Goldman Sachs Financial Markets Pty Ltd

Summary Financial Statements
pursuant to Regulation Part 23 of the
Commodity Futures Trading Commission
as of and for the year ended
December 31, 2022

INDEX

Independent auditor's report on the summary financial statements

To the members of Goldman Sachs Financial Markets Pty Ltd

Our opinion

In our opinion, the summary financial statements are consistent, in all material respects, with the audited financial report, in accordance with the basis of preparation described in Note 2 to the summary financial statements.

What we have audited

The summary financial statements are derived from the audited financial report of Goldman Sachs Financial Markets Pty Ltd for the year ended 31 December 2022. The summary financial statements comprise:

- the summary balance sheet as at 31 December 2022
- the related notes to the summary financial statements.

Emphasis of matter - basis of accounting and restriction on distribution and use

We draw attention to Note 2 to the summary financial statements, which describes the basis of accounting. The summary financial statements have been prepared to assist Goldman Sachs Financial Markets Pty Ltd in complying with the reporting provisions of the Code of Federal Regulations ("CFR") chapter 17 Part 23 – Swap Dealers and Major Swap Participants Section 23.105. As a result, the summary financial statements may not be suitable for another purpose. Our report is intended solely for Goldman Sachs Financial Markets Pty Ltd and its members and should not be used by parties other than Goldman Sachs Financial Markets Pty Ltd and its members. Our opinion is not modified in respect of this matter.

Summary financial statements

The summary financial statements do not contain all the disclosures required by Australian Accounting Standards applied in preparation of the audited financial report of Goldman Sachs Financial Markets Pty Ltd. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report of Goldman Sachs Financial Markets Pty Ltd and the auditor's report thereon. The summary financial statements and the audited financial report do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial report.

The audited financial report and our report thereon

We expressed an unmodified audit opinion on the financial report in our report dated 24 February 2023.

Responsibilities of the directors for the summary financial statements

The Directors of the Company are responsible for the preparation of the summary financial statements in accordance with the basis of preparation described in Note 2.

Auditor's responsibility

Our responsibility is to express an opinion whether the summary financial statements are consistent, in all material respects, with the audited financial report based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements.*

PricewaterhouseCoopers

Alastair Findlay
Partner

Melbourne
3 March 2023

Summary Balance Sheet

$ in thousands	Note	As of December 2022	As of December 2021
Assets			
Current assets			
Cash at bank	6	51,190	105,770
Financial assets at fair value	7	1,025,269	4,333,005
Derivative financial instruments	7	20,152,671	15,812,357
Trade and other receivables	8	3,640,021	2,609,319
Collateralised agreements	9	1,109,484	131,752
Total current assets		25,978,635	22,992,203
Non-current assets			
Trade and other receivables	8	16,815	943,949
Total non current assets		16,815	943,949
Total assets		25,995,450	23,936,152
Liabilities			
Current liabilities			
Financial liabilities at fair value	7	2,115,834	1,757,333
Derivative financial instruments	7	20,581,041	15,388,699
Trade and other payables	10	2,093,446	5,257,708
Collateralised financings	11	49,216	185,663
Total current liabilities		24,839,537	22,589,403
Non-current liabilities			
Long-term loan payable	10	419,314	394,000
Total non current liabilities		419,314	394,000
Total liabilities		25,258,851	22,983,403
Net assets		736,599	952,749
Equity			
Share capital	12	549,968	799,968
Retained profits		184,958	151,108
Accumulated other comprehensive income		1,673	1,673
Total equity		736,599	952,749

The accompanying notes are an integral part of these financial statements

Notes to the Summary Financial Statements

Note 1.
General Information

Goldman Sachs Financial Markets Pty Ltd is a limited liability company incorporated in Australia on 18 November 2003.

The Company is a wholly owned subsidiary of Goldman Sachs Holdings ANZ Pty Limited. The ultimate parent company is The Goldman Sachs Group, Inc., which is incorporated in the State of Delaware, U.S.A. and listed on the New York Stock Exchange.

The Company's principal activities are as follows:

Global Markets: The Company facilitates client transactions and makes markets in fixed income, equity, credit, currency and commodity products with institutional clients, such as corporations, financial institutions, investment funds and governments.

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

Central banks and regulators in a number of major jurisdictions have convened working groups to find, and implement the transition to, suitable replacements for IBORs. The administrator of LIBOR has proposed to extend the publication of the most commonly used U.S. Dollar LIBOR settings to 30 June 2023. The U.S. federal banking agencies have issued guidance strongly encouraging banking organisations to cease using the U.S. Dollar LIBOR as a reference rate in new contracts as soon as practicable and in any event by 31 December 2021.

The Goldman Sachs Group, Inc. and its consolidated subsidiaries (collectively, "GS Group"), including the Company, are facilitating an orderly transition from IBORs to alternative risk-free reference rates.

The following table contains details of the assessment of the financial instruments that the Company holds at 31 December 2022 that continue to reference interest rate benchmarks subject to interest rate benchmark reform, which in this instance is USD LIBOR only, and as such have yet to transition to SOFR or an alternative interest rate benchmark.

USD LIBOR

$'000	As of 31 December 2022 Notional Amount	Of which: Will expire post 30 June 2023 Notional Amount
Derivative Assets	**25,799,682**	**17,531,699**
Derivative Liabilities	**26,736,829**	**20,626,600**
Total	**52,536,511**	**38,158,299**

Note 2.
Summary of principal accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

These summary financial statements, which include the summary balance sheet and its accompanying notes have been prepared in order to comply with the requirements of Code of Federal Regulations ("CFR") Chapter 17 Part 23 – Swap Dealers and Major Swap Participants section 23.105. The information in this report is derived from the audited financial statements as at 31 December 2022, which were signed on 24th February 2023 and can be obtained upon request.

The audited financial statements for which these summary financial statements have been derived are general purpose financial statements ("the financial statements") and are prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group Interpretations and the Corporations Act 2001, as appropriate.

The audited financial statements of the Company also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The audited financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets or liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of the audited financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the audited financial statements, are disclosed in note 3.

2.2 Currency translation

2.2.1 Functional and presentation currency

Items included in the audited financial statements are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The audited financial statements are presented in US dollars, which is the Company's functional and presentation currency.

2.2.2 Transactions and balances

Transactions in currencies other than US dollars are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than US dollars, are recognised in the income statement.

2.3 Taxation

Taxation for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income. In this case, the tax is then recognised in other comprehensive income .

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred income tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Company and its immediate parent are a part of a tax consolidated Group. The Company's Australian parent, Goldman Sachs Holdings ANZ Pty Limited, is the head of the Australian Tax Consolidated Group ("the Tax Group"). Entities within the Tax Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the Tax Group continues to be a standalone tax payer in its own right, with the recoverability of tax losses being assessed having regard to the ability of the Tax Group to utilise them.

Assets and liabilities arising under funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Tax Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

2.4 Cash and cash equivalents

Cash and cash equivalents include deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.5 Financial instruments

2.5.1 Recognition and derecognition

The Company's trading assets, loans and trading liabilities are recognised and derecognised using trade date accounting.

Other financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or if the Company transfers the financial asset and either a) substantially all the risk and rewards of ownership, or b) neither transfers nor retains substantially all the risk and rewards of ownership and the Company does not retain control of that financial asset. Financial liabilities are derecognised only when they are extinguished (i.e., when the obligation specified in the contract is discharged or cancelled or expires).

2.5.2 Classification and measurement - Financial assets

The Company classifies its financial assets into the below categories based on the Company's business model for managing the asset and, where required, subsequent analysis of cash flow characteristics on individual financial assets.

The business model reflects how the Company manages particular groups of assets in order to generate future cash flows. Where the business model is to hold the assets to collect contractual cash flows, the Company subsequently assesses whether the financial asset's cash flows represent solely payments of principal and interest.

The Company also considers whether the cash flows represent basic lending arrangements. Where contractual terms introduce exposure to risk or volatility inconsistent with a basic lending arrangement, the financial asset is classified and measured at fair value through profit or loss. Financial assets with embedded derivative features are considered in their entirety in the above described assessment.

- Financial assets classified at amortised cost

Financial assets that are held for the collection of contractual cash flows and have cash flows that represent solely payments of principal and interest, and that are not designated at fair value, are measured at amortised cost. Such financial assets are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial asset but does not consider future credit losses. The calculation includes all fees and points paid or received that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

- Financial assets classified at fair value through profit or loss

Financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income (FVOCI) are measured at fair value through profit or loss. Such financial assets are measured in the balance sheet at fair value and subsequent gains or losses are recognised in the income statement.

- Financial assets subsequent measurement – Expected credit loss

AASB 9 outlines a three-stage model for impairment based on changes in credit quality since initial recognition of financial assets. The key elements of this approach are outlined below:

Stage 1 Classification for financial instruments that are not credit-impaired on initial recognition and remain not credit-impaired as a result of on-going credit risk monitoring. Expected credit loss ("ECL") is measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.

Stage 2 Classification for financial instruments where there has been a significant increase in credit risk since initiation, however not yet deemed to be credit-impaired. ECL is measured based on expected credit losses on a lifetime basis.

Stage 3 Classification for financial instruments that are in default, or are defined as credit-impaired. ECL is measured based on expected credit losses on a lifetime basis.

ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired.

Determination of the relevant staging for each financial instrument 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 Company considers a financial instrument to have experienced a significant increase in credit risk when certain quantitative or qualitative conditions are met. Absolute probability of default ("PD") thresholds have been set for investment grade financial assets, and relative PD thresholds have been set for non-investment grade financial assets. Qualitative review is performed by Credit Risk.

As risk measures become more certain or acute, the financial instrument typically becomes classified as credit-impaired. In addition, most financial instruments that are in default are also credit-impaired. The Company defines a financial instrument as in default for accounting purposes when the respective instrument meets the definition of default as set out by Credit Risk. A default is considered to have occurred with regard to a particular obligor when either; a) the Company considers that the obligor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if held), or b) the obligor has defaulted on a payment and/or is past due more than 90 days.

PD represents the likelihood of a borrower defaulting on its financial obligation. Exposure at default ("EAD") is the amount the Company expects to be owed at the time the financial obligation defaults. Loss given default ("LGD") is the Company's expectation of the extent of loss on the defaulted exposure, and takes into consideration amongst other things, collateral on the financial instrument.

The Company uses internal credit risk ratings that reflect the assessment of PDs of individual counterparties. The rating methods are subject to an annual validation and recalibration process.

The ECL is determined by projecting the PD, LGD and EAD for each individual exposure. To calculate ECL, 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 assessment of staging and the calculation of ECL both incorporate forward-looking information. Credit Risk have identified key economic variables impacting credit risk and expected credit losses to incorporate into the forward-looking information used.

The economic variables have been forecasted using internally generated projections to provide the 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 Company uses multiple macroeconomic scenarios within the ECL calculation. The weightings for the scenarios used are subject to ongoing internal review and approval.

For stage 3 credit-impaired loans, ECL estimates are derived from internal forecasts of value, and independent recovery valuations if available. The estimates reflect actual and anticipated individual company conditions plus anticipated economic conditions.

There have been no significant changes in estimation techniques or significant assumptions made during the year ended 31 December 2022.

2.5.3 Classification and measurement - Financial liabilities

- Financial liabilities classified at amortised cost

Financial liabilities measured at amortised cost are initially recognised at fair value net of transactions costs and subsequently measured at amortised cost using the effective interest method.

- Financial liabilities classified as held for trading

Financial liabilities classified as held for trading are initially recognised at fair value with transaction costs expensed in profit or loss. Such financial instruments are carried in the balance sheet at fair value and all subsequent gains or losses are recognised in the income statement.

- Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss are initially recognised at fair value with transaction costs expensed in profit or loss. Such financial liabilities are measured in the balance sheet at fair value, with changes in fair value attributable to own credit spreads being recognised in other comprehensive income, if it does not create or enlarge an accounting mismatch, and the remaining changes in the fair value being recognised in the income statement. Amounts recognised in other comprehensive income due to own credit spreads are not subsequently recycled into the income statement, even in instances where the liability is derecognised.

2.5.4 Determination of fair value

The fair value of a financial instrument is the price 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. Gains and losses arising from changes in fair value are recognised in the income statement.

"Day 1 P&L" is the term used to describe the difference between the initial transaction price and the fair value calculated by internal models. Day 1 P&L is released to the income statement at the earlier of the fair value becoming observable using market parameters, or through reference to similar quoted products, and derecognition of the financial instrument.

- Cash instruments

Cash instruments include securities, which are typically readily transferable and exhibit reasonable levels of price transparency, and other cash instruments, such as loans. Cash instruments that trade in active markets are valued using quoted prices for identical unrestricted instruments where available. Other cash instruments (such as most government agency obligations, most corporate debt securities, less liquid publicly listed equities, certain state and municipal obligations and certain money market instruments and loan commitments) are valued by reference to quoted prices, recent transactions for identical or similar instruments, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. Consideration is given to the nature of the quotations (e.g. indicative or executable) and the relationship of recent market activity to the prices provided from alternative pricing sources. Valuation adjustments are typically made (i) if the cash instrument is subject to transfer restrictions and/or (ii) for other premiums and liquidity discounts that a market participant would require to arrive at fair value. Valuation adjustments are generally based on market evidence.

Certain cash instruments have one or more significant valuation inputs that are not observable. Absent evidence to the contrary, these instruments are initially valued at transaction price, which is considered to be the best initial estimate of fair value. When a pricing model is used, the model is adjusted so that the model value of the cash instrument at inception equals the transaction price. Subsequently, the Company uses other methodologies to determine fair value, which vary based on the type of instrument. Valuation inputs and assumptions are changed when corroborated by substantive observable evidence, including values realised on sales.

- Derivative instruments

The Company's derivative instruments consist of exchange-traded and over-the-counter ("OTC") derivatives. Exchange-traded derivatives that are actively traded are valued at their quoted market prices. Exchange-traded derivatives that are not actively traded are valued using models that calibrate to market-clearing levels of OTC derivatives.

OTC derivatives are valued using market transactions and other market evidence, including market-based inputs to models, calibration to market-clearing transactions, broker or dealer quotations or other alternative pricing sources with reasonable levels of price transparency. Consideration is given to the nature of the quotations (e.g. indicative or executable) and the relationship of recent market activity to the prices provided from alternative pricing sources.

Where models are used, the selection of a particular model to value an OTC derivative depends on the contractual terms of and specific risks inherent in the instrument, as well as the availability of pricing information in the market. The Company generally uses similar models to value similar instruments. Valuation models require a variety of inputs, such as contractual terms, market prices, yield curves, discount rates, credit curves, measures of volatility, prepayment rates, loss severity rates and correlations of such inputs. For OTC derivatives that trade in liquid markets, model selection does not involve significant management judgment because outputs of models can be calibrated to market clearing levels.

Certain OTC derivatives are valued using models which utilise inputs that can be observed in the market, as well as unobservable inputs. Unobservable inputs typically include certain correlations as well as credit spreads, equity volatilities, commodity prices and commodity volatilities that are long-dated or derived from trading activity in inactive or less liquid markets. Subsequent to the initial valuation of such derivatives, the Company updates the observable inputs to reflect observable market changes. Unobservable inputs are changed when corroborated by evidence such as similar market transactions, third-party pricing services and/or broker or dealer quotations or other empirical market data. In circumstances where the Company cannot verify the model value by reference to market transactions, it is possible that a different valuation model could produce a materially different estimate of fair value.

2.5.5 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.6 Securities purchased or sold under agreements to resell or repurchase

Securities purchased under agreements to resell are transactions in which the Company purchases financial instruments from a seller, typically in exchange for cash, and simultaneously enters into an agreement to resell the same, or substantially the same, financial instruments to the seller at a stated price plus accrued interest at a future date. Financial instruments purchased or sold under agreements to resell or repurchase typically include government and investment-grade obligations, and are carried in the balance sheet at their fair value plus accrued interest.

2.7 Securities borrowed and loaned

Securities borrowed and loaned are generally collateralised by cash, securities or letters of credit. The Company receives securities borrowed, makes delivery of securities loaned, monitors the market value of securities borrowed and loaned, and delivers or obtains additional collateral as appropriate. Securities borrowed and loaned relating to financing activities are recorded based on the amount of cash collateral advanced or received plus accrued interest. Securities borrowed and loaned are included in "Trade and other receivables" and "Trade and other payables", respectively.

2.8 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.9 Loans payable

Loans payable are recognised initially at fair value, net of transaction costs incurred. Loans payable are subsequently stated at amortised cost. Any difference between the proceeds net of transaction costs and the redemption value is taken to the income statement over the period of the borrowings using the effective interest method.

Loans payable which are due to be settled within twelve months of the balance sheet date or where the Company does not have unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date are included in current liabilities even though the original term was for a period longer than twelve months. Other loans payable due to be settled more than twelve months after the balance sheet date or where the Company has unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date are included in non-current liabilities.

2.10 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.11 Dividends

Interim dividends are recorded during the financial period in which they are declared payable. Final dividends are recorded during the financial period in which the dividends are approved by the directors.

2.12 Currency translation reserve

The currency translation reserve comprises of historical foreign currency differences that arose when the Company's functional currency was Australian dollars. The Company changed the functional and presentation currency from Australian dollars to US dollars on 1 February 2010. The reserve will be released to the income statement only upon dissolution of the Company.

2.13 Goods and Services Tax ('GST')

Revenue, expense items and assets are recorded net of GST. GST input tax credits are recorded as an asset and GST collected is recorded as a liability. The GST portion relating to financial supplies and non deductible expenditure, for which an input tax credit cannot be claimed is expensed. The monthly amount is paid / received by a related party. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from or payable to, the taxation authority is included in other receivables or payables in the Balance Sheet. Cash flows are presented on a gross basis.

2.14 Rounding

The Company is a company of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

2.15 Comparatives

Where necessary, comparative figures have been reclassified to conform with the current year’s presentation.

Note 3.
Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

3.1 Income taxes

Judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3.2 Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, OTC derivatives) is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the balance sheet date.

3.3 Allowance for impairment

The allowance for impairment is determined by an ECL model developed to meet the impairment requirements of AASB 9. The measurement of expected credit losses for financial assets classified at amortised cost requires the use of a complex model and significant assumptions about future economic conditions and credit behaviour. Significant judgments are also required in applying the accounting requirements for measuring expected credit losses including determining criteria for significant increases in credit risk and establishing the number and weighting of forward looking scenarios.

Note 4.

Fair value estimation

The tables below show financial instruments carried at fair value, by valuation method. The different levels have been defined 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 Company's assets and liabilities that are measured at fair value are:

2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value				
Financial instruments	911,608	113,503	158	1,025,269
Derivative financial instruments	70	20,111,162	41,439	20,152,671
Collateralised agreements	—	1,109,484	—	1,109,484
Total	911,678	21,334,149	41,597	22,287,424
Financial liabilities at fair value				
Financial instruments	2,111,640	75	4,119	2,115,834
Derivative Financial Instruments	10	20,522,736	58,295	20,581,041
Collateralised financing	—	49,216	—	49,216
Total	2,111,650	20,572,027	62,414	22,746,091

2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value				
Financial instruments	4,242,915	87,789	2,301	4,333,005
Derivative financial instruments	38	15,781,491	30,828	15,812,357
Collateralised agreements	—	131,752	—	131,752
Total	4,242,953	16,001,032	33,129	20,277,114
Financial liabilities at fair value				
Financial instruments	1,757,174	—	159	1,757,333
Derivative Financial Instruments	41	15,348,301	40,357	15,388,699
Collateralised financing	—	185,663	—	185,663
Total	1,757,215	15,533,964	40,516	17,331,695

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, OTC derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

There were no significant transfers of financial assets and liabilities between level 1 and level 2 fair value hierarchy classifications.

The carrying value of other financial instruments is a reasonable approximation of their fair value largely due to the short term maturities of these instruments.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the changes in the Company's level 3 instruments as at 31 December 2022:

	Cash instruments - Net	Derivative instruments - Net	Total
	$'000	$'000	$'000
2022			
At the beginning of the year	2,142	(9,530)	(7,388)
Gains / (losses) recognised in profit or loss (1)	6,899	(6,858)	41
Purchases	592	37,776	38,368
Sales	(13,170)	(36,576)	(49,746)
Settlements	(459)	624	165
Transfers into level 3	35	818	853
Transfers out of level 3	—	(3,110)	(3,110)
At the end of the year	(3,961)	(16,856)	(20,817)
Total Unrealized gains / (losses) for the year included in profit or loss for assets / (liabilities) held at the end of the year (1)	2,157	(5,787)	(3,630)

(1) Reported in the income statement. Gains or losses that have been reported in level 3 resulting from changes in level 1 or level 2 inputs are frequently offset by gains or losses attributable to level 1 or level 2 derivatives and / or level 1, level 2 and level 3 cash instruments. As a result, gains / (losses) included in the level 3 roll forward above do not necessarily represent the overall impact on the company's results of operations, liquidity or capital resources.

The following table presents the changes in the Company's level 3 instruments as at 31 December 2021:

	Cash instruments - Net	Derivative instruments - Net	Total
	$'000	$'000	$'000
2021			
At the beginning of the year	4,674	(9,828)	(5,154)
Gains / (losses) recognised in profit or loss (1)	(41)	3,960	3,919
Purchases	425	8,951	9,376
Sales	(351)	(3,629)	(3,980)
Settlements	(85)	1,157	1,072
Transfers into level 3	277	—	277
Transfers out of level 3	(2,757)	(10,141)	(12,898)
At the end of the year	2,142	(9,530)	(7,388)
Total Unrealized gains / (losses) for the year included in profit or loss for assets / (liabilities) held at the end of the year (1)	152	9,578	9,730

(1) Reported in the income statement. Gains or losses that have been reported in level 3 resulting from changes in level 1 or level 2 inputs are frequently offset by gains or losses attributable to level 1 or level 2 derivatives and / or level 1, level 2 and level 3 cash instruments. As a result, gains / (losses) included in the level 3 roll forward above do not necessarily represent the overall impact on the company's results of operations, liquidity or capital resources.

Balances that have been transferred out are primarily due to the identification of market inputs for instruments of the issuer used in the valuation of these instruments.

Valuations of level 2 cash instruments can be verified to quoted prices, recent trading activity for identical or similar instruments, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. Consideration is given to the nature of the quotations (e.g., indicative or firm) and the relationship of recent market activity to the prices provided from alternative pricing sources.

Level 3 cash instruments have one or more significant valuation inputs that are not observable. Absent evidence to the contrary, level 3 cash instruments are initially valued at transaction price, which is considered to be the best initial estimate of fair value. Subsequently, the Company uses other methodologies to determine fair value, which vary based on the type of instrument. Valuation inputs and assumptions are changed when corroborated by substantive observable evidence, including values realised on sales of financial assets. Valuation techniques vary by instrument, but are generally based on discounted cash flow techniques.

The Company's level 2 and level 3 derivatives are valued using derivative pricing models (e.g., discounted cash flow models, correlation models, and models that incorporate option pricing methodologies, such as Monte Carlo simulations). For level 2 derivative instruments, valuation models require a variety of inputs, such as contractual terms, market prices, yield curves, discount rates (including those derived from interest rates on collateral received and posted as specified in credit support agreements for collateralised derivatives), credit curves, measures of volatility, prepayment rates, loss severity rates and correlations of such inputs.

Significant inputs to the valuations of level 2 derivatives can be verified to market transactions, broker or dealer quotations or other alternative pricing sources with reasonable levels of price transparency. Consideration is given to the nature of the quotations (e.g., indicative or firm) and the relationship of recent market activity to the prices provided from alternative pricing sources.

Level 3 derivatives are valued using models which utilise observable level 1 and/or level 2 inputs, as well as unobservable level 3 inputs. For the Company's level 3 equity derivatives, significant unobservable inputs include equity volatility.

The tables below present the ranges of significant unobservable inputs used to value the Company's level 3 cash instruments. These ranges represent the significant unobservable inputs that were used in the valuation of each type of cash instrument. Weighted averages in the tables below are calculated by weighting each input by the relative fair value of the respective financial instruments.

The ranges and weighted averages of these inputs are not representative of the appropriate inputs to use when calculating the fair value of any one cash instrument. For example, the highest yield presented in the tables below for corporate debt is appropriate for valuing a specific investment but may not be appropriate for valuing any other loan investment. Accordingly, the ranges of inputs presented below do not represent uncertainty in, or possible ranges of, fair value measurements of the company's level 3 cash instruments.

	Net Level 3 Cash instruments Assets/ (Liabilities) as of December $'000	Valuation Techniques and Significant unobservable inputs	Range of significant unobservable inputs as of December
2022			
Cash instruments	(3,961)	Delisting / Suspended	No range
2021			
Cash instruments - Trade Claims	1,348	Price of distressed bonds	0%-15%
Cash instruments - Debt	316	Valuation to low quality external (liquidity score of 4)	5% - 6.5%
Cash instruments - Equities	455	Delisting / Suspended	No range

Increases in yield, discount rate, capitalisation rate, duration or cumulative loss rate used in the valuation of the Company's level 3 cash instruments would result in a lower fair value measurement, while increases in recovery rate, basis, multiples, long-term growth rate or compound annual growth rate would result in a higher fair value measurement. Due to the distinctive nature of each of the Company's level 3 cash instruments, the interrelationship of inputs is not necessarily uniform within each product type.

The potential impact as at 31 December 2022 of using reasonable possible alternative assumptions for the valuations, including significant unobservable inputs, has been quantified as approximately US$0.1million (2021: US$0.1million) for favourable changes, and approximately US$0.1million (2021: US$0.1million) for unfavourable changes.

The table below presents the ranges of significant unobservable inputs used to value the Company's level 3 derivatives as well as the averages and medians of these inputs. The ranges represent the significant unobservable inputs that were used in the valuation of each type of derivative. Averages represent the arithmetic average of the inputs and are not weighted by the relative fair value or notional of the respective financial instruments. An average greater than the median indicates that the majority of inputs are below the average.

The ranges, averages and medians of these inputs are not representative of the appropriate inputs to use when calculating the fair value of any one derivative. Accordingly, the ranges of inputs presented below do not represent uncertainty in, or possible ranges of, fair value measurements of the Company's level 3 derivatives.

	Net Level 3 Derivative Liabilities as of December ($'000)	Valuation Techniques and Significant unobservable inputs	Range of significant unobservable inputs as of December
2022			
Derivatives	(10,567)	Mainly Equity Vega and skew	50%-147%
Derivatives	(6,289)	Mainly Deal Contingent trades	No range
2021			
Derivatives	(9,530)	Mainly Equity Vega and skew	23%-46%

The following provides a description of the directional sensitivity of the Company's level 3 fair value measurements to changes in significant unobservable inputs, in isolation.

Volatility: In general, for purchased options an increase in volatility results in a higher fair value measurement.

The fair value of financial instruments may be determined in whole or part using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument or based on available observable market data, and changing these assumptions will change the resultant estimate of fair value.

The potential impact as at 31 December 2022 of using reasonable possible alternative assumptions for the valuations, including significant unobservable inputs, has been quantified as approximately US$12million (2021: US$0.4million) for favourable changes, and approximately US$7.4million (2021: US$0.2million) for unfavourable changes.

In determining reasonably possible alternative unfavourable assumptions, a detailed business and position level review has been performed to identify and quantify instances where potential uncertainty exists. This has taken into account the positions' current value as compared to the range of available market information.

The amounts not recognised in the income statement relating to the difference between the fair value of initial recognition (the transaction price) and the amounts determined at initial recognition using the valuation techniques are as follows:

	2022
	$'000
At the beginning of the year	2,281
New transactions	7,695
Amounts recognised in the income statement during the year	(825)
At the end of the year	9,151

Note 5.
Capital management

ASIC Regulatory Guidance (RG) 166 - Capital requirements

Under Regulatory Guidance (RG) 166, the Company's capital is considered to comprise total equity on the balance sheet. The primary objectives in managing capital are to safeguard the ability of the Company to continue as a going concern, and to meet the capital requirements of the Company's regulators in Australia.

The Company is also required to comply with Australia Securities and Investment Commission's (the 'regulator') financial requirements. These regulatory financial requirements are monitored on a daily basis and have been met throughout 2022 and 2021. The Company has obtained an irrevocable undertaking from its ultimate parent company, the Group, of US$1,294 million as at the end of 31 December 2022 (2021: US$1,383 million).

CFTC - Basel III Standardised Capital requirements

In addition, the Company is a registered swap dealer with the Commodities Futures Trading Commission (CFTC) and as a result is subject to minimum capital requirements imposed by the CFTC. Rule 23.101 of 17 CFR, specifies the minimum capital requirements for their swap dealer participants, which came into effect on 6th October 2021. Under rule 23.101, the Company is subject to the minimum capital requirements under the Bank-Based Capital Approach, having met the criteria under rule 217.1 of 17 CFR. the Company has elected to use Basel III Standardised in order to calculate the minimum capital requirements under the Bank-Based Capital Approach.

During the current financial year, the shareholders approved the capital reduction of $250 million in respect of the ordinary shares on issue to its immediate parent, Goldman Sachs Holdings ANZ Pty Limited following the Company's adoption of the standardized approach for counterparty credit risk (SA-CCR), which has reduced the regulatory capital requirements derived from the Company's credit exposure under the Commodity Futures Trading Commission ("CFTC") regulatory capital rules. The capital was returned on 14th September 2022 and did not involve cancellation of any shares. The Company will continue to maintain sufficient excess capital to support the Australian Securities & Investments Commission ("ASIC") and CFTC capital requirements. Refer to note 12.

The following table presents information about the Company's risk based ratios;

	2022	2021
	$'000	$'000
Risk-based capital and RWAs		
CET1 Capital	736,599	952,749
Tier 1 Capital	736,599	952,749
Tier 2 Capital	375,000	375,000
Total Capital	1,111,599	1,327,749
RWAs	5,809,841	6,208,135

	2022	2021
Risk-based capital ratios		
CET1	12.68%	15.35%
Total Capital ratio	19.13%	21.39%

During the year, December 2022, the Company was in compliance with the minimum capital requirements set by the CFTC.

Note 6.
Cash and cash equivalents

	2022	2021
	$'000	$'000
Cash at bank	51,190	105,770
	51,190	105,770

Note 7.
Financial instruments at fair value and derivative financial instruments

The Company facilitates transactions for affiliated companies and holds market making positions in fixed income, equity and currency products.

The following table sets out the Company's financial instruments at fair value. At any point in time, the Company may use cash instruments as well as derivatives to manage a long or short risk position.

	2022		2021	
	Assets	Liabilities	Assets	Liabilities
	$'000	$'000	$'000	$'000
Equities	827,204	(1,113,781)	3,954,829	(1,659,724)
Debt obligations	173,955	(1,002,053)	366,027	(97,609)
Certificates of Deposit	19,445	—	—	—
Loans	4,665	—	12,149	—
	1,025,269	(2,115,834)	4,333,005	(1,757,333)
Derivative financial instruments				
Forward settlement contracts	299,682	(356,086)	245,413	(148,675)
Option contracts	501,794	(757,675)	341,106	(427,432)
Swap agreements	19,351,195	(19,467,280)	15,225,838	(14,812,592)
	20,152,671	(20,581,041)	15,812,357	(15,388,699)
	21,177,940	(22,696,875)	20,145,362	(17,146,032)

Note 8.
Trade and other receivables

	2022	2021
	$'000	$'000
Current assets		
Amounts due from related parties	1,112,496	510,631
Trade receivables	427,257	361,796
Term deposit with related party	925,000	—
Securities borrowed - related party	1,175,252	1,736,884
Other assets	16	8
	3,640,021	2,609,319

	2022	2021
	$'000	$'000
Non current assets		
LCH default fund contribution	16,815	18,949
Term deposit with related party	—	925,000
	16,815	943,949

Note 9.
Collateralised Agreements

The table below presents the company's collateralised agreements.

	2022	2021
	$'000	$'000
Reverse Repurchase Agreements	1,109,454	131,752
Reverse Repurchase Agreements - related party	30	—
	1,109,484	131,752

Note 10.
Trade and other payables

	2022	2021
	$'000	$'000
Current liabilities		
Short term loan payable - related party	81,389	20,605
Amounts due to related parties	881,611	981,962
Amounts due to related parties - tax related	14,508	3,756
Trade payables	330,427	245,276
Securities loaned - related party	774,561	4,005,162
Securities loaned	—	5
Accruals and other liabilities	10,950	942
	2,093,446	5,257,708

	2022	2021
	$'000	$'000
Non current liabilities		
Long term loan payable - related party	44,314	19,000
Subordinated liability - immediate parent	375,000	375,000
	419,314	394,000

Statement of changes in liabilities subordinated to claims of general creditors;

	$'000
Balance as at 1 January 2022	375,000
Drawdown on subordinated liability with immediate parent	—
Balance as at 31 December 2022	375,000

The Company currently has a facility of $700m (2021: $700m) of subordinated debt with Goldman Sachs Holdings ANZ Pty Limited. As at 31 December 2022, $375m of this facility had been drawn down (2021: $375m).

Note 11.
Collateralised financings

The table below represents the Company's collateralised financings.

	2022	2021
	$'000	$'000
Collateralised financings		
Repurchase Agreements	41	78,802
Repurchase Agreements - related party	49,175	106,861
	49,216	185,663

Note 12.
Share capital

	2022	2021
	$'000	$'000
Issued and paid up capital		
10,500,002 ordinary shares at A$1 issue price	7,968	7,968
792,000,000 ordinary shares at US$1 issue price	542,000	792,000
	549,968	799,968

In accordance with the Corporations Act 2001, the Company does not have authorised capital and all ordinary shares issued have no par value.

During the year, the Company undertook an equal capital reduction in respect of $250 million of the Ordinary shares on issue in the Company held by its immediate parent, Goldman Sachs Holdings ANZ Pty Limited. The capital reduction occurred by way of a return of capital, paid in cash on 14 September 2022. The number of shares on issue in the Company remained unchanged following the Capital Reduction.

Note 13.
Related party transactions

The immediate controlling entity is Goldman Sachs Holdings ANZ Pty Limited (incorporated in Australia) which at 31 December 2022 owns 100% (31 December 2021 – Goldman Sachs Holdings ANZ Pty Limited (incorporated in Australia) - 100%) of the issued shares of the Company and the ultimate parent entity is the Group.

In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out with related parties:

Balance sheet

	2022	2021
	$'000	$'000
Amounts due from related parties		
- related parties	2,037,496	1,435,631
Amounts due to related parties		
- immediate parent company	5,542	2,227
- related parties	876,069	979,735
Amounts due to related parties - tax related		
- immediate parent company	14,508	3,756
Derivative financial instruments		
- derivative assets with related parties	19,148,750	15,252,981
- derivative liabilities with related parties	19,648,882	14,702,232
Reverse Repurchase Agreements		
- related parties	30	—
Repurchase Agreements		
- related parties	49,175	106,861
Securities Borrowed		
- related parties	1,175,252	1,736,884
Securities Loaned		
- related parties	774,561	4,005,162
Short term loan payable		
- immediate parent company	81,389	20,605
Long term loan payable		
- related parties	44,314	19,000
- immediate parent company	375,000	375,000

Note 14.
Events after the reporting period

There are no material post balance sheet events occurring after the reporting date requiring disclosure in this summary balance sheet and accompanying notes that has been derived from the audited financial statements, that were signed on 24th February 2023.

Note 15.
Approval of the financial statements

The audited financial statements, from which this summary balance sheet and accompanying notes were derived were approved by the board of directors on 24th February 2023.