Consolidated Financial Information

November 30, 2019

Goldman Sachs Group UK Limited

Company Number: 8657873

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Introduction

Goldman Sachs Group UK Limited (the company), together with its subsidiary undertakings (collectively "GSGUK" or "the group"), provides a wide range of financial services to clients located worldwide.

GSGUK is supervised on a consolidated basis by the Prudential Regulatory Authority (PRA).

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 (Federal Reserve Board). Group Inc., together with its consolidated subsidiaries, form "GS Group". GS Group is a leading global investment banking, securities and investment management firm that provides a wide range of financial services to a substantial and diversified client base that includes corporations, financial institutions, governments and individuals.

The majority of GSGUK's business activity is conducted through legal entities incorporated in England and Wales and regulated by the PRA, including Goldman Sachs International (GSI), the group's broker dealer in the Europe, Middle East and Africa (EMEA) region, and Goldman Sachs International Bank (GSIB), the group's U.K. registered bank.

The non-statutory consolidated financial information of GSGUK (consolidated financial information) has been prepared by the directors to support the consolidated Pillar 3 reporting of GSGUK.

This consolidated financial information has been prepared for the twelve months ended November 30, 2019. In 2018, the company changed its accounting reference date from December 31 to November 30 and prepared consolidated financial information for the eleven months ended November 30, 2018. As a result, amounts presented in this consolidated financial information are not directly comparable. All references to November 2019 refer to the twelve months ended, or the date, as the context requires, November 30, 2019. All references to November 2018 refer to the eleven months ended, or the date, as the context requires, November 30, 2018.

Since the balance sheet date there has been a global outbreak of a coronavirus disease (COVID-19) which has caused widespread disruption to financial markets and normal patterns of business activity across the world. The COVID-19 pandemic has created significant uncertainty regarding the operating environment for the remainder of 2020 and possibly longer, as the duration and future course of the pandemic cannot be predicted at this time. A sustained period of weak economic conditions as a result of the pandemic would be detrimental to the group's businesses as it would negatively affect factors that are important to its operating performance, such as the level of client activity, and creditworthiness of counterparties.

Company Information

For the period ended November 30, 2019

Directors
D. M. Bicarregui
P. L. Monteiro
R. J. Taylor

Secretary
C. J. Hodkin

Registered Office
Plumtree Court
25 Shoe Lane
London
EC4A 4AU

Auditor
PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Statement of Directors' Responsibilities

The directors are responsible for the preparation of the consolidated financial information on the basis set out in the 'Summary of Significant Accounting Policies' on page 8. The directors prepared the consolidated financial information in accordance with the recognition and measurement requirements of EU-adopted International Financial Reporting Standards (IFRS).

In preparing the consolidated financial information, the directors have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and accounting estimates that are reasonable and prudent;
- stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial information; and
- prepared the consolidated financial information on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the group. They are also responsible for safeguarding the assets of the group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the consolidated financial information on the Goldman Sachs website.

By order of the board
R. J. Taylor
Director
June 30, 2020

Report on the audit of the financial information

Opinion

In our opinion, Goldman Sachs Group UK Limited's non-statutory consolidated financial information for the year ended November 30, 2019 has been properly prepared, in all material respects, in accordance with the basis of preparation in note 1 to the consolidated financial information and the Accounting Policies.

We have audited the financial information, included within the consolidated financial information which comprise: the consolidated balance sheet as at November 30, 2019; the consolidated profit and loss account, the consolidated statement of comprehensive income, and the consolidated statement of changes in equity for the year ended; and the notes to the consolidated financial information, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800, and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial information section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial information in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter - Basis of preparation

In forming our opinion on the financial information, which is not modified, we draw attention to note 1 of the financial information which describes the basis of preparation, and in particular, the fact that the accounting policies used and disclosures made are not intended to, and do not, comply with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial information is prepared in accordance with a special purpose framework for the directors for the specific purpose as described in the Use of this report paragraph below. As a result, the financial information may not be suitable for another purpose.

In addition, we draw attention to the fact that the financial information has not been prepared under section 394 of the Companies Act 2006 and are not the company's statutory financial statements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the information is not appropriate; or
- the directors have not disclosed in the financial information any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial information are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the introduction, the Company Information and the Statement of Director's Responsibilities in the Consolidated Financial Information. The directors are responsible for the other information. Our opinion on the financial information does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial information or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the non-statutory consolidated financial information and the audit

Responsibilities of the directors for the non-statutory consolidated financial information

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of the financial information in accordance with the basis of preparation in note 1 and accounting policies in note 1 to the financial information and for determining that the basis of preparation and accounting policies are acceptable in the circumstances. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

In preparing the financial information, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the consolidated financial information

Our objectives are to obtain reasonable assurance about whether the financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial information.

A further description of our responsibilities for the audit of the financial information is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the company's directors as a body for management purposes and in support of the consolidated Pillar III reporting of the U.K. regulated group in accordance with our engagement letter dated June 1, 2020 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the company, save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
June 30, 2020

Consolidated Profit and Loss Account

$ in millions	Note	Period Ended November 2019	Period Ended November 2018
Net revenues		**$ 9,841**	$ 9,141
Administrative expenses	2	**(6,391)**	(5,574)
Operating profit		**3,450**	3,567
Interest payable and similar expenses		**(292)**	(272)
Net finance income		**13**	8
Profit before taxation		**3,171**	3,303
Tax on profit	3	**(662)**	(887)
Profit for the financial period		**$ 2,509**	$ 2,416
Attributable to:			
Owners of the company		**2,493**	2,403
Non-controlling interests		**16**	13
		$ 2,509	$ 2,416

Consolidated Statement of Comprehensive Income

$ in millions	Period Ended November 2019	Period Ended November 2018
Profit for the financial period	**$ 2,509**	$ 2,416
Other comprehensive income		
Items that will not be reclassified subsequently to consolidated profit or loss		
Actuarial profit/(loss) relating to the pension scheme	**(159)**	61
Debt valuation adjustment	**(208)**	469
U.K. deferred tax attributable to components of other comprehensive income	**92**	(138)
U.K. current tax attributable to components of other comprehensive income	**1**	1
Total items that will not be reclassified subsequently to consolidated profit or loss	**(274)**	393
Items that will be reclassified subsequently to consolidated profit or loss		
Currency translation difference	**3**	(38)
Movement in net investment hedge	**(3)**	76
Total items that will be reclassified subsequently to consolidated profit or loss	**–**	38
Other comprehensive income/(loss) for the financial period, net of tax	**(274)**	431
Total comprehensive income for the financial period	**$ 2,235**	$ 2,847
Attributable to:		
Owners of the company	**2,219**	2,840
Non-controlling interests	**16**	7
	$ 2,235	$ 2,847

Consolidated Balance Sheet

		As of November	
$ in millions	**Note**	**2019**	2018
Fixed assets			
Intangible assets		**$ 391**	$ 294
Tangible assets		**138**	274
		529	568
Current assets			
Financial instruments owned	4	**790,264**	594,680
Collateralised agreements	5	**162,720**	208,681
Investments		**2,019**	1,811
Debtors	6	**82,513**	70,454
Cash at bank and in hand		**28,636**	32,097
Assets held for sale		**50**	37
		1,066,202	907,760
Creditors: amounts falling due within one year			
Financial instruments sold, but not yet purchased	4	**(714,507)**	(546,084)
Collateralised financings	7	**(102,962)**	(123,678)
Other creditors	8	**(132,080)**	(127,306)
		(949,549)	(797,068)
Net current assets		**116,653**	110,692
Total assets less current liabilities		**117,182**	111,260
Creditors: amounts falling due after more than one year			
Collateralised financings	7	**(4,796)**	(8,704)
Other creditors	8	**(72,888)**	(63,503)
		(77,684)	(72,207)
Provisions for liabilities		**(1)**	(78)
Net assets excluding pension surplus		**39,497**	38,975
Pension surplus		**264**	406
Net assets including pension surplus		**$ 39,761**	$ 39,381
Capital and reserves			
Called up share capital		**$ 2,135**	$ 2,135
Share premium account		**388**	388
Preferred shares		–	300
Other equity instruments		**8,300**	8,300
Other reserves		**183**	183
Profit and loss account		**28,789**	27,851
Accumulated other comprehensive income		**(151)**	123
Equity attributable to owners of the parent company		**$ 39,644**	$ 39,280
Non-controlling interests		**117**	101
Total shareholder's funds		**$ 39,761**	$ 39,381

The consolidated financial information was approved by the Board of Directors on June 30, 2020 and signed on its behalf by:

R. J. Taylor
Director

Consolidated Statement of Changes in Equity

	Period Ended November	
$ in millions	**2019**	2018
Called up share capital		
Beginning balance	**$ 2,135**	$ 2,135
Ending balance	**2,135**	2,135
Share premium account		
Beginning balance	**388**	388
Ending balance	**388**	388
Preferred shares		
Beginning balance	**300**	300
Conversion of preferred shares to debt instruments	**(300)**	–
Ending balance	**–**	300
Other equity instruments		
Beginning balance	**8,300**	5,800
Additional Tier 1 notes issued	**–**	2,500
Ending balance	**8,300**	8,300
Other reserves		
Beginning balance	**183**	183
Ending balance	**183**	183
Profit and loss account		
Beginning balance	**27,851**	28,319
Profit for the financial period	**2,493**	2,403
Interim dividends paid	**(1,000)**	(2,500)
Preferred dividend paid	**(13)**	(17)
Interest on Additional Tier 1 notes, net of tax	**(542)**	(367)
Share-based payments	**452**	405
Management recharge related to share-based payments	**(452)**	(405)
Ending balance	**28,789**	27,851
Accumulated other comprehensive income		
Beginning balance	**123**	(314)
Other comprehensive income/(loss)	**(274)**	437
Ending balance	**(151)**	123
Non-controlling interests		
Beginning balance	**101**	73
Capital injection	**–**	21
Profit for the financial period	**16**	13
Other comprehensive income/(loss)	**–**	(6)
Ending balance	**117**	101
Total shareholder's funds	**$39,761**	$39,381

Notes to the Consolidated Financial Information

Note 1.

Summary of Significant Accounting Policies

Basis of Preparation

The non-statutory consolidated financial information of GSGUK has been prepared by the directors to support the consolidated Pillar 3 reporting of GSGUK.

The consolidated primary statements have been prepared on the going concern basis, under the historical cost convention (modified as explained in "Pension Arrangements" and "Financial Assets and Liabilities" below) and in line with the recognition and measurement requirements of EU-adopted International Financial Reporting Standards. These recognition and measurement requirements have been chosen to align with those followed by the company's principal subsidiaries which prepare financial statements under Financial Reporting Standard 101 (FRS 101). The accounting policies applied in respect of measurement and recognition are set out below.

The consolidated primary statements are presented in accordance with the formats of the Companies Act 2006. The directors have also prepared statutory financial statements for the standalone company, which will be delivered to the Registrar of Companies. These included an auditors' report which was unqualified and neither drew attention to any matters by way of emphasis nor contained a statement under either section 498(2) or section 498(3) of the Companies Act 2006.

Consolidation

The consolidated primary statements include the company and all of its subsidiaries. Acquisition accounting is used to consolidate subsidiaries acquired during the period. In accounting for subsidiaries the group fully consolidates their assets, liabilities and results for the period. All intercompany balances and transactions are eliminated from the consolidated primary statements. The accounting reference date of the company and certain subsidiary undertakings is November 30, with the exception of those subsidiaries which have different accounting reference dates, and which have been consolidated on the basis of interim financial statements for the period to November 30, 2019.

New Standards, Amendments and Interpretations

IFRS 16 'Leases'. In January 2016, the International Accounting Standards Board issued IFRS 16 'Leases' (IFRS 16), which replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease' and SIC-15 'Operating Leases – Incentives' for annual periods beginning on or after January 1, 2019 with early adoption permitted. In November 2017, the E.U. endorsed IFRS 16.

IFRS 16 requires that, for leases that are not short-term and for low value assets, a lessee recognise on the balance sheet a right-of-use asset, representing the right to use the underlying asset for the lease term, and a lease liability, representing the liability to make lease payments. It also requires that a lessee recognises interest on the lease liability and depreciation on the right-of-use asset in the profit and loss account.

The group adopted this standard from December 1, 2019. Adoption of this standard did not have a material impact on the group's balance sheet or comprehensive income.

Accounting Policies

Revenue Recognition. Net revenues include the net profit arising from transactions, with both third parties and affiliates, in derivatives, securities and other financial instruments, and fees and commissions. This is inclusive of associated interest and dividends. Net revenues have been disclosed instead of turnover as this reflects more meaningfully the nature and results of the group's activities.

Financial Assets and Liabilities Measured at Fair Value Through Profit or Loss

Financial assets and liabilities measured at fair value through profit or loss are recognised at fair value with realised and unrealised gains and losses as well as associated interest and dividend income and expenses included in net revenues, with the exception of debt valuation adjustments (DVA), which is recognised in other comprehensive income, unless this would create or enlarge an accounting mismatch in profit or loss. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. The group measures certain financial assets and liabilities as a portfolio (i.e., based on its net exposure to market and/or credit risks).

Unrealised gains and losses related to the change in fair value of financial assets and liabilities measured at fair value through profit or loss are recognised from trade date in net revenues or other comprehensive income in the case of DVA.

In applying the provisions of IFRS 9 ‘Financial Instruments’ (IFRS 9) relating to DVA, the group is departing from the requirements of paragraph 40 of Schedule 1 of SI 2008/410 relating to recognising the changes in the fair value of financial instruments in the profit or loss account. The directors consider this departure is necessary in order for the accounts to give a true and fair view.

Revenue from Contracts with Clients

Revenues earned from contracts with clients for services such as investment banking, investment management, and execution and clearing (contracts with clients) are recognised when the performance obligations related to the underlying transactions are completed.

If the group is principal to the transaction, the group recognises revenue on contracts with clients, gross of expenses incurred to satisfy some or all of its performance obligations. The group is principal to the transaction if it has the primary obligation to provide the service to the client. The group satisfies the performance obligation by itself, or by engaging other GS Group entities to satisfy some or all of its performance obligations on its behalf. Such revenue is recognised in net revenues and expenses incurred are recognised in administrative expenses.

Net revenues are recognised as follows:

Investment Banking

Fees from financial advisory and underwriting engagements are recognised in profit and loss when the services related to the underlying transactions are completed under the terms of the engagement.

Investment Management

Management fees are recognised on an accrual basis and are generally calculated as a percentage of a fund or a separately managed account’s average net asset value. All management fees are recognised over the period that the related service is provided.

Incentive fees are calculated as a percentage of a fund’s return or a percentage of a fund’s excess return above a specified benchmark or other performance target.

Commissions and Fees

Revenue from commissions and fees from executing and clearing client transactions on stock, options and futures markets, as well as OTC transactions is recognised in net revenues on the day the trade is executed. The group also provides third-party research services to clients in connection with soft-dollar arrangements.

Operating Leases. The group has entered into operating lease arrangements as the lessee. Leased assets are not recognised in the balance sheet. Costs in respect of operating leases, adjusted for any incentives granted by the lessor, are charged on a straight-line basis over the lease term and included in administrative expenses.

Short-Term Employee Benefits. Short-term employee benefits, such as wages and salaries, are measured on an undiscounted basis and accrued as an expense over the period in which the employee renders the service to the group.

Provision is made for discretionary year-end compensation whether to be paid in cash or share-based awards where, as a result of group policy and past practice, a constructive obligation exists at the balance sheet date.

Share-Based Payments. Group Inc. issues awards in the form of restricted stock units (RSUs) and stock options to the group’s employees in exchange for employee services. Awards are classified as equity settled and hence the cost of share-based transactions with employees is measured based on the grant-date fair value of the award. Share-based awards that do not require future service (i.e., vested awards, including awards granted to retirement eligible employees) are expensed immediately. Share-based awards that require future service are amortised over the relevant service period. Expected forfeitures are included in determining share-based employee compensation expense.

Group Inc. generally issues new shares of common stock upon delivery of share-based awards. Cash dividend equivalents, unless prohibited by regulation, are generally paid on outstanding RSUs. The group has also entered into a chargeback agreement with Group Inc. under which it is committed to pay the grant-date fair value as well as subsequent movements in the fair value of those awards to Group Inc. at the time of delivery to its employees. As a result, the share-based payment transaction and chargeback agreement creates a total charge to the consolidated profit and loss account based on the grant-date fair value of the awards adjusted for subsequent movements in the fair value of those awards prior to delivery.

Dividends. Final equity dividends are recognised as a liability and deducted from equity in the period in which the dividends are approved by the group's shareholder. Interim equity dividends are recognised and deducted from equity when paid.

Pension Arrangements. The group is a sponsor of a defined contribution pension plan, and a hybrid pension plan for the benefit of certain employees. The hybrid pension plan has both a defined benefit section (the Plan) and a defined contribution section. These are accounted for as follows:

- For the defined contribution pension plan and the defined contribution section of the hybrid pension plan, the contributions payable for the period are charged to operating profit. Differences between contributions payable for the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.
- For the Plan, the amounts charged to operating profit are any past service costs, administration costs and any gains or losses on settlements and curtailments. These amounts are included in direct costs of employment. The net interest is included in net finance income. Actuarial gains and losses are recognised immediately in other comprehensive income. Plan assets are measured at fair value and Plan liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the Plan liabilities. Full actuarial valuations are obtained at least triennially and updated at each balance sheet date. Any surplus or deficit of Plan assets over Plan liabilities is recognised in the balance sheet as an asset (surplus) or liability (deficit).

Intangible Fixed Assets. Intangible fixed assets are stated at cost less accumulated amortisation and provision for impairment. Subject to the recognition criteria in IAS 38 'Intangible Assets' being met, costs incurred during the period that are directly attributable to the development or improvement of new business application software are capitalised as assets in the course of construction. Assets in the course of construction are transferred to computer software once completed and ready for their intended use.

Computer software is amortised on a straight-line basis over its estimated useful life, which is three years. No amortisation is charged on assets in the course of construction. Amortisation is included in administrative expenses and the amortisation policies are reviewed on an annual basis.

Intangible fixed assets are tested for impairment whenever events or changes in circumstances suggest that an asset's or asset group's carrying value may not be fully recoverable.

Tangible Fixed Assets. Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment. Fixtures, fittings and equipment are depreciated on a straight-line basis over their estimated useful lives, which is between 3 to 7 years. Depreciation is included in administrative expenses.

Leasehold improvements are depreciated over the shorter of the useful economic life of the asset or the remaining life of the lease when the asset is brought into use. Depreciation policies are reviewed on an annual basis.

Current Asset Investments. Investments in associate undertakings and joint ventures are recorded at fair value in line with IFRS 9, as permitted by IAS 28 'Investments in Associates and Joint Ventures'. Other investments consist of public and private equity investments not held for trading and are recognised as financial assets mandatorily at fair value through profit or loss. They are measured in the balance sheet at fair value and all subsequent gains or losses are recognised in the consolidated profit and loss account.

Cash at Bank and In Hand. This includes cash at bank and in hand and highly liquid overnight deposits held in the ordinary course of business.

Foreign Currencies. The group's financial information is presented in U.S. dollars, which is also the group's functional currency.

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

The results of subsidiaries with non-U.S. dollar functional currencies are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising from the retranslation of the opening net assets and results are reported in the consolidated statement of comprehensive income.

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

Financial Assets and Liabilities.

Recognition and Derecognition

Financial assets and liabilities, other than cash instruments purchased or sold in regular way transactions, are recognised when the group 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 group transfers the financial asset and the transfer qualifies for derecognition. A transferred financial asset qualifies for derecognition if the group transfers substantially all the risks and rewards of ownership of the financial asset or if the group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but does not retain control. Financial liabilities are derecognised only when they are extinguished, i.e., when the obligation specified in the contract is discharged or cancelled or expires.

Cash instruments purchased or sold in regular way transactions are recognised and derecognised using settlement date accounting.

Classification and Measurement: Financial Assets

The group classifies financial assets as subsequently measured at amortised cost or fair value through profit or loss on the basis of both the group's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. The business model reflects how the group manages particular groups of assets in order to generate future cash flows. Where the group's business model is to hold the assets to collect contractual cash flows, the group subsequently assesses whether the financial assets' cash flows represent solely payments of principal and interest. Financial assets with embedded derivatives (hybrid instruments) that are not bifurcated from their host are also subject to the same assessment.

- **Financial assets measured at amortised cost.** Financial assets that are held for the collection of contractual cash flows and have cash flows that represent solely payments of principal and interest are generally measured at amortised cost. The group considers whether the cash flows represent basic lending arrangements, and where contractual terms introduce exposure to risk or volatility inconsistent with a basic lending arrangement, the financial asset is mandatorily measured at fair value through profit or loss (see below).

  Financial assets measured at amortised cost are initially measured at fair value plus transaction costs and subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the group estimates cash flows considering all contractual terms of the financial asset but does not consider future credit losses. Finance revenue is recorded in net revenues. Financial assets measured at amortised cost include:

  - Certain collateralised agreements, which consists of certain resale agreements and substantially all securities borrowed;
  - Substantially all debtors; and
  - Cash at bank and in hand.

- **Financial assets mandatorily measured at fair value through profit or loss.** Financial assets that are not held for the collection of contractual cash flows and/or do not have cash flows that represent solely payments of principal and interest are mandatorily measured at fair value through profit or loss. Financial assets mandatorily measured at fair value are initially measured at fair value with transaction costs expensed in profit or loss. Such financial assets are subsequently measured at fair value with gains or losses recognised in net revenues. Financial assets mandatorily measured at fair value include:

  - Financial instruments owned, which consists of cash instruments and derivative instruments;
  - Certain collateralised agreements, which consists of substantially all resale agreements and certain securities borrowed;
  - Certain debtors, which consists of transfers of assets accounted for as secured loans rather than purchases, and prepaid commodity contracts; and

- Certain balances related to lending activities included in debtors.

Classification and Measurement: Financial Liabilities

The group classifies its financial liabilities into the below categories based on the purpose for which they were acquired or originated.

- **Financial liabilities held for trading.** Financial liabilities held for trading are initially measured at fair value and subsequently at fair value through profit or loss, with gains or losses recognised in net revenues. Financial liabilities held for trading include financial instruments sold, but not yet purchased, which consists of:

  - Cash instruments; and

  - Derivative instruments.

- **Financial liabilities designated at fair value through profit or loss.** The group designates certain financial liabilities at fair value through profit or loss. Financial liabilities designated at fair value through profit or loss are initially measured at fair value and subsequently at fair value through profit or loss, with DVA being recognised in other comprehensive income, if it does not create or enlarge an accounting mismatch, and the remaining changes in the fair value being recognised in net revenues. Amounts recognised in other comprehensive income attributable to own credit spreads are not subsequently transferred to profit or loss, even upon derecognition of the financial liability. The primary reasons for designating such financial liabilities at fair value through profit or loss are:

  - To eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; and

  - The group of financial liabilities, or financial assets and liabilities, is managed and its performance evaluated on a fair value basis.

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

  - Substantially all repurchase agreements;

  - Securities loaned within FICC Client Execution;

  - Secured debt securities issued, intercompany loans with GS Group affiliates and other borrowings, which consist of hybrid financial instruments and transfers of assets accounted for as financings rather than sales;

  - Certain balances related to deposit-taking activities included in other creditors;

  - Certain unsecured debt securities issued and other borrowings, which consist of hybrid financial instruments; and

  - Certain other creditors, which consist of certain intercompany loans with GS Group affiliates, and prepaid commodity contracts.

  Hybrid financial instruments are instruments that contain bifurcatable embedded derivatives. If the group elects to bifurcate the embedded derivative from the associated debt, the derivative is accounted for at fair value and the host contract is accounted for at amortised cost, adjusted for the effective portion of any fair value hedges. If the group does not elect to bifurcate, the entire hybrid financial instrument is designated at fair value through profit or loss.

- **Financial liabilities measured at amortised cost.** Financial liabilities measured at amortised cost are initially measured at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method. See “Financial assets measured at amortised cost” above for further information on the effective interest method. Finance costs, including discounts allowed on issue, are recorded in net revenues with the exception of interest on long-term subordinated loans, which is recorded in interest payable and similar expenses. Financial liabilities measured at amortised cost include:

  - Certain repurchase agreements and substantially all securities loaned; and

  - Certain other creditors that have not been designated at fair value through profit or loss.

Impairment

The group assesses the expected credit losses associated with financial assets measured at amortised cost on a forward-looking basis in accordance with the provisions of IFRS 9. The measurement of expected credit losses reflects an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. Expected credit losses are recorded in net revenues.

The group's impairment model is based on changes in credit quality since initial recognition of financial assets measured at amortised cost and incorporates the following three stages:

- **Stage 1.** Financial assets measured at amortised cost that are not credit-impaired on initial recognition and there has been no significant increase in credit risk since initial recognition. The ECL is measured at an amount equal to the expected credit losses that result from default events possible within the next twelve months.

- **Stage 2.** Financial assets measured at amortised cost where there has been a significant increase in credit risk since initial recognition, however not yet deemed to be credit-impaired. The ECL is measured based on expected credit losses on a lifetime basis.

- **Stage 3.** Financial assets measured at amortised cost that are in default, or are defined as credit-impaired. The ECL is measured based on expected credit losses on a lifetime basis.

Determination of the relevant staging for each financial asset is dependent on the definition of 'significant increase in credit risk' (stage 1 to stage 2) and the definition of 'credit-impaired' (stage 3).

The group considers a financial asset to have experienced a significant increase in credit risk when certain quantitative or qualitative conditions are met. Quantitative thresholds include absolute probability of default thresholds on investment-grade financial assets and relative probability of default thresholds on non-investment grade financial assets. Qualitative review is also performed as part of the group's credit risk management process, including a back-stop consideration of 30 days past due. The group considers a financial asset to be credit-impaired when it meets Credit Risk's definition of default, which is either when the group considers that the obligor is unlikely to pay its credit obligations to GS Group in full, without recourse by the group to actions such as realising security (if held), or the obligor has defaulted on a payment and/or is past due more than 90 days.

The ECL is determined by projecting the probability of default, loss given default and exposure at default for each individual exposure. To calculate expected credit losses these three components are multiplied together and discounted back to the reporting date. The discount rate used in the ECL calculation is the original effective interest rate. The probability of default represents the likelihood of a borrower defaulting on its financial obligation. The loss given default is the group's expectation of the extent of loss on the default exposure, and takes into consideration amongst other things, collateral on the financial asset. The exposure at default is the amount the group expects to be owed at the time the financial obligation defaults.

The group uses internal credit risk ratings that reflect the assessment of the probability of default of individual counterparties. The group uses multiple macroeconomic scenarios within the ECL calculation, the weightings for which are subject to ongoing internal review and approval.

Forward-looking information, such as key economic variables impacting credit risk and expected credit losses, is incorporated into both the assessment of staging and the calculation of ECL.

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

The group writes off financial assets, in whole or in part, when it has concluded that there is no reasonable expectation of recovery. When a financial asset is deemed to be uncollectable, the group concludes this to be an indicator that there is no reasonable expectation of recovery. The group still seeks to recover amounts it is legally owed in full, but which have been wholly or partially written off due to no reasonable expectation of full recovery.

Classification of Financial Liabilities and Equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements. A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity. An equity investment is any contract that evidences a residual interest in the assets of the entity after deducting all liabilities. Instruments are evaluated to determine if they contain both liability and equity components. The initial carrying amount of a compound financial instrument is allocated first to the liability component, measured at fair value, and the equity is assigned the residual amount.

Offsetting Financial Assets and Liabilities

Financial assets and liabilities are offset and the net amount presented in the balance sheet where there is:

- Currently a legally enforceable right to set-off the recognised amounts; and

- Intent to settle on a net basis or to realise the asset and settle the liability simultaneously.

Where these conditions are not met, financial assets and liabilities are presented on a gross basis in the balance sheet.

Fair Value Hedges

The group applies hedge accounting under IAS 39 'Financial Instruments: Recognition and Measurement' for certain interest rate swaps used to manage the interest rate exposure of certain fixed-rate unsecured long-term and short-term borrowings, and certain fixed-rate customer deposits. To qualify for hedge accounting, the derivative hedge must be highly effective at reducing the risk from the exposure being hedged. Additionally, the group must formally document the hedging relationship at inception and test the hedging relationship to ensure the derivative hedge continues to be highly effective over the life of the hedging relationship.

Collateralised Agreements and Collateralised Financings. Collateralised agreements include resale agreements, securities borrowed and other secured lending arrangements. Collateralised financings include repurchase agreements, securities loaned, secured debt securities issued and other borrowings. See "Classification and Measurement: Financial Assets" and "Classification and Measurement: Financial Liabilities" above for details on the classification and measurement of these instruments. Collateral received or posted can be in the form of cash or securities. Cash collateral is recognised/derecognised when received/paid. Collateral posted by the group in the form of securities is not derecognised from the balance sheet, whilst collateral received in the form of securities is not recognised in the balance sheet. If collateral received is subsequently sold, the obligation to return the collateral and the cash received are recognised on balance sheet.

Current and Deferred Taxation. The tax expense for the period consists of current and deferred taxation. Tax is recognised in the consolidated profit and loss account, except to the extent it relates to items recognised in other comprehensive income.

Current tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the group operates and generates taxable income. Deferred tax is recognised in respect of all temporary differences that have originated, but not reversed at the balance sheet date, where transactions or events have occurred at that date that will result in an obligation to pay more tax or a right to pay less tax in the future with the following exceptions:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

- Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in the consolidated profit and loss account or directly in other comprehensive income according to where the associated gain or loss, to which the deferred tax is attributable, is recognised.

Provisions. Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present (legal or constructive) obligation, which has arisen as a result of past events, and for which a reliable estimate can be made of the amount of the obligation. Legal obligations that may arise as a result of proposed new laws are recognised as obligations only when the legislation is virtually certain to be enacted as drafted.

Notes to the Consolidated Financial Information

Note 2.

Administrative Expenses

The table below presents the group's administrative expenses.

	Period Ended November	
$ in millions	**2019**	2018
Direct costs of employment	**$2,408**	$1,953
Brokerage, clearing, exchange and distribution fees	**957**	880
Market development	**101**	92
Communications and technology	**122**	112
Depreciation and amortisation	**117**	61
Occupancy	**228**	158
Professional fees	**197**	214
Management charges from/to GS Group undertakings	**890**	749
Other expenses	**1,371**	1,355
Total administrative expenses	**$6,391**	$5,574

In the table above:

- Other expenses primarily include expenses incurred to satisfy performance obligations where subsidiary undertakings within the group are principal to a transaction as required by IFRS 15, miscellaneous taxes, provisions for liabilities and charitable contributions.

- Management charges includes service charges relating to operational and administrative support and management services, received from and provided to GS Group undertakings.

Note 3.

Tax on Profit

The table below presents the group's analysis of tax on profit.

	Period Ended November	
$ in millions	**2019**	2018
Current tax		
U.K. taxation	**$399**	$481
Adjustments in respect of prior periods	**5**	36
Overseas taxation	**249**	184
Total current tax	**653**	701
Deferred tax		
Origination and reversal of temporary differences	**9**	185
Adjustments in respect of prior periods	**–**	1
Total deferred tax	**9**	186
Total tax on profit	**$662**	$887

The table below presents a reconciliation between tax on profit and the amount calculated by applying the weighted average rate of U.K. corporation tax applicable to the group for the period of 25.5% (2018: 26.5%) to the profit before taxation.

This weighted average rate includes the Bank Corporation Tax surcharge of 8% applicable to specific subsidiary undertakings within the group.

	Period Ended November	
$ in millions	**2019**	2018
Profit before taxation	**$3,171**	$3,303
Profit multiplied by U.K. corporate tax rate of 25.5% (period ended November 2018: 26.5%)	**809**	877
Changes in recognition and measurement of deferred tax assets	**17**	6
Permanent differences	**(109)**	(37)
Tax losses surrendered from GS Group undertakings for nil consideration	**(51)**	–
Effect of higher taxes on overseas earnings	**3**	4
Exchange differences and other	**(12)**	–
Adjustments in respect of prior periods	**5**	37
Total tax on profit	**$ 662**	$ 887

Note 4.

Financial Instruments Owned and Financial Instruments Sold, But Not Yet Purchased

Financial instruments owned and financial instruments sold, but not yet purchased comprise financial instruments and investments within the operating activities of the group. Financial instruments owned includes financial instruments owned pledged as collateral.

The table below presents the group's financial instruments owned.

	As of November	
$ in millions	**2019**	2018
Cash instruments		
Money market instruments	**$ 672**	**$ 428**
Government and agency obligations	**39,586**	**33,540**
Mortgage and other asset-backed loans and securities	**1,097**	**534**
Corporate debt instruments	**22,447**	**17,328**
Equity securities	**45,102**	**30,575**
Commodities	**158**	**218**
Total cash instruments	**109,062**	**82,623**
Derivative instruments		
Interest rates	**491,687**	**295,159**
Credit	**33,250**	**28,203**
Currencies	**89,246**	**111,419**
Commodities	**8,076**	**12,673**
Equities	**58,943**	**64,603**
Total derivative instruments	**681,202**	**512,057**
Total financial instruments owned	**$790,264**	**$594,680**

The table below presents the group's financial instruments sold, but not yet purchased.

	As of November	
$ in millions	**2019**	2018
Cash instruments		
Government and agency obligations	**$ 16,956**	$ 21,709
Corporate debt instruments	**3,884**	3,486
Equity securities	**23,291**	22,412
Commodities	**21**	2
Total cash instruments	**47,609**	47,609
Derivative instruments		
Interest rates	**481,962**	287,949
Credit	**31,321**	26,070
Currencies	**91,381**	111,826
Commodities	**7,858**	12,792
Equities	**57,833**	59,838
Total derivative instruments	**670,355**	498,475
Total financial instruments sold, but not yet purchased	**$714,507**	$546,084

Note 5.

Collateralised Agreements

The table below presents the group's collateralised agreements.

	As of November	
$ in millions	**2019**	2018
Resale agreements	**$ 77,701**	$131,628
Securities borrowed	**83,578**	77,053
Other lending	**1,441**	–
Total collateralised agreements	**$162,720**	$208,681

In the table above:

- Total collateralised agreements included amounts due from GS Group undertakings of $94.80 billion as of November 2019 and $129.30 billion as of November 2018.
- Total collateralised agreements included balances due in more than one year of $1.72 billion as of November 2019 and $739 million as of November 2018.

Note 6.

Debtors

The table below presents the group's debtors balances. All debtors are due within one year of the balance sheet date.

	As of November	
$ in millions	**2019**	2018
Amounts due from broker/dealers and customers	**$67,665**	$57,580
Amounts due from GS Group undertakings	**14,326**	12,488
Deferred tax	**355**	285
Other debtors	**139**	68
Prepayments and accrued income	**28**	33
Total debtors	**$82,513**	$70,454

In the table above, total debtors included financial assets of $82.05 billion as of November 2019 and $70.11 billion as of November 2018, and non-financial assets of $465 million as of November 2019 and $346 million as of November 2018.

Note 7.

Collateralised Financings

The table below presents the group's collateralised financings.

	As of November	
$ in millions	**2019**	2018
Amounts falling due within one year		
Repurchase agreements	**$ 31,167**	$ 62,383
Securities loaned	**66,373**	56,122
Debt securities issued	**3,020**	2,672
Other borrowings	**2,402**	2,501
Total	**$102,962**	$123,678
Amounts falling due after more than one year		
Repurchase agreements	**$ 1,835**	$ 4,570
Securities loaned	**–**	227
Debt securities issued	**518**	728
Other borrowings	**2,443**	3,179
Total	**$ 4,796**	$ 8,704
Total collateralised financings	**$107,758**	$132,382

In the table above:

- Repurchase agreements falling due after more than one year included instruments that are repayable in more than five years of $77 million as of November 2019 and $74 million as of November 2018, which had maturities falling due in 2030.
- Debt securities issued and other borrowings falling due after more than one year included instruments that are repayable in more than five years of $1.32 billion as of November 2019 and $1.76 billion as of November 2018. As of November 2019, these instruments have maturities falling due between 2025 and 2050. Payments on these instruments are typically referenced to underlying financial assets, which are predominately credit and equities-related.
- Total collateralised financings includes amounts due to GS Group undertakings of $64.28 billion as of November 2019 and $78.29 billion as of November 2018, of which $64.10 billion as of November 2019 and $77.46 billion as of November 2018 are due within one year.
- Debt securities issued and other borrowings are secured by securities which have been pledged as collateral. This pledged collateral is either recognised within "Financial instruments owned" or sourced through collateralised agreements.

Note 8.

Other Creditors

The table below presents the group's other creditors.

	As of November	
$ in millions	**2019**	2018
Amounts falling due within one year		
Unsecured borrowings	**$ 19,182**	$ 29,272
Amounts due to broker/dealers and customers	**62,693**	53,850
Amounts due to GS Group undertakings:		
Other unsecured creditors	**11,407**	13,377
Share-based compensation	**404**	418
Customer deposits	**36,930**	28,857
Corporation tax payable	**51**	138
Other taxes and social security costs	**318**	355
Other creditors and accruals	**1,095**	1,039
Total	**$132,080**	$127,306
Amounts falling due after more than one year		
Unsecured borrowings	**$ 68,227**	$ 60,349
Amounts due to GS Group undertakings:		
Preference shares issued	**2,300**	–
Share-based compensation	**719**	575
Customer deposits	**1,552**	2,520
Other creditors	**90**	59
Total	**$ 72,888**	$ 63,503
Total other creditors	**$204,968**	$190,809

In the table above:

- Unsecured borrowings falling due within one year included amounts due to GS Group undertakings of $11.42 billion as of November 2019 and $21.99 billion as of November 2018. Unsecured borrowings falling due after more than one year included amounts due to GS Group undertakings of $52.45 billion as of November 2019 and $42.01 billion as of November 2018.
- Amounts falling due within one year included financial liabilities of $131.68 billion as of November 2019 and $126.81 billion as of November 2018 and non-financial liabilities of $402 million as of November 2019 and $494 million as of November. All amounts falling due after more than one year are financial liabilities as of both November 2019 and November 2018.

Note 9.

Financial Assets and Liabilities

The table below presents the carrying value of the group's financial assets and financial by category:

	Financial Assets		
$ in millions	Mandatorily at fair value	Amortised cost	Total
As of November 2019			
Financial instruments owned	**$790,264**	**$ –**	**$790,264**
Collateralised agreements	**97,967**	**64,753**	**162,720**
Investments	**2,019**	**–**	**2,019**
Debtors	**1,437**	**80,611**	**82,048**
Cash at bank and in hand	**–**	**28,636**	**28,636**
Total financial assets	**$891,687**	**$174,000**	**$1,065,687**
As of November 2018			
Financial instruments owned	$594,680	$ –	$594,680
Collateralised agreements	152,115	56,566	208,681
Investments	1,811	–	1,811
Debtors	954	69,154	70,108
Cash at bank and in hand	–	32,097	32,097
Total financial assets	$749,560	$157,817	$907,377

	Financial Liabilities			
$ in millions	Held for trading	Designated at fair value	Amortised cost	Total
As of November 2019				
Amounts falling due within one year				
Financial instruments sold, but not yet purchased	**$714,507**	**$ –**	**$ –**	**$ 714,507**
Collateralised financings	**–**	**47,455**	**55,507**	**102,962**
Other creditors	**–**	**21,350**	**110,328**	**131,678**
Total	**$714,507**	**68,805**	**165,835**	**949,147**
Amounts falling due after more than one year				
Collateralised financings	**–**	**4,796**	**–**	**4,796**
Other creditors	**–**	**40,334**	**32,554**	**72,888**
Total	**–**	**45,130**	**32,554**	**77,684**
Total financial liabilities	**$714,507**	**$113,935**	**$198,389**	**$1,026,831**
As of November 2018				
Amounts falling due within one year				
Financial instruments sold, but not yet purchased	$546,020	$ 64	$ –	$546,084
Collateralised financings	–	79,703	43,975	123,678
Other creditors	–	24,402	102,410	126,812
Total	$546,020	104,169	146,385	796,574
Amounts falling due after more than one year				
Collateralised financings	–	8,704	–	8,704
Other creditors	–	44,062	19,441	63,503
Total	–	52,766	19,441	72,207
Total financial liabilities	$546,020	$156,935	$165,826	$868,781