Unaudited Half-yearly Financial Report

June 30, 2023

Goldman Sachs Finance Corp International Ltd

Company Number: 122341

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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 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 2023 and June 2022 refer to the periods ended, or the dates, as the context requires, June 30, 2023 and June 30, 2022, respectively. All references to December 2022 refer to the date December 31, 2022. All references to "the 2022 Annual Report" are to the company's Annual Report for the year ended December 31, 2022.

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 4 of this financial report. Net revenues, which include the net profit or loss from the company's issuance, hedging and lending activity, were a gain of $78 million for the first half of 2023, compared to a loss of $23 million for the first half of 2022. This represented an increase of $101 million compared to the first half of 2022, primarily due to higher net gains on the company's lending activity, partially offset by higher net losses on the company's issuance and hedging activity.

Other Comprehensive Income

The statement of comprehensive income is set out on page 4 of this financial report. The company's other comprehensive income, which relates to the company's debt valuation adjustment (DVA), was a loss of $273 million for the first half of 2023, compared to a gain of $656 million for the first half of 2022.

Balance Sheet

The balance sheet is set out on page 5 of this financial report. As of June 2023, total assets were $39.86 billion, an increase of $5.14 billion from December 2022, mainly reflecting an increase in intercompany loans. As of June 2023, total liabilities were $39.34 billion, an increase of $5.33 billion from December 2022, mainly reflecting an increase in debt securities issued.

Business Environment

During the first half of 2023, broad macroeconomic and geopolitical concerns continued to weigh on global economic activity. Stress in the banking sector remained a key focus early in the first half, subsiding after U.S. regional banks showed stability and UBS Group AG, working in conjunction with Swiss regulators, acquired Credit Suisse Group AG. Uncertainty heightened regarding a resolution on the U.S. federal debt ceiling before being resolved. Concerns about persistent inflation and the economic outlook remained, but declining inflationary measures and signs of improved sentiment were positive developments. These factors contributed to higher global equity prices compared with the end of 2022, while the commercial real estate market continued to face increased pressure. There remains uncertainty about the economic outlook, reflecting concerns about geopolitical risks, inflation, and potential increases in regulatory requirements.

IBOR Exposure Overview

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

As of July 1, 2023, the publication of all LIBOR settings as representative rates has ceased. The Financial Conduct Authority (FCA) has allowed the publication and use of synthetic rates for certain GBP LIBOR settings in legacy GBP LIBOR-based contracts through March 2024 and for certain USD LIBOR settings in legacy USD LIBOR-based contracts through September 2024.

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 had to adhere to the IBOR Protocol or engage in bilateral amendments for the terms to be effective for derivative contracts. The FCA's formal announcement to cease all LIBOR settings fixed the spread adjustment for all LIBOR rates and, as of July 1, 2023, the fallbacks have been applied for all LIBOR settings. Rules adopted by the FRB under the Adjustable Interest Rate (LIBOR) Act provide different Secured Overnight Financing Rate (SOFR)-based rates 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.

The company has facilitated an orderly transition from non-USD LIBORs to alternative risk-free reference rates and synthetic rates in connection with the cessation of non-USD LIBOR.

In connection with the cessation of USD LIBOR, all of the company's USD LIBOR-based derivative contracts were transitioned to alternative risk-free reference rates. In addition, the company's USD LIBOR-based unsecured borrowings have been transitioned to alternative risk-free reference rates in accordance with fallback provisions or were converted to synthetic rates.

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 2022 Annual Report.

Directors

There were no changes in the directorship of the company between the date of issue of this financial report and the 2022 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 2022 Annual Report.

Vikram Sethi

V. Sethi
Director
September 25, 2023

GOLDMAN SACHS FINANCE CORP INTERNATIONAL LTD

Income Statement (Unaudited)

$ in millions	Note	Six Months Ended June 2023	2022
Interest income from financial instruments measured at amortised cost		**$ 858**	$ 144
Interest expense from financial instruments measured at amortised cost		**(39)**	(26)
Net interest income		**819**	118
Gains or losses from financial instruments at fair value through profit or loss		**(703)**	155
Other net expense		**(38)**	(296)
Non-interest expense		**(741)**	(141)
Net revenues	4	**78**	(23)
Operating expenses	5	**—**	—
Profit/(loss) before taxation		**78**	(23)
Income tax expense	7	**—**	—
Profit/(loss) for the financial period		**$ 78**	$ (23)

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

Statement of Comprehensive Income (Unaudited)

$ in millions	Note	Six Months Ended June 2023	2022
Profit/(loss) for the financial period		**$ 78**	$ (23)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Debt valuation adjustment	12	**(273)**	656
Tax attributable to the components of other comprehensive income		**—**	—
Other comprehensive income/(loss) for the financial period		**(273)**	656
Total comprehensive income/(loss) for the financial period		**$ (195)**	$ 633

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

Balance Sheet
(Unaudited)

		As of	
$ in millions	Note	**June 2023**	December 2022
Assets			
Cash and cash equivalents	14	**$ 16**	$ 13
Customer and other receivables	8	**1,780**	1,990
Derivative assets	9	**3,008**	2,869
Intercompany loans	10	**35,054**	29,848
Total assets		**39,858**	34,720
Liabilities			
Customer and other payables	11	**$ 178**	$ 95
Derivative liabilities	9	**4,835**	4,794
Unsecured borrowings	12	**34,331**	29,122
Total liabilities		**39,344**	34,011
Shareholder's equity			
Share capital	13	**5**	5
Share premium account		**175**	175
Retained earnings		**287**	204
Accumulated other comprehensive income		**47**	325
Total shareholder's equity		**514**	709
Total liabilities and shareholder's equity		**$39,858**	$ 34,720

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

Statement of Changes in Equity (Unaudited)

$ in millions	Note	Six Months Ended June 2023	2022
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		**204**	164
Profit/(loss) for the financial period		**78**	(23)
Transfer of realised debt valuation adjustment into retained earnings	12	**5**	1
Ending balance		**287**	142
Accumulated other comprehensive income			
Beginning balance		**325**	(160)
Other comprehensive income/(loss)		**(273)**	656
Transfer of realised debt valuation adjustment into retained earnings	12	**(5)**	(1)
Ending balance		**47**	495
Total shareholder's equity		**$ 514**	$ 817

No dividends were paid for both the six months ended June 2023 and June 2022.

Statement of Cash Flows (Unaudited)

$ in millions	Note	Six Months Ended June 2023	2022
Cash flows from operating activities			
Cash generated from operations	14	**$ 3**	$ 24
Net cash generated from operating activities		**3**	24
Net increase in cash and cash equivalents		**3**	24
Cash and cash equivalents, beginning balance		**13**	14
Foreign exchange losses on cash and cash equivalents		**—**	(2)
Cash and cash equivalents, ending balance	14	**$ 16**	$ 36

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 2022 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 2022 Annual Report.

Note 3.

Critical Accounting Estimates and Judgements

The critical accounting estimates and judgements are consistent with those described in the 2022 Annual Report.

Note 4.

Net Revenues

Net revenues include net interest income and non-interest expense. Interest income primarily relates to interest income from loans to affiliates. Interest expense primarily relates to interest on debt securities issued, net of hedges with 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 with affiliates.
- 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.

	Six Months Ended June	
$ in millions	**2023**	2022
Interest income		
Financial instruments measured at amortised cost	**$ 858**	$ 144
Total interest income	**858**	144
Interest expense		
Financial instruments measured at amortised cost, net of hedges	**(39)**	(26)
Total interest expense	**(39)**	(26)
Net interest income	**819**	118
Non-interest expense		
Financial instruments mandatorily measured at fair value through profit or loss	**(73)**	(1,060)
Financial instruments designated at fair value through profit or loss	**(630)**	1,215
Allocations of net revenues from/(to) affiliates	**(38)**	(293)
Net changes in impairments on financial assets	**—**	(3)
Non-interest expense	**(741)**	(141)
Net revenues	**$ 78**	$ (23)

Note 5.

Operating Expenses

The company incurred operating expenses of $99,000 for the six months ended June 2023 and $112,000 for the six months ended June 2022, 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.

	As of	
	June	December
$ in millions	**2023**	2022
Receivables from customers and counterparties	**$ 1,726**	$ 1,869
Miscellaneous receivables and other	**54**	121
Total	**$ 1,780**	$ 1,990

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.

	As of	
	June	December
$ in millions	**2023**	2022
Interest rates	**$ 2,516**	$ 2,434
Credit	**77**	35
Currencies	**198**	264
Equities	**217**	136
Total	**$ 3,008**	$ 2,869

The table below presents derivative liabilities.

	As of	
	June	December
$ in millions	**2023**	2022
Interest rates	**$ 3,854**	$ 3,709
Credit	**46**	64
Currencies	**702**	691
Equities	**233**	330
Total	**$ 4,835**	$ 4,794

Note 10.

Intercompany Loans

The table below presents intercompany loans.

	As of	
	June	December
$ in millions	**2023**	2022
Unsecured loans	**$ 35,054**	$ 29,848
Total	**$ 35,054**	$ 29,848

In the table above:

- Current intercompany loans were $1.72 billion as of June 2023 and $904 million as of December 2022, and non-current intercompany loans were $33.33 billion as of June 2023 and $28.94 billion as of December 2022.
- Unsecured loans included an allowance for impairment of $17 million as of both June 2023 and December 2022. The company's allowance for impairment is impacted by a variety of factors including changes in modelling assumptions based on updated macroeconomic assumptions. These financial assets remained in stage 1 throughout the entire period.

Note 11.

Customer and Other Payables

The table below presents customer and other payables.

	As of	
	June	December
$ in millions	**2023**	2022
Miscellaneous payables and other	**$ 178**	$ 95
Total	**$ 178**	$ 95

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.

	As of	
	June	December
$ in millions	**2023**	2022
Debt securities issued	**$ 34,327**	$ 29,100
Intercompany loans	**4**	22
Total	**$ 34,331**	$ 29,122

In the table above:

- Current unsecured borrowings were $9.89 billion as of June 2023 and $4.97 billion as of December 2022, and non-current unsecured borrowings were $24.44 billion as of June 2023 and $24.15 billion as of December 2022.
- 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.

	Six Months Ended June	
$ in millions	**2023**	2022
Beginning balance	**$ 325**	$ (160)
Debt valuation adjustment	**(273)**	656
Transfer to retained earnings	**(5)**	(1)
Ending balance	**$ 47**	$ 495

In the table above, net gains of $5 million for the six months ended June 2023 and net gains of $1 million for the six months ended June 2022 realised upon early redemption of certain debt securities issued that were designated at fair value through profit or loss, 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 $1 each	*$ in millions*
As of June 2023	**5,000,007**	**$ 5**
As of December 2022	5,000,007	$ 5
As of December 2021	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 $16 million as of June 2023 and $36 million as of June 2022.

Reconciliation of Cash Flows from Operating Activities

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

	Six Months Ended June	
$ in millions	**2023**	2022
Profit/(loss) before taxation	**$ 78**	$ (23)
Adjustments for		
Foreign exchange losses	**—**	2
Cash generated from/(used in) before changes in operating assets and liabilities	**78**	(21)
Changes in operating assets		
Decrease/(increase) in customer and other receivables	**210**	(1,406)
Increase in derivative assets	**(139)**	(914)
Increase in intercompany loans	**(5,206)**	(5,705)
Changes in operating assets	**(5,135)**	(8,025)
Changes in operating liabilities		
Increase in customer and other payables	**83**	143
Increase in derivative liabilities	**41**	2,305
Increase in unsecured borrowings	**4,936**	5,622
Changes in operating liabilities	**5,060**	8,070
Cash generated from operations	**$ 3**	$ 24

In the table above, cash generated from operations included interest paid of $37 million for the six months ended June 2023 and $3 million for the six months ended June 2022, and interest received of $37 million for the six months ended June 2023 and $117 million for the six months ended June 2022.

Note 15.

Financial Commitments and Contingencies

The company had no financial commitments or contingencies outstanding as of both June 2023 and December 2022.

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 2023 are consistent with those disclosed in Note 18 "Related Party Disclosures" in Part II of the company's 2022 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.

	Financial Assets		
$ in millions	Mandatorily at fair value	Amortised cost	Total
As of June 2023			
Cash and cash equivalents	**$ —**	**$ 16**	**$ 16**
Customer and other receivables	**—**	**1,780**	**1,780**
Derivative assets	**3,008**	**—**	**3,008**
Intercompany loans	**—**	**35,054**	**35,054**
Total	**$ 3,008**	**$ 36,850**	**$ 39,858**
As of December 2022			
Cash and cash equivalents	$ —	$ 13	$ 13
Customer and other receivables	—	1,990	1,990
Derivative assets	2,869	—	2,869
Intercompany loans	—	29,848	29,848
Total	$ 2,869	$ 31,851	$ 34,720

	Financial Liabilities			
$ in millions	Held for Trading	Designated at fair value	Amortised cost	Total
As of June 2023				
Customer and other payables	**$ —**	**$ —**	**$ 178**	**$ 178**
Derivative liabilities	**4,835**	**—**	**—**	**4,835**
Unsecured borrowings	**—**	**31,900**	**2,431**	**34,331**
Total	**$ 4,835**	**$ 31,900**	**$ 2,609**	**$ 39,344**
As of December 2022				
Customer and other payables	$ —	$ —	$ 95	$ 95
Derivative liabilities	4,794	—	—	4,794
Unsecured borrowings	—	26,607	2,515	29,122
Total	$ 4,794	$ 26,607	$ 2,610	$ 34,011

In the tables above:

- Derivative assets included derivative instruments designated as hedges of $20 million as of June 2023 and $16 million as of December 2022.
- Derivative liabilities included derivative instruments designated as hedges of $196 million as of June 2023 and $230 million as of December 2022.

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 2022 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 2023				
Financial Assets				
Derivative assets	**$ —**	**$ 2,924**	**$ 84**	**$ 3,008**
Total	**$ —**	**$ 2,924**	**$ 84**	**$ 3,008**
Financial Liabilities				
Derivative liabilities	**$ —**	**$ 4,327**	**$ 508**	**$ 4,835**
Unsecured borrowings	**—**	**26,236**	**5,664**	**31,900**
Total	**$ —**	**$ 30,563**	**$ 6,172**	**$ 36,735**
Net derivatives	**$ —**	**$ (1,403)**	**$ (424)**	**$ (1,827)**
As of December 2022				
Financial Assets				
Derivative assets	$ —	$ 2,808	$ 61	$ 2,869
Total	$ —	$ 2,808	$ 61	$ 2,869
Financial Liabilities				
Derivative liabilities	$ —	$ 4,211	$ 583	$ 4,794
Unsecured borrowings	—	22,616	4,766	27,382
Total	$ —	$ 26,827	$ 5,349	$ 32,176
Net derivatives	$ —	$ (1,403)	$ (522)	$ (1,925)

In the table above, unsecured borrowings of $775 million as of December 2022 have been moved from level 2 to level 3 to more appropriately present these balances.

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 2023 and June 2022, and net assets as of both June 2023 and December 2022.

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 2023 and December 2022, 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.

	Six Months Ended June	
$ in millions	**2023**	2022
Total financial assets		
Beginning balance	**$ 61**	$ 112
Gains/(losses)	**75**	(138)
Purchases	**4**	7
Settlements	**(49)**	124
Transfers into level 3	**3**	7
Transfers out of level 3	**(10)**	(32)
Ending balance	**$ 84**	$ 80
Total financial liabilities		
Beginning balance	**$ (5,349)**	$ (4,510)
Gains/(losses)	**(154)**	272
Sales/Issuances	**(777)**	(1,243)
Settlements	**501**	554
Transfers into level 3	**(516)**	(106)
Transfers out of level 3	**123**	662
Ending balance	**$ (6,172)**	$ (4,371)

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 2023 and June 2022 are reported in "Net revenues" in the income statement.
- The net losses on level 3 financial liabilities of $154 million for the six months ended June 2023 included losses of $60 million reported in "Debt valuation adjustment" in the statement of comprehensive income and losses of $94 million 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 table below disaggregates, by the balance sheet line items, the information for financial liabilities included in the summary table above.

	Six Months Ended June	
$ in millions	**2023**	2022
Derivative liabilities		
Beginning balance	**$ (583)**	$ (241)
Gains/(losses)	**(17)**	(464)
Sales	**1**	(10)
Settlements	**54**	132
Transfers into level 3	**(3)**	(3)
Transfers out of level 3	**40**	22
Ending balance	**$ (508)**	$ (564)
Unsecured Borrowings		
Beginning balance	**$ (4,766)**	$ (4,269)
Gains/(losses)	**(137)**	736
Issuances	**(778)**	(1,233)
Settlements	**447**	422
Transfers into level 3	**(513)**	(103)
Transfers out of level 3	**83**	640
Ending balance	**$ (5,664)**	$ (3,807)

In the tables above, level 3 unsecured borrowings have been increased by $775 million as of December 2022. See "Fair Value of Financial Assets and Liabilities by Level" above for further information.

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

Six Months Ended June 2023. 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 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.

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 $36.85 billion as of June 2023 and $31.85 billion as of December 2022, 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.

	As of	
	June	December
$ in millions	**2023**	2022
Current	**$ 194**	$ 113
Non-current	**2,415**	2,497
Total	**$ 2,609**	$ 2,610

In the table above, these financial liabilities predominantly related to long-term borrowings of $2.42 billion as of June 2023 and $2.50 billion as of December 2022, for which the fair value was $2.36 billion as of June 2023 and $2.39 billion as of December 2022.