calibrated to a 99.9 % percentile for a time horizon of one year.

The results from these scenario analyses are used to monitor changes in operational risk and to determine business lines that may have heightened exposure to operational risk. These analyses are used in the determination of the appropriate level of operational risk capital to hold. GS Group and the bank also perform stress tests (sensitivity analysis), in which the elementary model parameters, loss severity and frequency are varied to simulate a stress scenario.

See "Overview and Structure of Risk Management" for information about stress tests.

Risk Monitoring and Reporting

The bank has established operational risk limits and thresholds to monitor the impact of an operational risk event, including single loss events, as well as escalation protocols. Operational Risk is responsible for monitoring these limits and thresholds, and identifying and escalating to senior management and/or the appropriate risk committee, on a timely basis, instances where thresholds have been exceeded.

Types of Operational Risks

Operational risk within GSBE (in line with the event categories above) is managed by applying and ensuring a consistent implementation of the Operational Risk framework as described in the "Overview and Structure of Risk Management" section. In recognizing the potential residual operational risk that exists in our businesses identified i.a. via the self-assessment process, GSBE has identified three critical risk driver in an increased reliance on technology and third-party relationships, which has resulted in increased operational risks, such as information and cyber security risk, third-party risk and business resilience risk. The bank manages those risks as follows:

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

Third-Party Risk. Third-party risk, including vendor risk, is the risk of an adverse impact due to a third party failing to perform its contractual duties or failing to adhere to regulatory and legal guidelines and expectations. The bank strives to minimise the failure of third parties to adhere to regulatory and legal guidelines and expectations, as well as vendor engagement in any other inappropriate practices. The bank identifies, manages and reports key third-party risks and conduct due diligence across multiple risk domains, including information security and cyber security, resilience and additional third-party dependencies. The program monitors, reviews and reassesses third-party risks on an ongoing basis.

Business Resilience Risk. Business resilience risk is the risk of disruption to the bank's critical processes. The bank seeks to monitor threats and assess risks to ensure its state of readiness in the event of a significant operational disruption to the normal operations of its systemically critical functions or their dependencies, such as, critical facilities, systems, third-parties, data and/or personnel. The bank approaches business continuity planning (BCP) through the lens of business and operational resilience. The resilience framework defines the fundamental principles for BCP and crisis management to ensure that critical functions can continue to operate in the event of a disruption.

Management Report

BCP is comprehensive, consistent across GS Group and up-to-date, incorporating new information, techniques and technologies as and when they become available, and the bank's resilience recovery plans incorporate and test specific and measurable recovery time objectives in accordance with local market best practices, regulatory requirements and specific scenarios.

Compliance Risk Management

Compliance risk is the risk of legal or regulatory breaches, material financial loss or damage to the bank's reputation arising from its failure to comply with the requirements of applicable laws, rules and regulations, and its internal policies and procedures. Compliance risk is inherent in all activities through which the bank conducts its businesses. GS Group's Compliance Risk Management Program, administered by Compliance, assesses its compliance, regulatory and reputational risk; monitors for compliances with new or amended laws; rules and regulations; designs and implements controls, policies, procedures and training; conducts independence testing; investigates, surveils and monitors for compliance risks and breaches; and leads its responses to regulatory examinations, audits and inquiries. GS Group monitors and reviews business practices to assess whether they meet or exceed minimum regulatory and legal standards in all markets and jurisdictions in which it conducts business.

Model Risk Management

Overview

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

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

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

Model Review and Validation Process

The Model Risk department consists of quantitative professionals who perform an independent review, validation and approval of the models. This review includes an analysis of the model documentation, independent testing, an assessment of the appropriateness of the methodology used, and verification of compliance with model development and implementation standards. GSBE and the broader GS Group regularly refine and enhance its models to reflect changes in market or economic conditions and the business mix of GS Group and its subsidiaries (including GSBE). All models are reviewed on an annual basis, and new models or significant changes to existing models and their assumptions are approved prior to implementation. The model validation process incorporates a review of models and trade and risk parameters across a broad range of scenarios (including extreme conditions) in order to critically evaluate and verify the model's conceptual soundness, suitability of calculation techniques, accuracy and sensitivity to input parameters and assumptions, as well as the scope of testing performed by the model developers.

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

Strategic and Business Environment Risk

Overview

Strategic and Business Environment Risk is the risk of an adverse outcome to the bank from its strategic business decisions or structural changes to the bank's business environment.

Risk Monitoring and Reporting

To adequately mitigate and control the key strategic and business environment risks inherent in its activities, the bank has implemented a number of governance structures and controls processes. Consistent with the firmwide three lines of defence framework, business divisions take responsibility to identify, monitor and manage risk in executing the bank's strategy and relating to changes in the operating environment. The bank's control functions have established robust monitoring processes which are designed to ensure regular reporting of performance metrics and underlying drivers to the bank's governance bodies, including the Executive Board, and appropriate escalation procedures. Certain aspects of strategic and business environment risk may also manifest through other risk categories such as credit risk, market risk, liquidity risk or operational risk, which are in turn managed by the respective risk functions.

See "Liquidity Risk Management", "Market Risk Management", "Credit Risk Management", and "Operational Risk Management" for further information.

Management Report

Capital Adequacy

Overview

Capital adequacy is of critical importance to the bank. We determine the appropriate level and composition of capital by considering multiple factors including but not limited to the current and future regulatory capital requirements, our Internal Capital Adequacy Assessment Process (ICAAP), results of stress testing processes, and the business environment and conditions in the financial markets.

Internal Capital Adequacy Assessment Process

The bank undertakes regular internal capital adequacy assessments as part of its broader ICAAP framework with the objective of ensuring appropriate capitalization relative to the bank's risk. The bank's ICAAP is a comprehensive internal process which coherently integrates several key components including risk identification and materiality assessment, capital planning, and risk appetite.

In line with the ECB Guide "ECB Guide to the internal capital adequacy assessment process (ICAAP)" (November 2018), the ICAAP comprises two complementary perspectives, the Normative Perspective and the Economic Internal Perspective. The bank's limit and escalation framework incorporates metrics based on both perspectives. In prior years, the bank has assessed capital adequacy based on a gone-concern risk bearing capacity approach.

In the Normative Perspective, capital adequacy is considered from a regulatory and accounting view on a quarterly basis, and expressed in terms of regulatory metrics. The perspective includes a forward looking projection of the bank's ability to meet regulatory capital requirements under baseline and adverse macro-economic conditions. Capital requirements are calculated in accordance with regulatory capital rules over the assessment horizon, taking into account the permission to use internal models for market risk (Internal Model Approach, IMA), as well as the internal model (Internal Model Method, IMM) to calculate the counterparty credit risk exposure and the basic indicator approach for operational risk. The bank thereby leverages internal methodologies to project stress impacts reflective of the underlying scenario and consistent with the principles of the Normative Perspective. In all assessments performed during the year, GSBE was projected to have sufficient capital to meet its regulatory capital requirements over the assessment period of the Normative Perspective.

The Economic Internal Perspective consists of the definition and quantification of internal capital resources and the amount of capital that the bank needs to hold to mitigate risks that could have a material impact on its capital position from an economic view on risk.

The bank uses regulatory definition of total capital resources as a starting point to quantify internal capital, and incorporates adjustments to reflect economic value considerations. The bank applies its internal risk quantification methodologies that allow capturing an economic view on risk, targeting a risk horizon of one year.

Capital requirements for Market Risk in the Trading book is primarily quantified using Stressed Value at Risk (sVaR) and Incremental Risk Charge (IRC). sVaR is the potential loss in value of inventory positions during a period of significant market stress. sVaR is calculated at a 99% confidence level over a 10-day holding period, and is calibrated based on a historical stress period which is appropriate for the bank's portfolio. IRC estimates the 99.9% tail loss in the loss distribution due to events of rating migration or default over the capital horizon of one year for the portfolio of credit-sensitive instruments. Further stress-based methods are applied to quantify additional risks in the trading book, which were of comparatively lower significance in the reporting year. Capital requirements for Market Risk in the Banking Book is mainly driven by Interest Rate Risk in the Banking Book quantified through economic value of equity using +/-200bp shocks with flooring. Other stress tests may be applied where appropriate to risk concentrations.

Credit risk economic capital requirements are mainly driven by simulated losses in the bank's derivative portfolio which are calibrated to a confidence level of 99.9% and assume a 1-year holding period. For non-derivative portfolio, the economic capital requirements are mainly determined using a credit risk model, which is based on internal assessments (including internal credit ratings). Additional stress and model based approaches are used to calculate further capital requirements for credit risk, which were of comparatively lower significance in the reporting year. Capital requirements for Operational Risk are quantified using the bank's internal Advanced Measurement Approach (AMA) model, which is calibrated to a confidence level of 99.9% and assumes a 1-year holding period. The bank does not see any additional loss potential for strategic and business environment risk to be considered in the Economic Internal Perspective in the reporting year.

Economic capital requirements are conservatively aggregated across material risk categories without taking benefit of diversification effects. The bank's limit system requires a minimum economic capital adequacy ratio of 100%. Capital is not deemed an adequate mitigant for liquidity risks which are managed in the course of the bank's liquidity management. The risk bearing capacity based on Economic Internal Perspective is assessed on a monthly basis. The table below presents the comparison of internal capital and economic capital requirements as of December 31, 2019:

<i>EUR in millions</i>	As of December 2019
Components of Internal Capital resources	
Total Regulatory Capital	707
Tier 2 sub-debt	(20)
Adjustments between regulatory and internal capital	8
Internal Capital	695
Risk Components	
Market Risk	20
Credit Risk	72
Operational Risk	243
Economic Capital Requirements	335
Economic Capital Adequacy ratio	207%

Management Report

As of December 31, 2019, the bank was adequately capitalized and reported an economic capital adequacy ratio of 207%. Despite limited current activity and residual operational risk in GSBE, the internal capital figure reflects the tail operational risk exposure posed by GSBE's anticipated activities .

The assessment of capital adequacy is viewed in tandem with our assessment of liquidity adequacy and is integrated into our overall risk management structure, governance and policy framework. See 'Risk Management', and 'Liquidity Risk Management' for further details.

Miscellaneous

GSBE is a member of the deposit insurance scheme offered by the Federal Association of German Banks.

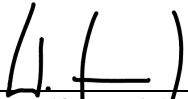
Relationship with Affiliated Companies

Based on the circumstances known to it at the time that the transaction was performed or delivered, the Executive Board declares that the bank received appropriate consideration for each transaction and the performance or delivery of the transactions was not detrimental to the bank.

Frankfurt am Main, May 6, 2020

Goldman Sachs Bank Europe SE

The Executive Board



Dr. Wolfgang Fink



Thomas Degn-Petersen



Dr. Matthias Bock

Annual Financial Statements

GOLDMAN SACHS BANK EUROPE SE

Balance Sheet

Balance Sheet as of December 31, 2019

Assets in € in thousands	Note	As of December	
		2019	2018
Cash reserve			
a) Balances with central banks (thereof with Deutsche Bundesbank: €1,000,255 and €336,112)		€1,010,296	€336,113
Receivables from banks			
a) on demand	3,4	58,473	6,474
Receivables from customers	3,4	223,022	383,604
Bonds and other fixed-income securities			
a) bonds and notes			
aa) of other issuers	5,10	18,118	-
Trading assets	7	1,202,073	-
Investments in affiliated companies	10	428	444
Fixed assets	10	23,064	3,122
Other assets	11	836,572	20,288
Prepaid expenses		51	245
Total assets		€3,372,097	€750,290
Liabilities and shareholder's equity in € thousands			
	Note	As of December	2018
Liabilities to banks			
a) on demand		€ 1,981	€ 375
b) with agreed term or notice period		10,028	10,028
	3,4	12,009	10,403
Liabilities to customers			
a) Other liabilities			
aa) on demand		15,045	40,586
ab) with agreed term or notice period		633,020	161,775
	3,4,6	648,065	202,361
Trading liabilities	7	902,478	-
Other liabilities	11	914,464	19,242
Deferred income		1,083	1,798
Provisions			
a) Provisions for pensions and similar commitments		56,523	48,295
b) Tax provisions		23,321	24,580
c) Other provisions		50,150	36,959
	13	129,994	109,834
Subordinated debt	4,14	20,000	20,000
Fund for general banking risks		3,038	-
thereof: trading-related special reserve according to Section 340e (4) HGB		3,038	-
Equity			
a) Ordinary share capital		310,000	10,000
b) Capital surplus		86,307	86,307
c) Other profit reserves		290,345	246,263
d) Distributable profit	20	54,314	44,082
	15	740,966	386,652
Total liabilities and shareholders' equity		€3,372,097	€750,290
Other Obligations			
a) Irrevocable loan commitments	16	€ 178,104	€ -

Income Statement**Income Statement for the period from January 1, 2019 to December 31, 2019**

<i>€ in thousands</i>	Note	Year Ended December	
		2019	2018
Interest income from	17		
a) Lending and money market business		€ (1,099)	€ 3,161
thereof: negative interest		(6,122)	(1,414)
b) fixed-income securities and government-inscribed debt		12	-
Interest expense		(8,813)	(1,323)
thereof: positive interest		1,138	145
		(9,900)	1,838
Commission income	17	184,433	142,974
Commission expense		(12,648)	(9,423)
		171,785	133,551
Net trading result	17	27,340	-
thereof: additions to the trading-related special reserve according to section 340e (4) HGB		(3,038)	-
Other operating income	17,18	17,527	11,852
General administration expenses			
a) Staff expenses			
aa) Wages and salaries		(75,645)	(52,666)
ab) Compulsory social security contributions and expenses for pensions and other employee benefits		(4,237)	(3,025)
thereof: for pensions		(792)	(483)
b) Other administration expenses		(31,773)	(21,791)
		(111,654)	(77,482)
Depreciation, amortization, and valuation allowance for intangible and fixed assets		(1,527)	(359)
Other operating expense	18	(8,597)	(7,203)
Write-downs of and value adjustments to claims and certain securities, as well as additions to provisions for loan losses		(20)	-
Result from ordinary activities		84,953	62,197
Extraordinary expenses		-	(2,267)
Extraordinary result	19	-	(2,267)
Income Taxes		(30,639)	(15,848)
Net Income/ Distributable profit	20	€54,314	€44,082

Notes to the Financial Statements

Note 1.

General Information

Goldman Sachs Bank Europe SE (GSBE or the bank) is registered under HRB 114190 of the local district court in Frankfurt am Main, Germany.

The annual financial statements of GSBE have been prepared in accordance with the requirements of the German Commercial Code (HGB), the German Stock Corporation Act (AktG), the Banking Act (KWG) and the Ordinance Regulating the Accounting Requirements for Banks and Financial Services Institutions (RechKredV). For clarity, figures are presented as € thousands, except where otherwise stated.

Note 2.

Accounting and Valuation Methods

Cash Reserve and Receivables

The cash reserve and receivables are recognized at their nominal value. Receivables from credit institutions and from customers are recognized at their nominal values less any irrecoverable amounts and include accrued interest.

Impairment

The following accounting and valuation methods for impairment are currently only relevant to the bank's irrevocable loan commitments.

The bank assesses the expected credit losses (ECL) associated with financial assets measured at amortised cost on a forward-looking basis in accordance with the provisions of IFRS 9 in conjunction with IDW RS BFA 7. The measurement of ECL 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.

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 amortized 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 amortized 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 2 to 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 Management's definition of default, which is either when the bank considers that the obligor is unlikely to pay its credit obligations to GS Group 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.

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. Economic variables have been forecasted using internally generated projections to provide an estimated view of the economy over the next nine quarters. After nine quarters a mean reversion approach has been used, which means that economic variables tend to either a long run average rate or a long run growth rate.

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.

Notes to the Financial Statements

Securities

Securities classified to the banking book are accounted at acquisition cost less other than temporary impairments. Impairments of securities are reversed if the reason for the write-down no longer exists.

Trading Assets and Liabilities

Financial instruments which are held with a trading intent are recognized at fair value less risk adjustment. 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. Fair value gains or losses are included in the net trading result.

We apply a three-level hierarchy for 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 appropriate 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 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, credit valuation adjustments, debt valuation adjustments 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.

In order to reflect any remaining realization risk for unrealized gains, the result of the fair value measurement is reduced by a risk adjustment, which is deducted from trading assets. The risk adjustment is based on value-at-risk which is calculated using a holding period of ten days and a confidence level of 99%. Additionally, a trading-related special reserve is established by taking at least 10 % of the net trading revenues (after risk adjustment). This reserve has to increase until the trading-related special reserve corresponds to 50 % of the five-year average of net trading revenues after risk adjustment. The reserve may, amongst others, be consumed to either release an amount exceeding the 50 % limit or to cover net trading losses.

To reduce credit exposures on derivatives, the bank may enter into master netting agreements or similar arrangements (collectively, netting agreements) with counterparties that permit it to offset receivables and payables with such counterparties. In addition, the bank receives and posts cash and securities collateral with respect to its derivatives, subject to the terms of the related credit support agreements or similar arrangements (collectively, credit support agreements). Collateral receivables and payables are presented as other assets or other liabilities respectively.

Investments in Affiliated Companies

Investments in affiliated companies are recognized at their acquisition cost less any write down due to impairment that is likely to be permanent. If the reasons for prior write downs performed are no longer applicable, they are reversed.

Fixed and Intangible Assets

Fixed and intangible assets are reported at their acquisition or manufacturing cost less any depreciation or amortization. Write-downs are made for any impairment that is likely to be permanent.

Deferred Tax Assets

The accounting choice to consider deferred tax assets on the balance sheet has not been taken.

Liabilities

Liabilities are recognized with their settlement amounts. Registered bonds and promissory notes issued by GSBE are recognized at nominal value and presented as liabilities to banks/customers with agreed term or notice period.

Valuation Units (Hedge Accounting)

In instances in which for accounting purposes assets, liabilities, pending transactions or highly probable forecasted transactions (hedged items) and financial instruments (hedging instruments) are designated in a valuation unit to achieve an offset for changes in fair value or cash flows attributable to the hedged risk the general measurement rules are not applicable.

Notes to the Financial Statements

The bank utilizes the freeze method, which means that offsetting value changes related to the hedged risk are not recorded and negative fair value changes related to the same type of risk are not recognized during the period of the hedge unless a net loss, i.e., negative ineffectiveness, arises which is recognized as a provision for imminent losses.

Provisions

Provisions are measured at the settlement amount that is determined as necessary in accordance with reasonable commercial judgment. Provisions with a remaining term of more than one year are discounted with the average market interest rate of the past seven years according to their remaining term. The applicable discount rate is determined and announced by the German central bank (Deutsche Bundesbank) in accordance with the German discounting ordinance (Rückabzinsungsverordnung).

A potential provision requirement for interest rate risk for the purposes of the loss-free valuation was assessed for all interest bearing financial instruments in the non-trading book using the present value method. The bank used the simplified two step approach. The assessment resulted in no need to recognize a provision for anticipated losses.

Provisions for pensions are valued using the Projected Unit Credit Method (method according to IAS 19). The basis for valuation is the periodic allocation of the benefit obligation during the service period of the employee, the present value of this obligation is calculated with the help of actuarial assumptions. The actuarial assumptions reflect the fair value of cash flows (actuarial interest rate) and the likelihood of payments (assumptions about mortality, fluctuation and early retirement, etc.). The interest expense component and the effect from changes in the interest rate are recognized in other operating expenses. The interest rate is based on the average interest rate of the previous ten years.

The table below presents the actuarial assumptions used in the calculation.

	As of December 2019
Biometrics	Mortality tables Heubeck 2018 G
Actuarial interest rate	3.31%
Dynamic of eligible payments	3.00%
Dynamics of the social security contribution ceiling of the statutory pension scheme	2.75%
Dynamics of adjustments to current pensions (inflation rate p.a.)	1.00% for commitments after 1 Dec 2007, otherwise 1.75%

Provisions for share-based compensation are recognized from the granting date up to the delivery date and are valued as of December 31, 2019 with the share price of The Goldman Sachs Group, Inc. (Group Inc.).

Equity

The ordinary share capital is recognized at nominal value and is fully paid in.

Currency translation

Assets and liabilities in foreign currencies were converted to Euro on the balance sheet date using group-wide currency conversion rates. Expenses and income are converted using the foreign exchange rates valid at the time of the transaction. The bank reports foreign currency changes of the trading book in net trading income/net trading expense. Trading book foreign currency forwards are measured at fair value. Due to the specific cover in the same currency, profits and losses from currency translation are recognised through profit or loss.

Notes to the Balance Sheet

Note 3.

Residual Maturity of Receivables and Liabilities

<i>€ in thousands</i>	As of December	
	2019	2018
Receivables from customers		
With a remaining maturity of:		
up to three months	€211,513	€ 8,739
more than three months up to one year	11,489	11,472
more than one year up to five years	19	-
Total	€223,022	€20,211

Receivables from customers do not include receivables with an indefinite term.

<i>€ in thousands</i>	As of December	
	2019	2018
Liabilities to banks with agreed term or notice period		
With a remaining maturity of:		
more than three months up to one year	€ 28	€ 28
more than one year up to five years	10,000	10,000
Total	€10,028	€10,028

Other liabilities to customers with agreed term or notice period

With a remaining maturity of:		
up to three months	€ 24,833	€ 8,742
more than three months up to one year	11,528	1,525
more than one year up to five years	521,659	36,507
more than five years	75,000	115,000
Total	€633,020	€161,775

Note 4.

Receivables and Liabilities with Affiliated Companies

The table below presents the bank's receivables and liabilities with affiliated companies.

<i>€ in thousands</i>	As of December	
	2019	2018
Receivables from banks	€ 2,704	€ 3,500
Receivables from customers	€ 185,987	€ 354,706
Liabilities to banks	€ 6	€ 375
Liabilities to customers	€ 495,036	€ 49,327
Subordinated liabilities	€ 20,000	€ 20,000

Notes to the Financial Statements

Note 5.

Bonds and Other Fixed-Income Securities

Bonds and other fixed-income securities of €18.1 million are both listed (€17.5 million) and unlisted (€0.6 million) and are not due in the following reporting period.

Note 6.

Repurchase Agreements

The book value of assets reported on the balance sheet and sold subject to a repurchase agreement in the amount of €15.9 million related exclusively to securities sold under repo agreements.

Note 7.

Trading Assets and Liabilities

The criteria related to the designation of financial instruments to trading assets and liabilities have not changed in the reporting period. The table below presents a breakdown of trading assets and trading liabilities.

€ in thousands	As of December 2019	
	Trading assets	Trading liabilities
Derivatives	€ 933,655	€ 628,670
Receivables / Liabilities	181,547	273,808
Bonds and other fixed-income securities	36,244	-
Equity shares and other variable-yield securities	50,627	-
Risk adjustment	-	-
Total	€ 1,202,073	€ 902,478

Trading assets and liabilities include offsetting of positive fair values of €2,550 million with negative fair values of €2,550 million on derivatives held for trading with the associated cash collateral receivables of €760 million and liabilities of €456 million.

The table below presents a breakdown of the trading derivatives by type and notional.

€ in million	As of December 2019
	Notional Amounts
OTC products	
Interest rates	€ 81,027
Credit	41,232
Currency	100,109
Commodity	8,013
Equity	4,519
Exchange-traded products	-
Total	€ 234,900

See Note 2 for further information about the valuation of trading assets and liabilities.

Note 8.

Derivative Financial Instruments

The table below presents derivative financial instruments that are neither trading assets nor trading liabilities and are not accounted for at fair value, and they form part of a valuation unit (see Note 12.).

€ in million	Notional amount	As of December 2019			
		Carrying value		Fair value	
		Positive	Negative	Positive	Negative
OTC products					
Interest rates	152	-	-	38	-
Total	€ 152	€ -	€ -	€ 38	€ -

Note 9.

Foreign Currency Volumes

€ in thousands	As of December	
	2019	2018
Assets	€606,489	€50,876
Liabilities	711,859	32,499

Note 10.

Non-Current Assets

Non-current assets include fixed assets, investments in affiliated companies and Bonds and other fixed-income securities (Securities). Book values of fixed assets included furniture and office equipment of €6.1 million (prior year: €0.8 million).

Investments in affiliated companies of €0.4 million (prior year: €0.4 million) are neither tradable nor listed on a stock exchange.

The table below presents the bank's non-current assets.

€ in thousands	Investments in affiliated companies	Fixed assets	Securities	Total
	Acquisition cost			
As of December 2018	€ 810	€ 33,364	€ -	€ 34,174
Additions	-	21,479	18,118	39,597
Disposals	16	-	-	16
As of December 2019	794	54,843	18,118	73,755
Accumulated depreciation				
As of December 2018	366	30,242	-	30,608
Additions	-	1,536	-	1,536
Disposals	-	-	-	0
As of December 2019	366	31,778	-	32,144
Net book value				
As of December 2018	444	3,122	-	3,566
As of December 2019	€ 428	€ 23,064	€ 18,118	€ 41,610

Notes to the Financial Statements

The table below presents companies that GSBE owns more than 20%.

Name	Register	Share of capital in %	Equity in € (k)	Net profit 2018 in € (k)
Goldman, Sachs & Co. Verwaltungs GmbH	Frankfurt a.M.	100	26	15
Goldman, Sachs Management GP GmbH	Frankfurt a.M.	100	25	(58)
Goldman Sachs Gives gGmbH	Frankfurt a.M.	100	25	0

Note 11.**Other Assets and Liabilities**

Other assets primarily consisted of collateral balances of €612.6 million (prior year: -), futures-related balances of €128.1 million (prior year: -) and default fund contributions to various clearing houses and exchanges of €81.8 million (prior year: €5.6 million). Other liabilities mainly consisted of collateral balances of €614.2 million (prior year: -) and futures-related balances of €273.6 million (prior year: -).

Note 12.**Valuation Units**

Registered bonds, promissory notes and offsetting interest rate swaps with a nominal value of €151.5 million were designated to valuation units for their whole duration. The amount of hedged risk is €1.8 million (prior year: €0.5 million) and represents the net cumulative increase in fair value of assets/increase in liabilities that were not recognized in profit and loss, after considering hedges.

Note 13.**Provisions**

Provisions of €56.5 million were held for pension obligations (prior year: €48.3 million). The pension obligation was calculated with the average interest rate of the past ten years. The difference, according to Section 253 (6) sentence 1 HGB, when applying the average interest rate from the past seven years was €10.7 million.

Other provisions included provisions for share-based compensation of €20.4 million (prior year: €12.5 million). The change over the previous year is mainly due to the change in the valuation of the provisions due to the change in the share price of Group Inc. (\$229.93 as of December 2019 from \$167.05 as of December 2018) and the delivery of awards from prior years. Other provisions also included provisions for bonuses of €20.3 million (prior year: €20.1 million).

In accordance with Section 246 (2) sentence 2 HGB, shares and other variable-income securities relating to the employee benefit plan with a fair value of €46.6 million were set off against the commitment for the employee benefit plans. There is no excess amount resulting from the offsetting of assets with the obligations.

Note 14.**Subordinated Debt**

Subordinated debt of €20.0 million, which was granted for an indefinite period of time by Group Inc., remained unchanged in the reporting period. For this loan, interest of €0.2 million (prior year: €0.2 million) has been paid, with interest charged equal to 3-month euro LIBOR plus 150 basis points. An early repayment obligation does not exist.

Note 15.**Ordinary Share capital**

The shareholders of GSBE injected a total of €300 million of equity into the entity in the form of 300 million new shares issued on February 25, 2019.

The Goldman Sachs (Cayman) Holding Company, George Town, Cayman Islands, holds 306,900,000 par value registered shares with equal rights, and Goldman, Sachs & Co. Finanz GmbH, Frankfurt am Main, holds 3,100,000 par value registered shares also with equal rights in the bank's share capital with a shareholding of €310,000,000 divided into 310,000,000 par value registered shares.

The table below presents the number of shares in circulation for 2019.

Beginning balance	10,000,000
Issuance of new shares	300,000,000
Ending balance	310,000,000

Note 16.**Off-Balance Sheet Transactions**

As of the balance sheet date, there were €178.1 million of irrevocable loan commitments (prior year: -), which are reported off-balance sheet. Risks arising from these transactions are considered in the impairment calculations and corresponding provisions are recognized.

Notes to the Financial Statements

Notes to the Income Statement

Note 17.

Breakdown of Income by Geographical Markets

The total amount of interest income, commission income, net trading result and other operating income is shown below broken down into geographical markets pursuant to Section 34 (2) No. 1 RechKredV.

€ in thousands	Year Ended December	
	2019	2018
Germany	€221,660	€155,359
Europe (ex. Germany)	6,553	2,628
Total	€228,213	€157,987

The breakdown for the current period is driven by the establishment of new branches of GSBE.

Note 18.

Other Operating Income and Expense

Other operating income primarily included income from group internal reimbursements for services and investments of €15.9 million (prior year: €11.5 million) and included the net result from currency translation of €0.2 million (prior year: €(0.2) million). Other operating expenses primarily related to the interest expense component resulting from discounting of pension provisions and similar commitments of €7.7 million (prior year: €6.5 million).

Note 19.

Extraordinary Result

There was no extraordinary result in the reporting period. In prior year, GSBE showed an extraordinary expense of €2.3 million as a result of the merger of GSBE with Goldman Sachs Gestión S.A.

Note 20.

Profit Distribution

The Executive Board and Supervisory Board will propose that the current year net profit of €54.3 million is transferred to retained earnings at the Annual General Meeting. The prior year net profit of €44.1 million has been transferred to retained earnings by the Annual General Meeting in the reporting period.

Note 21.

Report on Subsequent Events

A contribution of €300 million to the free capital reserves was conducted by the shareholders of GSBE following the end of the reporting period on March 25, 2020.

No other relevant issues occurred after the end of the reporting period that might significantly impact the financial situation of the bank.

Note 22.

Other Information

Items not included in the Balance Sheet

Other financial obligations primarily included obligations arising from lease agreements for office facilities and vehicles, as well as other external services of €62.5 million (prior year: €54.8 million). Other items not included in the balance sheet that are significant for the financial assessment of the bank include guarantees of \$595 million provided by Group Inc. for certain counterparty exposures.

Total Auditor's Fee

In 2019, the auditor's fees consisted of:

- Audit fees of €3.3 million (prior year: €0.4 million),
- Other audit-related services of €0.8 million (prior year: €0.1 million) and
- Other services of €0.1 million (prior year: €0).

Other audit-related services relate to services according to Section 89 of the Securities Trading Act. Current year amounts include audit fees of €0.1 million which relate to the prior reporting period.

Executive Board

The table below presents the Executive Board of GSBE, which currently consists of three members.

Name
Dr. Wolfgang Fink, Managing Director (Chairman)
Thomas Degn-Petersen, Managing Director
Dr. Matthias Bock, Managing Director
Pierre Chavenon, Managing Director (from February 21, 2019 to March 30, 2020)

The total remuneration of the members of the Executive Board for 2019 was €11.0 million. No advances or loans were granted to the members of the Board in the reporting period.

Supervisory Board

The table below presents the Supervisory Board of GSBE, which currently consists of four members.

Name
Dermot W. McDonogh, Managing Director (Chairman)
Esta Stecher, Managing Director (Deputy Chairman)
Sally A. Boyle, Advisory Director
Dr. Wolfgang Feuring, Lawyer (since February 24, 2020)

The Supervisory Board received no remuneration from the bank for its work during the reporting period and no advances or loans were granted to the members.

Notes to the Financial Statements

Headcount

The table below presents the average headcount in FTE employed by GSBE.

	Year Ended December	
	2019	2018
Investment Banking	72	57
Investment Management	40	40
Global Markets	4	-
Federation	81	53
Total	197	150

Consolidated Financial Statements

GSBE and its subsidiaries are indirectly wholly-owned by the parent company, Group Inc. and included in its consolidated financial statements for the largest group of companies. The largest group of companies is also simultaneously the smallest group of companies for which consolidated financial statements are prepared. Due to immateriality of its subsidiaries pursuant to Section 296 (2), HGB, GSBE waives its obligation from preparing consolidated financial statements. The parent company's consolidated financial statements are available both at Group Inc.'s principal place of business or at www.goldmansachs.com/investor-relations/financials/.

Branches of the bank

The table below presents a breakdown of GSBE's head office in Frankfurt and GSBE's Branches according to Section 26a (1) sentence 2 KWG where net revenues refers to the sum of net interest, net commission and net trading result, as well as other operating income.

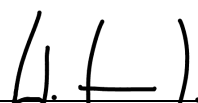
€ in thousands		2019			
		Net revenues	FTE	Profit (loss) before tax	Tax on profit or loss
Name	Location				
GSBE Frankfurt Head Office	Frankfurt, Germany	€200,190	185	82,774	30,146
GSBE London Branch	London, UK	3,308	3	1,936	349
GSBE Sucursal en España	Madrid, Spain	1,422	4	144	103
GSBE Dublin Branch	Dublin, Ireland	1,331	5	138	17
GSBE Copenhagen Branch, filial af Goldman Sachs Bank Europe SE, Tyskland	Copenhagen, Denmark	367	0	38	24
GSBE Succursale de Paris	Paris, France	133	0	(77)	0
Total		€206,752	197	€84,953	€30,639


There were no public subsidies in the reporting period according to Section 26a sentence 2 no. 6.


Frankfurt am Main, May 6, 2020

Goldman Sachs Bank Europe SE

The Executive Board


 Dr. Wolfgang Fink


 Thomas Degn-Petersen


 Dr. Matthias Bock

Independent auditors' report to Goldman Sachs Bank Europe SE

The following independent auditors' report is a translation from the authoritative German text which was issued on the German version of the annual financial statements and management report of Goldman Sachs Bank Europe SE.

Report on the audit of the annual financial statements and of the management report

Audit Opinions

We have audited the annual financial statements of Goldman Sachs Bank Europe SE, Frankfurt am Main, which comprise the balance sheet as at December 31, 2019, and the statement of profit and loss for the financial year from January 1, 2019 to December 31, 2019, and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Goldman Sachs Bank Europe SE for the financial year from January 1, 2019 to December 31, 2019.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the bank as at December 31, 2019 and of its financial performance for the financial year from January 1, 2019 to December 31, 2019 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the bank's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report.

We are independent of the bank in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from January 1, 2019 to December 31, 2019. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

- ① Group-internal transfer pricing of revenues within commission income and net trading result
- ② Treatment of offsetting assets and liabilities

Our presentation of these key audit matters has been structured in each case as follows:

- ① Matter and issue
- ② Audit approach and findings
- ③ Reference to further information

Hereinafter we present the key audit matters:

① **Group-internal transfer pricing of revenues within commission income and net trading result**

① At €184 million, **commission income** is the largest income item in the bank's annual financial statements. In addition to revenues realized with external third parties, it primarily includes transfer pricing with affiliated companies that are part of the bank's **Investment Banking, Investment Management** and **Global Markets** divisions.

Net trading result represents the second major source of income, amounting to €27 million, which mainly results from transfer pricing with affiliated companies. In economic terms, this transfer pricing represents the share of income attributable to the bank from securities transactions executed in the Global Markets Division.

From our point of view, the realization of income on the basis of the transfer pricing was of particular importance within the scope of our audit, as it is highly dependent on complex internal calculations and does not originate from direct external revenues of the bank.

Independent auditors' report to Goldman Sachs Bank Europe SE

② In the course of our audit, we carried out the following audit procedures, among others:

- In the **Investment Banking Division**, in addition to assessing the appropriateness and effectiveness of the process, including the relevant controls for intercompany transfer pricing and for the approval of outgoing invoices, we have also performed audit sampling of the invoicing process.
- For the **Investment Management Division**, we assessed in particular the automatic reconciliation of cash flows recorded in the internal systems with the corresponding bank accounts and the general ledger.
- For the **Global Markets Division**, we have received and audited a transaction confirmation from a group company regarding the amount of commission charged. We also assessed the adequacy and effectiveness of the controls implemented in the transaction recording and confirmation process and reviewed the processing of settlement errors by the bank. We also examined the automated reconciliations between the various sub-ledgers from upstream systems and the bank's general ledger.

For all business areas, we have also reconciled the intercompany reconciliation within the group. This reconciliation is carried out to ensure that income from transfer pricing corresponds with corresponding expenses of other group companies. Furthermore, by reviewing the bank's tax opinions, we examined the process of cost allocation with regard to the appropriateness of the chosen method and its parameterization.

On the basis of the audit procedures we performed, we were able to convince ourselves as a whole as to the existence and accuracy of the income not realised from direct external revenues and the appropriateness and effectiveness of the processes and controls implemented by the bank.

③ Further information is provided in Note 2 "Accounting and Valuation Methods" of the Notes to the Financial Statements.

② Treatment of offsetting assets and liabilities

① As part of its Global Markets business, the bank enters into over-the-counter derivative contracts with customers whose positive or negative fair values are reported in the trading assets (€ 934 million) and trading liabilities (€ 629 million). In order to reduce counterparty risk, the bank receives collateral from its clients for positive market values or provides collateral itself for negative market values.

Cash collateral received or provided by the bank is presented net with the positive or negative fair values of the derivative contracts, provided that the conditions under commercial law for offsetting are met. The net presentation is carried out automatically by the system using various decision trees. On the balance sheet date, gross position values were offset with collateral values of € 456 million in trading assets and gross position values were offset with collateral values of € 760 million in trading liabilities.

In our opinion, these matters were of particular importance for our audit due to the first-time application of largely automated offsetting decision trees, their complexity and the large number of clients and financial instruments affected.

② Within the scope of our audit, we first of all gained an understanding of the general system environment relevant to the offsetting of assets and liabilities and assessed it, performed comprehensive IT audit procedures and examined the bank's handling of system changes.

In the next step, we investigated the bank's technical concept for programming the offsetting decision tree and assessed the selected parameterizations with regard to their suitability. Based on this, we reperformed important process steps of the offsetting as part of our audit sampling.

With regard to the financial instruments and cash collateral existing at the balance sheet date, we also assessed the appropriateness and effectiveness of the trading processes, including the controls in place.

On the basis of the audit procedures we performed, we were able to convince ourselves that the assets and liabilities offset and the adequacy and effectiveness of the processes and controls implemented by the bank were appropriate and effective.

③ The bank's disclosures on the assets and liabilities offset are included in Note 7 of the Notes to the Financial Statements.

Independent auditors' report to Goldman Sachs Bank Europe SE

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the bank in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the bank's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the bank's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the bank's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the bank's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the bank.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the bank to cease to be able to continue as a going concern.

Independent auditors' report to Goldman Sachs Bank Europe SE

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the bank in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the bank's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on June 28, 2019. We were engaged by the supervisory board on September 9, 2019. We have been the auditor of the Goldman Sachs Bank Europe SE, Frankfurt am Main, without interruption since the financial year 1991.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditors responsible for the engagement

The German Public Auditor responsible for the engagement is Stefan Palm.

Frankfurt am Main, May 7, 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

sgd. Stefan Palm
Wirtschaftsprüfer
(German Public Auditor)

sgd. Kay Böhm
Wirtschaftsprüfer
(German Public Auditor)