



Unaudited Half-yearly Financial Report

June 30, 2022

Goldman Sachs Finance Corp International Ltd
Company Number: 122341

INDEX

	Page No.
Part I	
Management Report	2
Introduction	2
Executive Overview	2
Business Environment	2
IBOR Exposure Overview	3
Principal Risks and Uncertainties	4
Directors	4
Responsibility Statement	4

	Page No.
Part II	
Unaudited Financial Statements	5
Income Statement	5
Statement of Comprehensive Income	5
Balance Sheet	6
Statement of Changes in Equity	7
Statement of Cash Flows	7
Notes to the Financial Statements	8
Note 1. General Information	8
Note 2. Summary of Significant Accounting Policies	8
Note 3. Critical Accounting Estimates and Judgements	8
Note 4. Net Revenues	8
Note 5. Operating Expenses	9
Note 6. Compensation and Benefits	9
Note 7. Income Tax Expense	9
Note 8. Customer and Other Receivables	9
Note 9. Derivative Assets and Liabilities	9
Note 10. Intercompany Loans	9
Note 11. Customer and Other Payables	10
Note 12. Unsecured Borrowings	10
Note 13. Share Capital	10
Note 14. Statement of Cash Flows Reconciliations	11
Note 15. Financial Commitments and Contingencies	11
Note 16. Related Party Disclosures	11
Note 17. Financial Instruments	11
Note 18. Fair Value Measurement	12

Management Report

Introduction

Goldman Sachs Finance Corp International Ltd (the company) issues warrants, certificates and notes (debt securities) in a number of European and Asian markets. The company is exposed to interest rate, equity price, currency rate and credit-related risks on its debt securities issued and manages these risks by entering into over-the-counter (OTC) derivative transactions with affiliates. The company issues debt securities primarily to raise funding which is lent to affiliates.

The company's ultimate parent undertaking and controlling entity is The Goldman Sachs Group, Inc. (Group Inc.). Group Inc. is a bank holding company and a financial holding company regulated by the Board of Governors of the Federal Reserve System (FRB). In relation to the company, "GS Group affiliate" means Group Inc. or any of its subsidiaries. Group Inc., together with its consolidated subsidiaries, form "GS Group". GS Group is a leading global financial institution that delivers a broad range of financial services across investment banking, securities, investment management and consumer banking to a large and diversified client base that includes corporations, financial institutions, governments and individuals. The debt securities issued by the company are fully and unconditionally guaranteed by Group Inc.

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

All references to June 2022 and June 2021 refer to the periods ended, or the dates, as the context requires, June 30, 2022 and June 30, 2021, respectively. All references to December 2021 refer to the date December 31, 2021. All references to "the 2021 Annual Report" are to the company's Annual Report for the year ended December 31, 2021.

All amounts in this financial report are prepared in accordance with International Financial Reporting Standards (IFRS). The company also prepares results under United States Generally Accepted Accounting Principles (U.S. GAAP), which are included in the consolidated financial statements of GS Group.

Executive Overview

Income Statement

The income statement is set out on page 5 of this financial report. The company made a loss of \$23 million for the first half of 2022, compared to a gain of \$48 million for the first half of 2021. The company's loss of \$23 million for the first half of 2022 was primarily driven by net losses from the company's issuance, hedging and lending activity. This represented a decrease of \$71 million compared to the first half of 2021, primarily due to higher net losses on the company's issuance and hedging activity and lower net gains on the company's lending activity.

Other Comprehensive Income

The statement of comprehensive income is set out on page 5 of this financial report. The company's other comprehensive income, which relates to the company's debt valuation adjustment (DVA), was a gain of \$656 million for the first half of 2022, compared to a gain of \$7 million for the first half of 2021.

Balance Sheet

The balance sheet is set out on page 6 of this financial report. As of June 2022, total assets were \$24.65 billion, an increase of \$8.05 billion from December 2021, mainly reflecting an increase in intercompany loans. As of June 2022, total liabilities were \$23.84 billion, an increase of \$7.41 billion from December 2021, mainly reflecting an increase in debt securities issued.

Business Environment

During the first half of 2022, the continuation of broad macroeconomic and geopolitical concerns, including inflationary pressures and the prolonged war in Ukraine, and uncertainty about the outlook weighed on economic activity and kept market volatility high. Global central banks have continued to tighten monetary policy with additional policy interest rates increases during the first half of 2022. These factors contributed to a decrease in global equity prices and wider corporate credit spreads compared with the end of 2021.

The economic outlook remains uncertain, reflecting concerns about the continuation or escalation of the war between Russia and Ukraine and other geopolitical risks, inflation and supply chain complications, and the persistence of COVID-19-related effects.

IBOR Exposure Overview

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

On January 1, 2022, the publication of all EUR, CHF, JPY and GBP LIBOR (non-USD LIBOR) settings along with certain USD LIBOR settings ceased. The publication of the most commonly used USD LIBOR settings will cease after June 2023. The Financial Conduct Authority (FCA) has allowed the publication and use of synthetic rates for certain GBP and JPY LIBOR settings in legacy GBP or JPY LIBOR-based derivative contracts through December 2022. The U.S. federal banking agencies' guidance strongly encourages banking organisations to cease using USD LIBOR.

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

The International Swaps and Derivatives Association (ISDA) 2020 IBOR Fallbacks Protocol (IBOR Protocol) has provided derivatives market participants with amended fallbacks for legacy and new derivative contracts to mitigate legal or economic uncertainty. Both counterparties have to adhere to the IBOR Protocol or engage in bilateral amendments for the terms to be effective for derivative contracts. ISDA has confirmed that the FCA's formal announcement to cease both non-USD and USD LIBOR settings fixed the spread adjustment for all LIBOR rates and as a result fallbacks applied automatically for non-USD LIBOR settings following December 31, 2021 and will apply automatically for USD LIBOR settings following June 30, 2023. The Adjustable Interest Rate (LIBOR) Act, that was enacted in March 2022, provides a statutory framework to replace USD LIBOR with a benchmark rate based on the Secured Overnight Financing Rate (SOFR) for contracts governed by U.S. law that have no fallbacks or fallbacks that would require the use of a poll or LIBOR-based rate.

Under the LIBOR Act, the FRB must adopt rules to identify the applicable SOFR-based replacement rate by September 11, 2022. In July 2022, the FRB released proposed rules, which would identify different SOFR-based replacement rates for derivative contracts, for cash instruments such as floating-rate notes and preferred stock, for consumer contracts and for certain government-sponsored enterprise contracts.

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

The company's risk exposure to USD LIBOR is primarily in connection with its derivative contracts and its unsecured debt securities issued.

As of June 2022, the notional amount of the company's USD LIBOR-based derivative contracts was approximately \$70.09 billion, of which approximately \$57.08 billion will mature after June 2023 based on their contractual terms. All such derivative contracts are with a GS Group affiliate under bilateral agreements subject to the IBOR Protocol.

As of June 2022, the company's USD LIBOR-based debt securities issued were approximately \$3.51 billion, of which approximately \$3.37 billion will mature after June 2023 based on their contractual terms. In relation to outstanding debt securities linked to IBORs, the company expects to follow the fallback methodology described in the offering documentation and, as the documentation permits, follow global industry standard replacements. Notification of the applicable fallbacks has been made available to holders of these securities.

See "IBOR Exposure Overview — Replacement of Interbank Offered Rates, including London Interbank Offered Rate (LIBOR)" in Part I of the 2021 Annual Report for further information.

Management Report

Principal Risks and Uncertainties

The company faces a variety of risks and uncertainties that are substantial and inherent in its business. The principal risks and uncertainties that the company faces are: market risk, liquidity risk, credit risk, operational risk, legal and regulatory risk and market development. These risks and uncertainties are consistent with those described in the 2021 Annual Report.

Directors

During the period, there were the following appointments to and resignations from the Board of Directors (Board):

- V. Sethi was appointed to the Board on September 7, 2022.
- M. Mertz resigned from the Board on May 23, 2022.
- A. D'Souza resigned from the Board on May 30, 2022.
- K. G. Kochar resigned from the Board on June 30, 2022.

There were no other changes in the directorship of the company between the date of issue of this financial report and the 2021 Annual Report.

Responsibility Statement

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

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company;
- The management report includes an indication of important events that have occurred during the first six months of the financial year, and their impact on the financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year. The principal risks and uncertainties are consistent with those described in the 2021 Annual Report.



V. Sethi
Director

September 28, 2022

Unaudited Financial Statements

GOLDMAN SACHS FINANCE CORP INTERNATIONAL LTD

Income Statement (Unaudited)

<i>\$ in millions</i>	Note	Six Months Ended June	
		2022	2021
Interest income from financial instruments measured at amortised cost		\$ 144	\$115
Interest expense from financial instruments measured at amortised cost		(26)	(15)
Net interest income		118	100
Gains or losses from financial instruments at fair value through profit or loss		155	16
Other expense		(296)	(68)
Non-interest expense		(141)	(52)
Net revenues	4	(23)	48
Operating expenses	5	–	–
Profit/(loss) before taxation		(23)	48
Income tax expense	7	–	–
Profit/(loss) for the financial period		\$ (23)	\$ 48

Net revenues and profit/(loss) of the company are derived from continuing operations in the current and prior periods.

Statement of Comprehensive Income (Unaudited)

<i>\$ in millions</i>	Note	Six Months Ended June	
		2022	2021
Profit/(loss) for the financial period		\$ (23)	\$48
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Debt valuation adjustment	12	656	7
Tax attributable to the components of other comprehensive income		–	–
Other comprehensive income for the financial period		656	7
Total comprehensive income for the financial period		\$633	\$55

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

Balance Sheet (Unaudited)

<i>\$ in millions</i>	Note	As of	
		June 2022	December 2021
Assets			
Cash and cash equivalents	14	\$ 36	\$ 14
Customer and other receivables	8	1,473	67
Derivative assets	9	1,954	1,040
Intercompany loans	10	21,189	15,484
Total assets		\$24,652	\$16,605
Liabilities			
Customer and other payables	11	\$ 269	\$ 126
Derivative liabilities	9	3,299	994
Unsecured borrowings	12	20,267	15,301
Total liabilities		23,835	16,421
Shareholder's equity			
Share capital	13	5	5
Share premium account		175	175
Retained earnings		142	164
Accumulated other comprehensive income		495	(160)
Total shareholder's equity		817	184
Total liabilities and shareholder's equity		\$24,652	\$16,605

The accompanying notes are an integral part of these financial statements.
Company number: 122341

Statement of Changes in Equity (Unaudited)

<i>\$ in millions</i>	Note	Six Months Ended June	
		2022	2021
Share capital			
Beginning balance		\$ 5	\$ 5
Ending balance		5	5
Share premium account			
Beginning balance		175	175
Ending balance		175	175
Retained earnings			
Beginning balance		164	105
Profit/(loss) for the financial period		(23)	48
Transfer of realised debt valuation adjustment into retained earnings	12	1	(12)
Ending balance		142	141
Accumulated other comprehensive income			
Beginning balance		(160)	(237)
Other comprehensive income		656	7
Transfer of realised debt valuation adjustment into retained earnings	12	(1)	12
Ending balance		495	(218)
Total shareholder's equity		\$ 817	\$ 103

No dividends were paid for both the six months ended June 2022 and June 2021.

Statement of Cash Flows (Unaudited)

<i>\$ in millions</i>	Note	Six Months Ended June	
		2022	2021
Cash flows from operating activities			
Cash generated from operations	14	\$24	\$11
Net cash from operating activities		24	11
Net increase in cash and cash equivalents			
Cash and cash equivalents, beginning balance		14	11
Foreign exchange losses on cash and cash equivalents		(2)	–
Cash and cash equivalents, ending balance	14	\$36	\$22

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

Note 1.

General Information

The company is a registered public limited company incorporated on October 19, 2016 and domiciled in Jersey. The address of its registered office is 22 Grenville Street, St. Helier, Jersey JE4 8PX.

The company's immediate parent undertaking is GS Global Markets, Inc., a company incorporated and domiciled in Delaware, United States of America.

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

Note 2.

Summary of Significant Accounting Policies

Basis of Preparation

The company prepares financial statements under international accounting standards. These financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and Article 5 of the Directive 2004/109/EC as amended by Directive 2013/50/EU. These financial statements should be read in conjunction with the 2021 Annual Report, which has been prepared in conformity with the requirements of the Companies (Jersey) Law 1991 and International Financial Reporting Standards as adopted in the E.U.

Accounting Policies

The accounting policies are consistent with those described in the 2021 Annual Report.

Note 3.

Critical Accounting Estimates and Judgements

The critical accounting estimates and judgements are consistent with those described in the 2021 Annual Report.

Note 4.

Net Revenues

Net revenues include net interest income and non-interest expense. Net interest income primarily relates to interest income from loans to affiliates. Non-interest expense includes:

- Gains and losses on financial instruments mandatorily measured at fair value through profit or loss, which primarily relate to non-interest gains and losses on derivative assets and liabilities.
- Gains and losses on financial instruments designated at fair value through profit or loss, which primarily relate to non-interest gains and losses on unsecured borrowings.
- Allocations of net revenues from/(to) affiliates, which relate to allocations of net revenues from/(to) affiliates for their participation in the company's business activities.

The table below presents net revenues.

<i>\$ in millions</i>	Six Months Ended June	
	2022	2021
Interest income		
Interest income from financial instruments		
measured at amortised cost	\$ 144	\$ 115
Total interest income	144	115
Interest expense		
Interest expense from financial instruments		
measured at amortised cost, net of hedges	(26)	(15)
Total interest expense	(26)	(15)
Net interest income	118	100
Non-interest expense		
Financial instruments mandatorily measured at fair value through profit or loss	(1,060)	290
Financial instruments designated at fair value through profit or loss	1,215	(274)
Allocations of net revenues to affiliates	(293)	(66)
Net changes in impairments on financial assets	(3)	(2)
Non-interest expense	(141)	(52)
Net revenues	\$ (23)	\$ 48

Note 5.

Operating Expenses

The company incurred operating expenses of \$112,000 for the six months ended June 2022 and \$119,000 for the six months ended June 2021, which primarily related to professional fees.

Note 6.

Compensation and Benefits

The company has no employees. All persons involved in the company's operations are employed by GS Group affiliates and no costs are borne by the company.

Note 7.

Income Tax Expense

The company is incorporated in Jersey and under local laws the standard rate of corporate tax is zero percent. The company's parent entity, GS Global Markets, Inc., is subject to corporate tax in the U.S. on its 100% share of the company's profits or losses.

Note 8.

Customer and Other Receivables

The table below presents customer and other receivables.

<i>\$ in millions</i>	As of	
	June 2022	December 2021
Receivables from customers and counterparties	\$1,364	\$49
Miscellaneous receivables and other	109	18
Total	\$1,473	\$67

In the table above:

- Receivables from customers and counterparties consists of receivables resulting from collateral posted in connection with derivative transactions.
- Miscellaneous receivables and other primarily includes receivables for allocation of net revenues among GS Group affiliates for their participation in the company's business activities.

Note 9.

Derivative Assets and Liabilities

The table below presents derivative assets.

<i>\$ in millions</i>	As of	
	June 2022	December 2021
Interest rates	\$1,574	\$ 697
Credit	19	35
Currencies	191	152
Equities	170	156
Total	\$1,954	\$1,040

The table below presents derivative liabilities.

<i>\$ in millions</i>	As of	
	June 2022	December 2021
Interest rates	\$2,319	\$604
Credit	56	37
Currencies	602	262
Equities	322	91
Total	\$3,299	\$994

Note 10.

Intercompany Loans

The table below presents intercompany loans.

<i>\$ in millions</i>	As of	
	June 2022	December 2021
Unsecured loans	\$21,189	\$15,484
Total	\$21,189	\$15,484

In the table above:

- Current intercompany loans were \$842 million as of June 2022 and \$817 million as of December 2021, and non-current intercompany loans were \$20.35 billion as of June 2022 and \$14.67 billion as of December 2021.
- Unsecured loans included an allowance for impairment of \$9 million as of June 2022 and \$5 million as of December 2021. The company's allowance for impairment is impacted by a variety of factors including changes in modelling assumptions based on updated macroeconomic assumptions. The increase in the company's allowance for impairment is primarily due to an increase in unsecured loans and a deterioration in the macroeconomic environment as of June 2022. These financial assets remained in stage 1 throughout the whole period.

Note 11.

Customer and Other Payables

The table below presents customer and other payables.

<i>\$ in millions</i>	As of	
	June 2022	December 2021
Miscellaneous payables and other	\$269	\$126
Total	\$269	\$126

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

Note 12.

Unsecured Borrowings

The table below presents unsecured borrowings.

<i>\$ in millions</i>	As of	
	June 2022	December 2021
Debt securities issued	\$20,267	\$15,300
Intercompany loans	–	1
Total	\$20,267	\$15,301

In the table above:

- Current unsecured borrowings were \$3.06 billion as of June 2022 and \$2.86 billion as of December 2021, and non-current unsecured borrowings were \$17.21 billion as of June 2022 and \$12.44 billion as of December 2021.
- Payments on debt securities issued and other borrowings instruments are typically referenced to underlying financial assets, which are predominantly interest rates, equities, currencies and credit-related.

Debt Valuation Adjustment

The company calculates the fair value of debt securities issued that are designated at fair value through profit or loss by discounting future cash flows at a rate which incorporates GS Group's credit spreads.

The table below presents information about the cumulative net DVA gains/(losses) on such financial liabilities, which is included in accumulated other comprehensive income.

<i>\$ in millions</i>	Six Months Ended June	
	2022	2021
Beginning balance	\$(160)	\$(237)
Debt valuation adjustment for the period	656	7
Transfer to retained earnings	(1)	12
Ending balance	\$ 495	\$(218)

In the table above, net gains of \$1 million for the six months ended June 2022 and net losses of \$12 million for the six months ended June 2021 upon early redemption of certain such financial liabilities, have been transferred from accumulated other comprehensive income to retained earnings.

Note 13.

Share Capital

The table below presents share capital.

Allotted, called up and fully paid	Ordinary shares	
	of \$1 each	<i>\$ in millions</i>
As of January 1, 2022	5,000,007	\$5
As of June 30, 2022	5,000,007	\$5

Note 14.

Statement of Cash Flows Reconciliations

For the purpose of the statement of cash flows, cash and cash equivalents consists of cash at bank of \$36 million as of June 2022 and \$22 million as of June 2021.

Reconciliation of Cash Flows from Operating Activities

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

<i>\$ in millions</i>	Six Months Ended June	
	2022	2021
Profit/(loss) before taxation	\$ (23)	\$ 48
Adjustments for		
Foreign exchange losses	2	–
Cash generated from/(used in) before changes in operating assets and liabilities	(21)	48
Changes in operating assets		
Decrease/(increase) in customer and other receivables	(1,406)	114
Decrease/(increase) in derivative assets	(914)	112
Increase in intercompany loans	(5,705)	(702)
Changes in operating assets	(8,025)	(476)
Changes in operating liabilities		
Increase in customer and other payables	143	148
Increase in derivative liabilities	2,305	99
Increase in unsecured borrowings	5,622	192
Changes in operating liabilities	8,070	439
Cash generated from operations	\$ 24	\$ 11

In the table above, cash generated from operations included interest paid of \$3 million for the six months ended June 2022 and \$10 million for the six months ended June 2021, and interest received of \$117 million for the six months ended June 2022 and \$109 million for the six months ended June 2021.

Note 15.

Financial Commitments and Contingencies

The company had no financial commitments or contingencies outstanding as of both June 2022 and December 2021.

Note 16.

Related Party Disclosures

Parties are considered to be related if one party has the ability to directly or indirectly control the other party or exercise significant influence over the party in making financial or operational decisions. The company's related parties include:

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

The company enters into transactions with related parties in the normal course of business as part of its general operations. These transactions primarily relate to risk management, funding activity and transfer pricing.

The nature of these transactions for the six months ended June 2022 are consistent with those disclosed in Note 18 "Related Party Disclosures" in Part II of the company's 2021 Annual Report.

Note 17.

Financial Instruments

Financial Assets and Liabilities by Category

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

<i>\$ in millions</i>	Financial Assets		
	Mandatorily at fair value	Amortised cost	Total
As of June 2022			
Cash and cash equivalents	\$ –	\$ 36	\$ 36
Customer and other receivables	–	1,473	1,473
Derivative assets	1,954	–	1,954
Intercompany loans	–	21,189	21,189
Total	\$1,954	\$22,698	\$24,652
As of December 2021			
Cash and cash equivalents	\$ –	\$ 14	\$ 14
Customer and other receivables	–	67	67
Derivative assets	1,040	–	1,040
Intercompany loans	–	15,484	15,484
Total	\$1,040	\$15,565	\$16,605

GOLDMAN SACHS FINANCE CORP INTERNATIONAL LTD
Notes to the Financial Statements
(Unaudited)

\$ in millions	Financial Liabilities			Total
	Held for Trading	Designated at fair value	Amortised cost	
As of June 2022				
Customer and other payables	\$ –	\$ –	\$ 269	\$ 269
Derivative liabilities	3,299	–	–	3,299
Unsecured borrowings	–	17,669	2,598	20,267
Total	\$3,299	\$17,669	\$2,867	\$23,835
As of December 2021				
Customer and other payables	\$ –	\$ –	\$ 126	\$ 126
Derivative liabilities	994	–	–	994
Unsecured borrowings	–	12,511	2,790	15,301
Total	\$ 994	\$12,511	\$2,916	\$16,421

In the tables above:

- Derivative assets included derivative instruments designated as hedges of \$nil as of June 2022 and \$50 million as of December 2021.
- Derivative liabilities included derivative instruments designated as hedges of \$154 million as of June 2022 and \$12 million as of December 2021.

Note 18.

Fair Value Measurement

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. The company measures certain financial assets and liabilities as a portfolio (i.e. based on its net exposure to market and/or credit risks).

IFRS has a three-level hierarchy for disclosure of fair value measurements. This hierarchy prioritises inputs to the valuation techniques used to measure fair value, giving the highest priority to level 1 inputs and the lowest priority to level 3 inputs. A financial instrument's level in this hierarchy is based on the lowest level of input that is significant to its fair value measurement.

The fair value hierarchy is as follows:

Level 1. Inputs are unadjusted quoted prices in active markets to which the company had access at the measurement date for identical, unrestricted assets or liabilities.

Level 2. Inputs to valuation techniques are observable, either directly or indirectly.

Level 3. One or more inputs to valuation techniques are significant and unobservable.

The fair values for substantially all of the company's financial assets and liabilities that are fair valued on a recurring basis are based on observable prices and inputs and are classified in level 2 of the fair value hierarchy. Certain level 2 and level 3 financial assets and liabilities may require valuation adjustments that a market participant would require to arrive at fair value for factors, such as GS Group's credit quality, liquidity and bid/offer spreads. Valuation adjustments are generally based on market evidence.

Valuation Techniques and Significant Inputs

The valuation techniques and significant inputs used in determining the fair value of the company's financial assets and liabilities disclosed below are consistent with those described in Note 20 "Fair Value Measurement" in Part II of the 2021 Annual Report.

Fair Value of Financial Assets and Liabilities by Level

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

\$ in millions	Level 1	Level 2	Level 3	Total
As of June 2022				
Financial Assets				
Derivative assets	\$ –	\$ 1,874	\$ 80	\$ 1,954
Total	\$ –	\$ 1,874	\$ 80	\$ 1,954
Financial Liabilities				
Derivative liabilities	\$ –	\$ 2,735	\$ 564	\$ 3,299
Unsecured borrowings	–	13,862	3,807	17,669
Total	\$ –	\$16,597	\$4,371	\$20,968
Net derivatives	\$ –	\$ (861)	\$ (484)	\$ (1,345)
As of December 2021				
Financial Assets				
Derivative assets	\$ –	\$ 928	\$ 112	\$ 1,040
Total	\$ –	\$ 928	\$ 112	\$ 1,040
Financial Liabilities				
Derivative liabilities	\$ –	\$ 753	\$ 241	\$ 994
Unsecured borrowings	–	8,242	4,269	12,511
Total	\$ –	\$8,995	\$4,510	\$13,505
Net derivatives	\$ –	\$ 175	\$ (129)	\$ 46

Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

The company's level 3 debt securities issued are economically hedged with OTC derivatives. The significant unobservable inputs used in level 3 fair value measurements have not been disclosed as the net effect of these inputs to the measurements of level 3 financial assets and liabilities was not material to the company's profit or loss, or other comprehensive income for both the six months ended June 2022 and June 2021, and net assets as of both June 2022 and December 2021.

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

The fair value of financial assets and liabilities may be determined in whole or part using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument or based on available observable market data and changing these assumptions will change the resultant estimate of fair value. For those financial assets and liabilities that are valued using unobservable inputs, the net potential impact of using reasonable possible alternative assumptions for the valuations, including significant unobservable inputs, was not material as of both June 2022 and December 2021, as the company's level 3 debt securities issued are economically hedged with OTC derivatives.

Level 3 Rollforward

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

<i>\$ in millions</i>	Six Months Ended June	
	2022	2021
Total financial assets		
Beginning balance	\$ 112	\$ 146
Gains/(losses)	(138)	(19)
Purchases	7	6
Settlements	124	(25)
Transfers into level 3	7	–
Transfers out of level 3	(32)	(24)
Ending balance	\$ 80	\$ 84
Total financial liabilities		
Beginning balance	\$(4,510)	\$(4,572)
Gains/(losses)	272	97
Sales/issuances	(1,243)	(1,261)
Settlements	554	903
Transfers into level 3	(106)	(204)
Transfers out of level 3	662	990
Ending balance	\$(4,371)	\$(4,047)

In the table above:

- If a financial asset or liability was transferred to level 3 during a reporting period, its entire gain or loss for the period is classified in level 3. For level 3 financial assets, increases are shown as positive amounts, while decreases are shown as negative amounts. For level 3 financial liabilities, increases are shown as negative amounts, while decreases are shown as positive amounts.
- Transfers between levels of the fair value hierarchy are recognised at the beginning of the reporting period in which they occur. Accordingly, the tables do not include gains or losses for level 3 financial assets and liabilities that were transferred out of level 3 prior to the end of the period.

- Level 3 financial liabilities are economically hedged with level 2 and level 3 financial assets and liabilities. Accordingly, level 3 gains or losses that are reported in the table below for a particular class of financial liability can be partially offset by gains or losses attributable to level 2 or level 3 in a different class of financial asset or liability.
- The net gains and losses on level 3 financial assets for both the six months ended June 2022 and June 2021 are reported in “Net revenues” in the income statement.
- The net gains on level 3 financial liabilities of \$272 million for the six months ended June 2022 included gains of \$205 million reported in “Debt valuation adjustment” in the statement of comprehensive income and gains of \$67 million reported in “Net revenues” in the income statement.
- The net gains on level 3 financial liabilities of \$97 million for the six months ended June 2021 included gains of \$12 million reported in “Debt valuation adjustment” in the statement of comprehensive income and gains of \$85 million reported in “Net revenues” in the income statement.

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

<i>\$ in millions</i>	Six Months Ended June	
	2022	2021
Derivative liabilities		
Beginning balance	\$ (241)	\$ (167)
Gains/(losses)	(464)	80
Sales	(10)	(34)
Settlements	132	(66)
Transfers into level 3	(3)	–
Transfers out of level 3	22	15
Ending balance	\$ (564)	\$ (172)
Unsecured borrowings		
Beginning balance	\$(4,269)	\$(4,405)
Gains/(losses)	736	17
Issuances	(1,233)	(1,227)
Settlements	422	969
Transfers into level 3	(103)	(204)
Transfers out of level 3	640	975
Ending balance	\$(3,807)	\$(3,875)

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

Six Months Ended June 2022. Transfers into level 3 for financial assets and liabilities primarily reflected transfers of certain equity products from level 2, principally due to reduced transparency of certain equity volatility and correlation inputs as a result of a lack of market evidence.

Transfers out of level 3 financial assets and liabilities primarily reflected transfers of certain equity products to level 2, principally due to increased transparency of certain equity volatility and correlation inputs as a result of an increase in the availability of market evidence.

Six Months Ended June 2021. Transfers into level 3 for financial assets and liabilities primarily reflected transfers of certain equity products from level 2, principally due to reduced transparency of certain equity volatility and correlation inputs as a result of a lack of market evidence.

Transfers out of level 3 financial assets and liabilities primarily reflected transfers of certain credit linked notes to level 2, principally due to increased transparency of certain credit spread inputs, and transfers of certain equity products to level 2, principally due to increased transparency of certain equity volatility and correlation inputs as a result of an increase in the availability of market evidence.

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

The company had financial assets that are not measured at fair value of \$22.70 billion as of June 2022 and \$15.56 billion as of December 2021, which predominately related to intercompany loans. The interest rates of these loans are variable in nature and approximate prevailing market interest rates for instruments with similar terms and characteristics. As such, their carrying values in the balance sheet are a reasonable approximation of fair value.

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

<i>\$ in millions</i>	As of	
	June 2022	December 2021
Current	\$ 281	\$ 136
Non-current	2,586	2,780
Total	\$2,867	\$2,916

In the table above, these financial liabilities predominantly related to long-term borrowings of \$2.59 billion as of June 2022 and \$2.78 billion as of December 2021, for which the fair value was \$2.47 billion as of June 2022 and \$2.80 billion as of December 2021.